

To Our Valued Investors and Analysts

KTF

FY01 3Q Earnings Release

October 2001

Contents

- **Financial Performance**
- Business Performance
- Wireless Data Performance
- New Services for Growth
- FY01 Business Plan
- Recent Issues

Income Statement

KTF+KTM simple summation (Unit: KRW mn)					
Description	3Q 2001 Amount	2Q2001 Amount	Change	3Q 2000 Amount	Change
Operating Income	272,335	146,140	86.4%	136,682	99.2%
1. PCS sector					
Sales	1,024,956	1,022,471	0.2%	781,734	31.1%
PCS	751,654	742,061	1.3%	558,539	34.6%
Interconnection	231,302	240,038	-3.6%	214,894	7.6%
Resale	32,731	31,319	4.5%	5,405	505.6%
Others	9,269	9,053	2.4%	2,896	220.1%
Cost and S&GA	761,286	878,590	-13.4%	645,442	17.9%
Cost	451,293	443,060	1.9%	376,884	19.7%
S&GA	309,993	435,530	-28.8%	268,558	15.4%
Net	263,670	143,881	83.3%	136,292	93.5%
2. Handset sector					
Sales	181,949	382,136	-52.4%	169,447	7.4%
Cost of handset sold	173,284	379,877	-54.4%	169,057	2.5%
Net	8,665	2,259	283.6%	390	2121.8%
II. Non-operating gain/loss					
1. Interest gain/loss	71,925	68,053	5.69%	46,524	54.60%
2. FX transaction/translation					
3. Other non-operating items	66,085	70,204	-5.87%	51,817	27.54%
	13,327	12,189	-209.34%	319	-4277.74%
	7,487	10,038	-174.59%	4,974	50.52%
VI. Ordinary income					
	200,410	78,086	156.65%	90,157	122.29%
VII. Extra-ordinary items					
				3,005	
VIII. Income before taxes					
	200,410	78,086	156.65%	93,162	115.12%
IX. Income tax					
	63,196	22,036	186.79%	28,414	122.41%
X. Net income					
	137,215	56,050	144.81%	64,748	111.92%

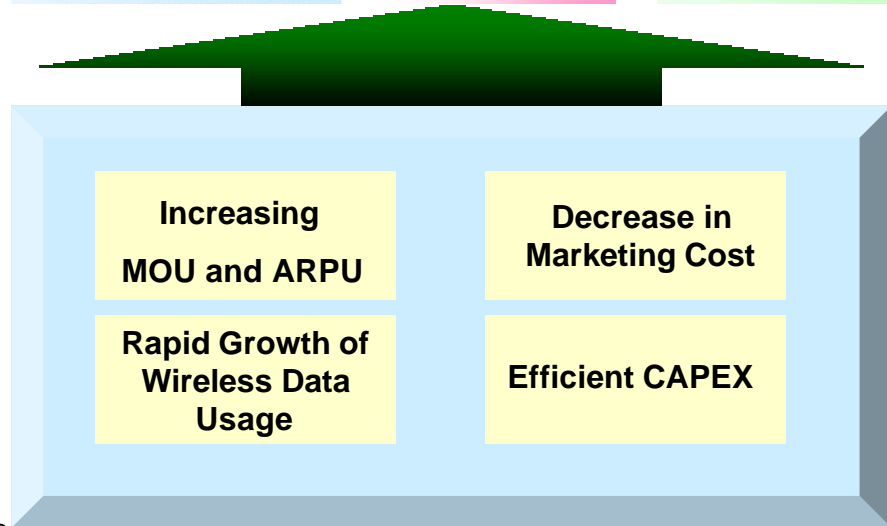
This is a simple summations of KTF and KTM FS, and not audited nor reviewed by external auditor.

PCS sector rev. Sales increase by 31% compared to previous year.

EBITDA margin 43% EBITDA margin in 3Q, compared to 29% in 2Q

Criteria	3Q-2001	3Q-2000
PCS sector rev.	1,025	782
Operating Income	272	137
EBITDA	436	254
Net Income	137	65

(Unit : KRWbn)



Balance Sheet

KTF as of September 30, 2001

(Unit : KRW mn)

Assets	6,749,394	Liabilities	5,000,030
Current	1,686,430	Short-term	2,766,415
		Long-term	2,233,615
Quick Asset	1,609,084		
Inventories	77,346		
Non-current	5,062,964	Shareholders' equity	1,749,364
		Capital Stock	911,033
Investment	636,696	Capital Surplus	1,042,197
Tangible Asset	4,417,143	Retained Earnings	171,924
Intangible Asset	9,125	Capital Adjustment	31,942

Financial Ratios

De s	3Q - 01	2Q - 01
Debt-Equity	286%	318%
Net Debt-Equity	282%	313%
Interest coverage	3.86	1.86
EBITDA interest coverage	6.19	3.75
ROA	8%	3%
ROE	33%	14%
EBITDAmargin	43%	29%
EPS(Quarter)	756.49	309.01

With Net Cash Inflow from September,
Debt ratios will be continuously improved.

Interest-Bearing Debt → 3,943 bn (Current portion 1,736bn)

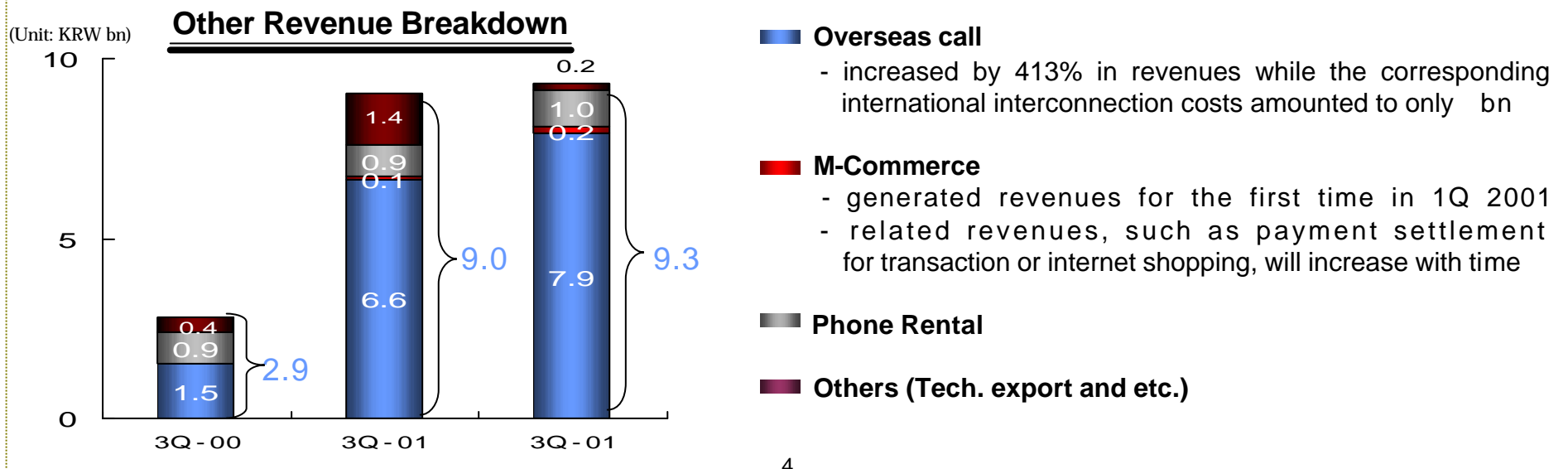
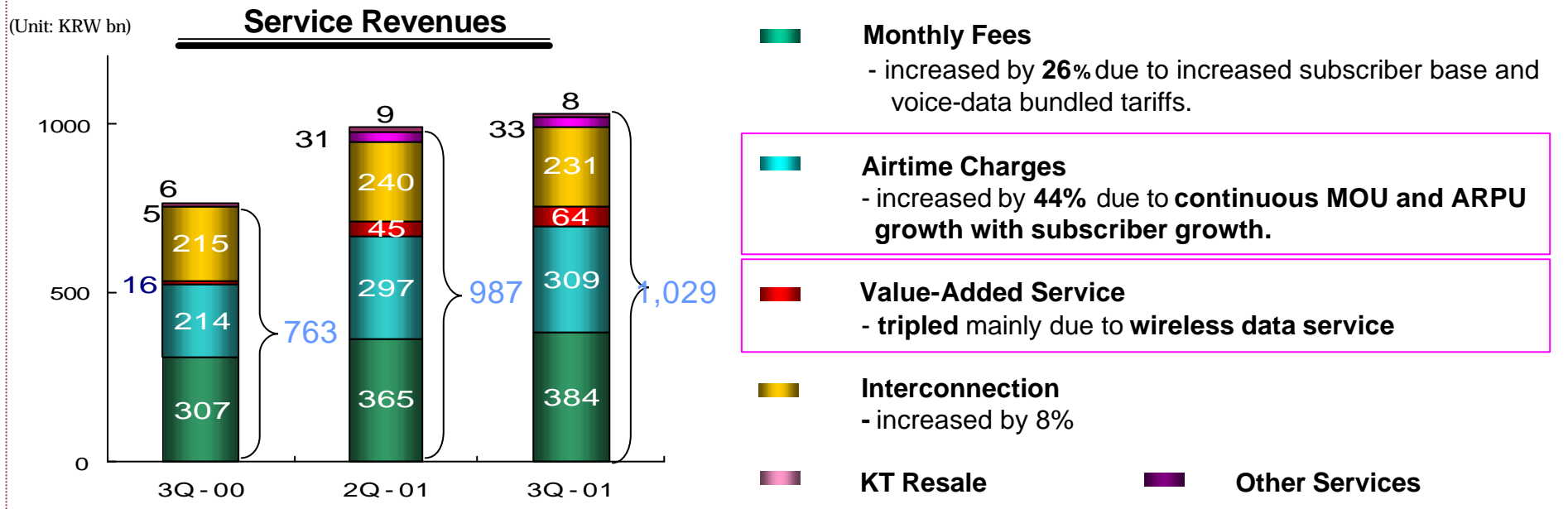
Net Debt → 3,878 bn

Foreign Currency Debt → 184bn(\$127bn) + 258bn(JPY23.6bn)

* ROA & ROE is adjusted for a full year. (X4)

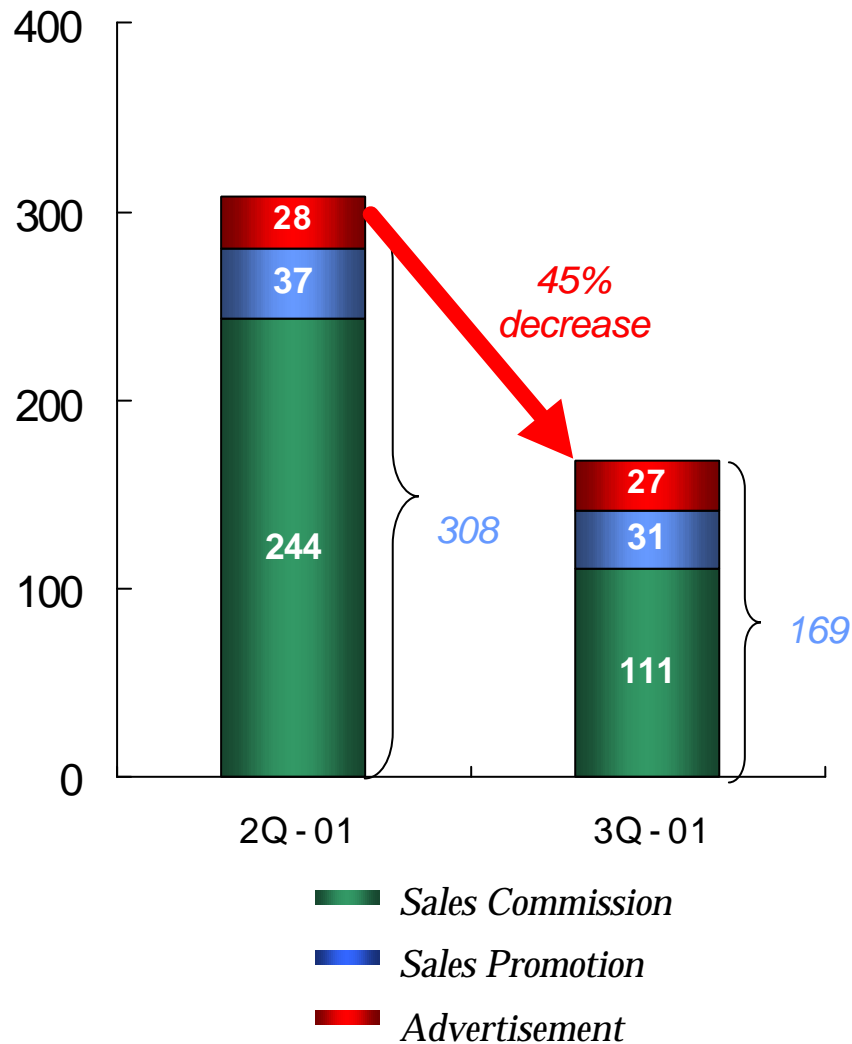
Revenue Growth * Handset sales are excluded.

• Activation fees and discount are excluded because it is quite different from MOU or ARPU trend.



Marketing Cost

(Unit: KRW bn)



*In 2Q-01 : Aggressive marketing to utilize
FTC's regulation on SKT's
market share*

*In 3Q-01 : Profitability-oriented management
enhancing current advantages.*

Ban on handset subsidy

Improved call quality

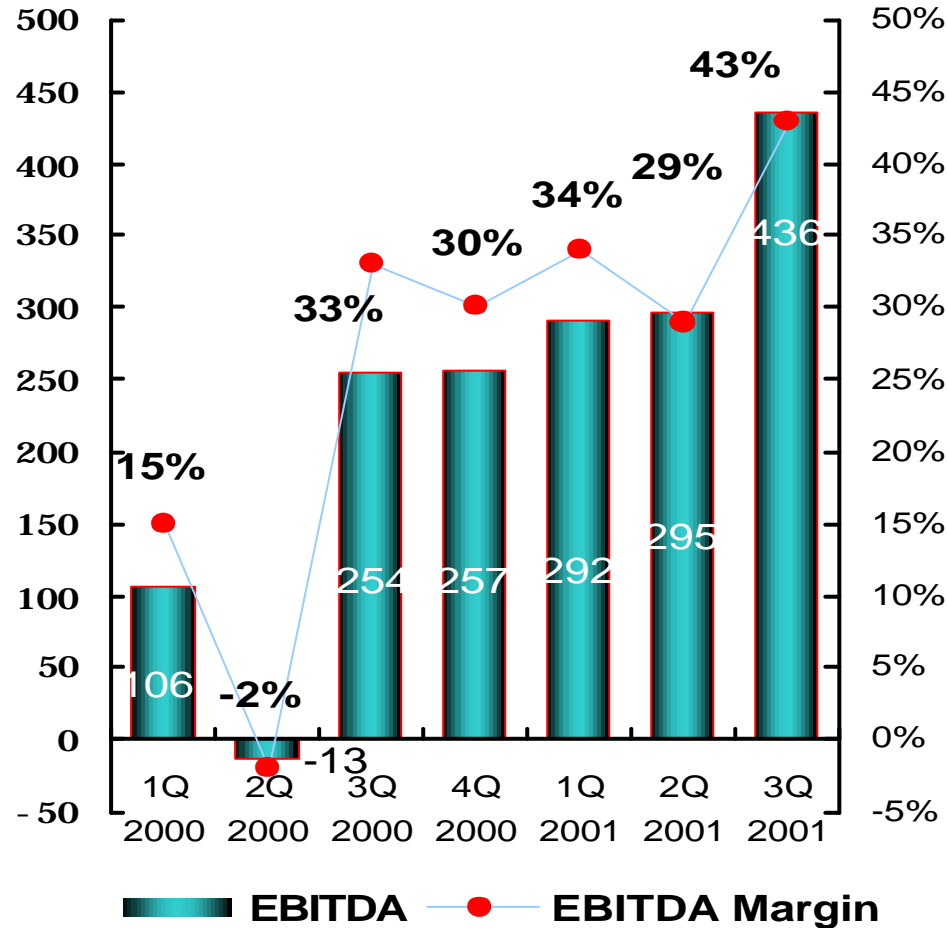
Increased brand power

Strong data services

*Attractive voice-data
bundled tariff*

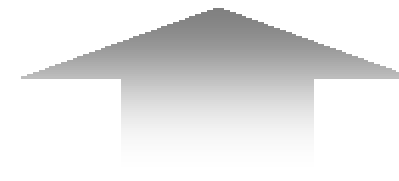
Profitability (EBITDA)

(Unit: KRW bn)



Note) EBITDA = Operating income + D&A - Difference between Handset sales and cost
 EBITDA margin = EBITDA / (PCS sales + Other sales)

EBITDA increased by 142bn compared to 2Q-01, with 14%p more margin.



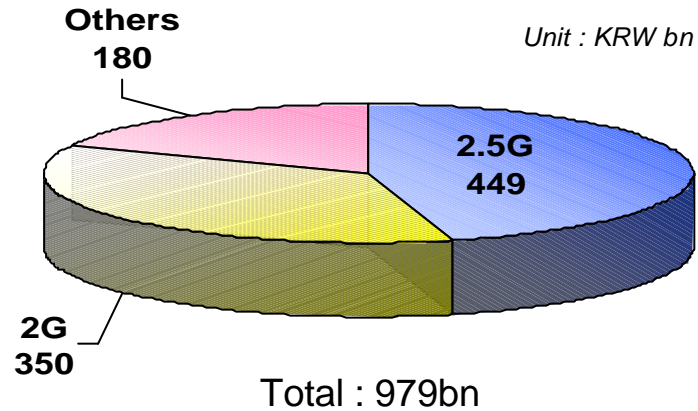
Decrease of Marketing cost

Continuously Increasing Voice revenue

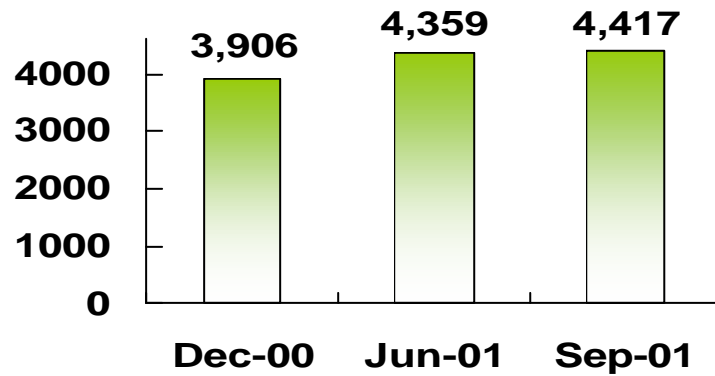
Explosive growth in Wireless data revenue

Capital Expenditure

2001 Capex (till Sept.)



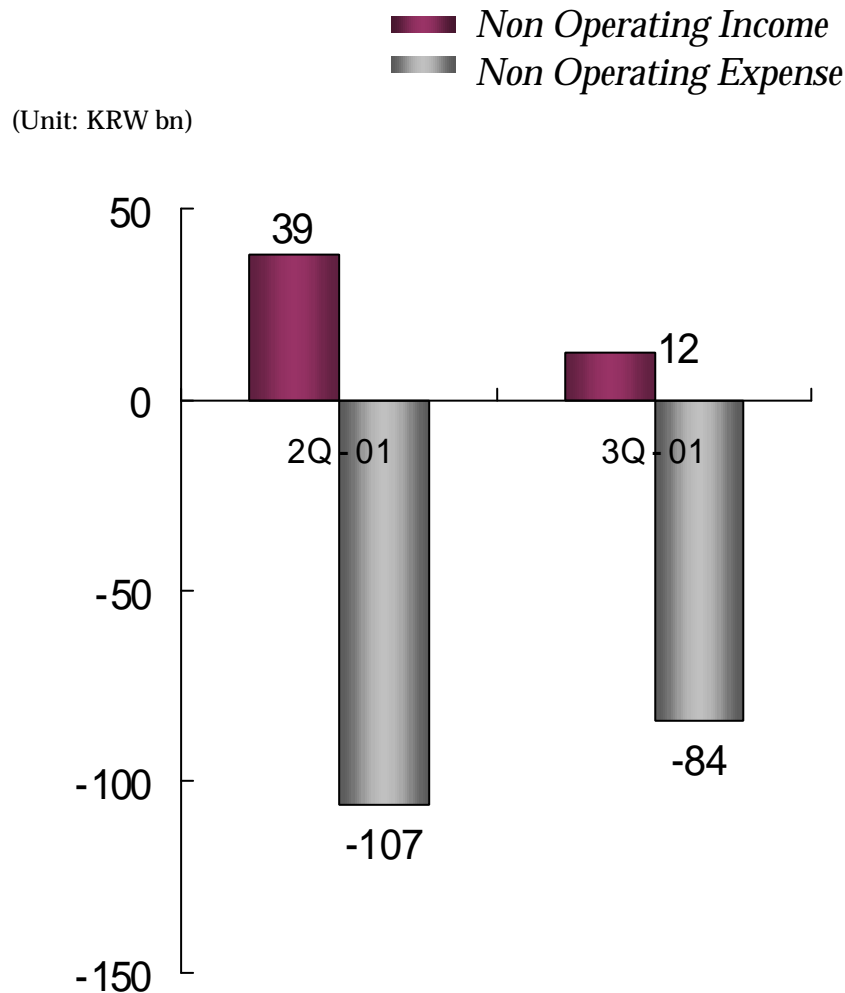
Tangible Assets



2001 Capex Plan

Capex	Y 2001
2G	417
2.5G	493
Network sub total	910
R/D	17
Multimedia	39
BIZ	13
IT	60
Marketing	61
Others sub total	190
Total	1,100

Non Operating Income/Expense



• Non Operating Income

- Interest income was KRW 4.5bn in 3Q-01 a significant decrease over that of KRW 8.5bn in 2Q-01. It was caused by decrease of accumulated cash in 2Q which was used in paying debt.

Non Operating Expense

- Interest expense was KRW 70.5bn in 3Q-01 decreasing 11% compared to 78.7bn in 2Q-00. Free cash-flow turn positive from Sept. 2001, and we are planning to pay old high interest rate debts without roll-over.
- Net FX translation/transaction loss was KRW 13.3bn in 3Q-01 compared to gain of 12.2 in 2Q-01.

Improved F/X rate

\ /\$= 1,309.1 as of Sept.

\ /\$=1,296.0 as of Oct 25.



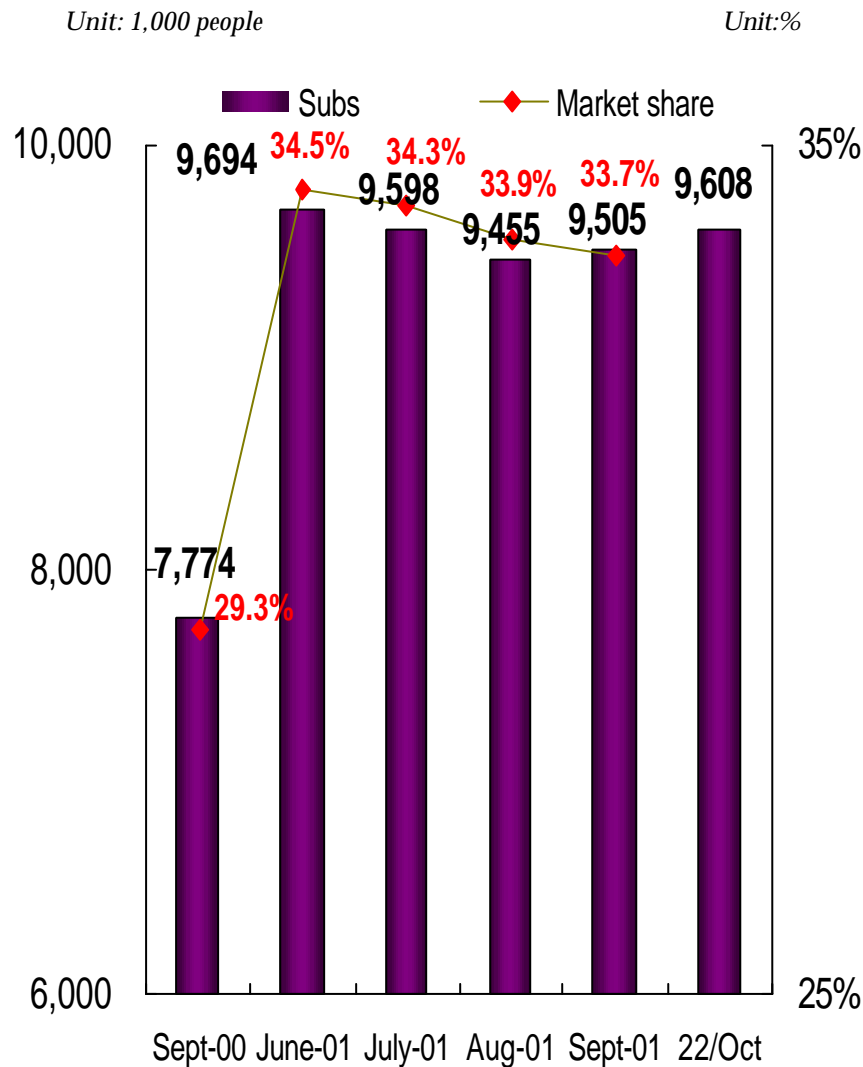
***F/X loss in 3Q
may be
recovered in 4Q***

Contents

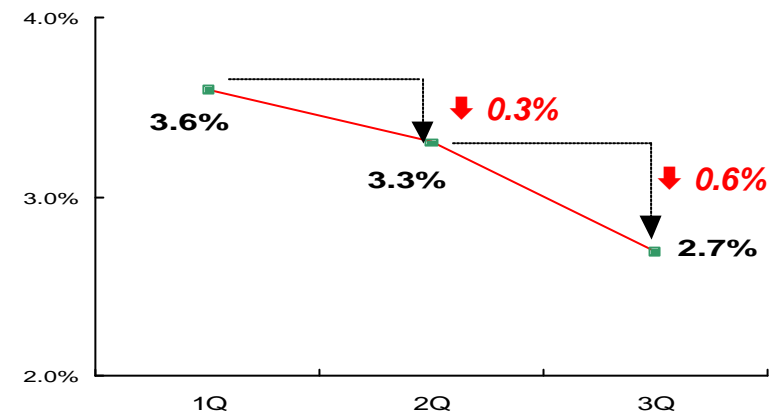
- Financial Performance
- **Business Performance**
- Wireless Data Performance
- New Services for Growth
- FY01 Business Plan
- Recent Issues

Subscribers and Market Share

Subscribers and Market Share Trend



Churn Trends



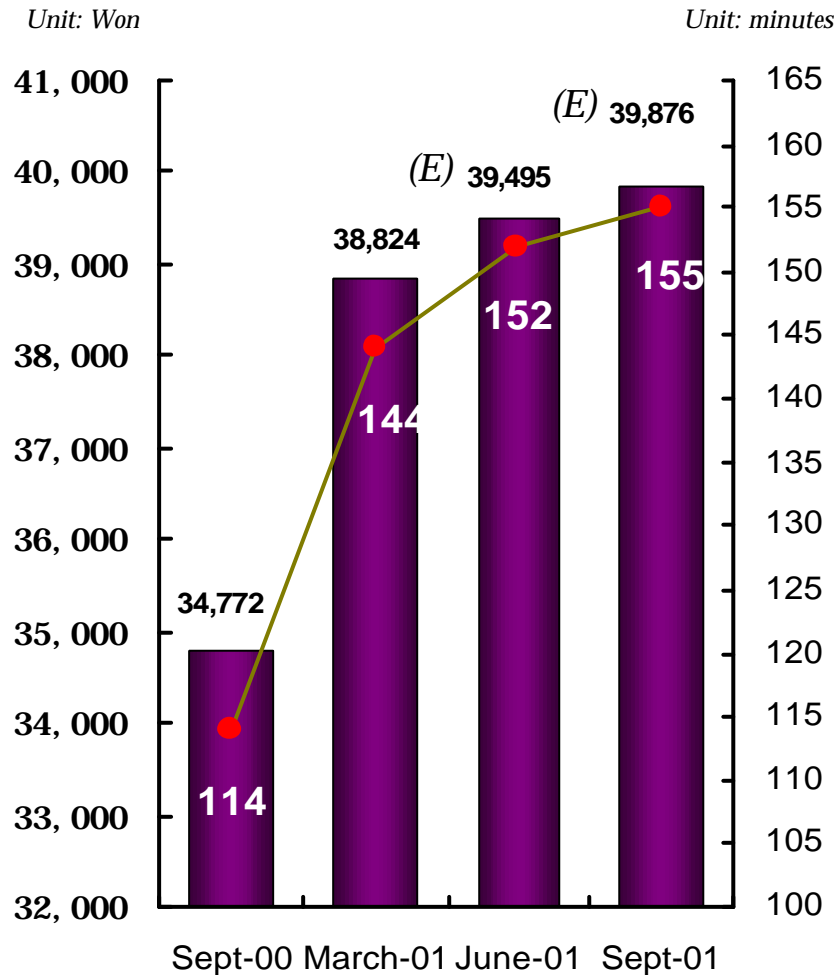
● Decrease in Subscribers from 2Q to 3Q

- 3Q marketing policy focused on profitability for 4Q 1X color handset-focused marketing policy
- In return, high profitability in 3Q compared to 1H
- Net additions from Sept.

● Ongoing Reduction in Churn Rate

- Drop of approximately 0.6% in churn rate from prior term
- Strengthening of customer loyalty and churn rate management through improved CRM

ARPU & MOU



- **MOU-Approximate growth of 36% from 3Q last year**
- **ARPU-Approximate growth of 15% from 3Q last year**

► **Reasons for increase in ARPU and MOU**

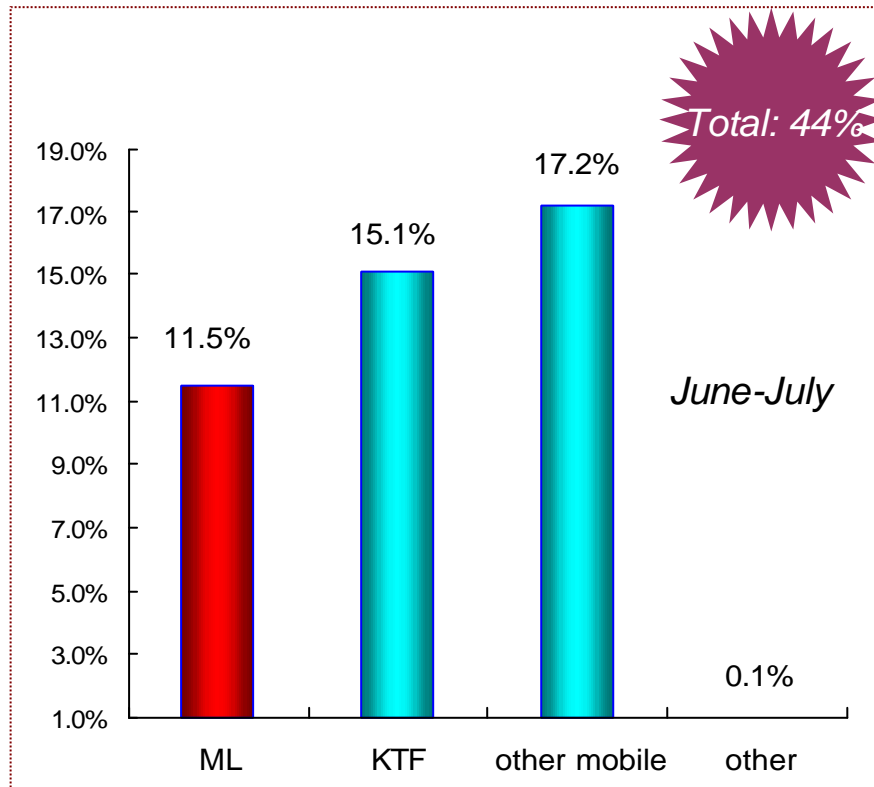
1. Improvement in subscriber quality
2. Activation of wireless data services
3. Advent of color handsets
4. Increase in subscription of combined products with high basic fee
5. Additional profit creation from M-commerce, Viz
6. Everyday usage of mobile services

► **Subscribers and ARPU are increasing together.**

■ ARPU-including LM&MM intercon. ● Outgoing MOU

Call Traffic Analysis

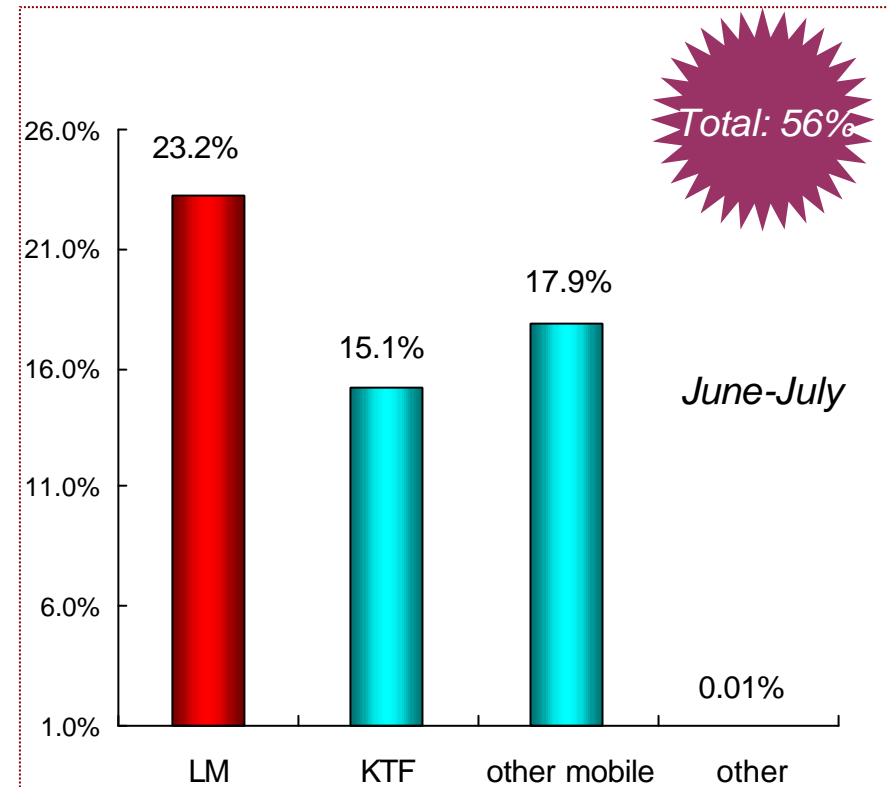
Outgoing



3Q Connection Fee Expense

- MM: 24 bn
- LM: 100 bn

Incoming



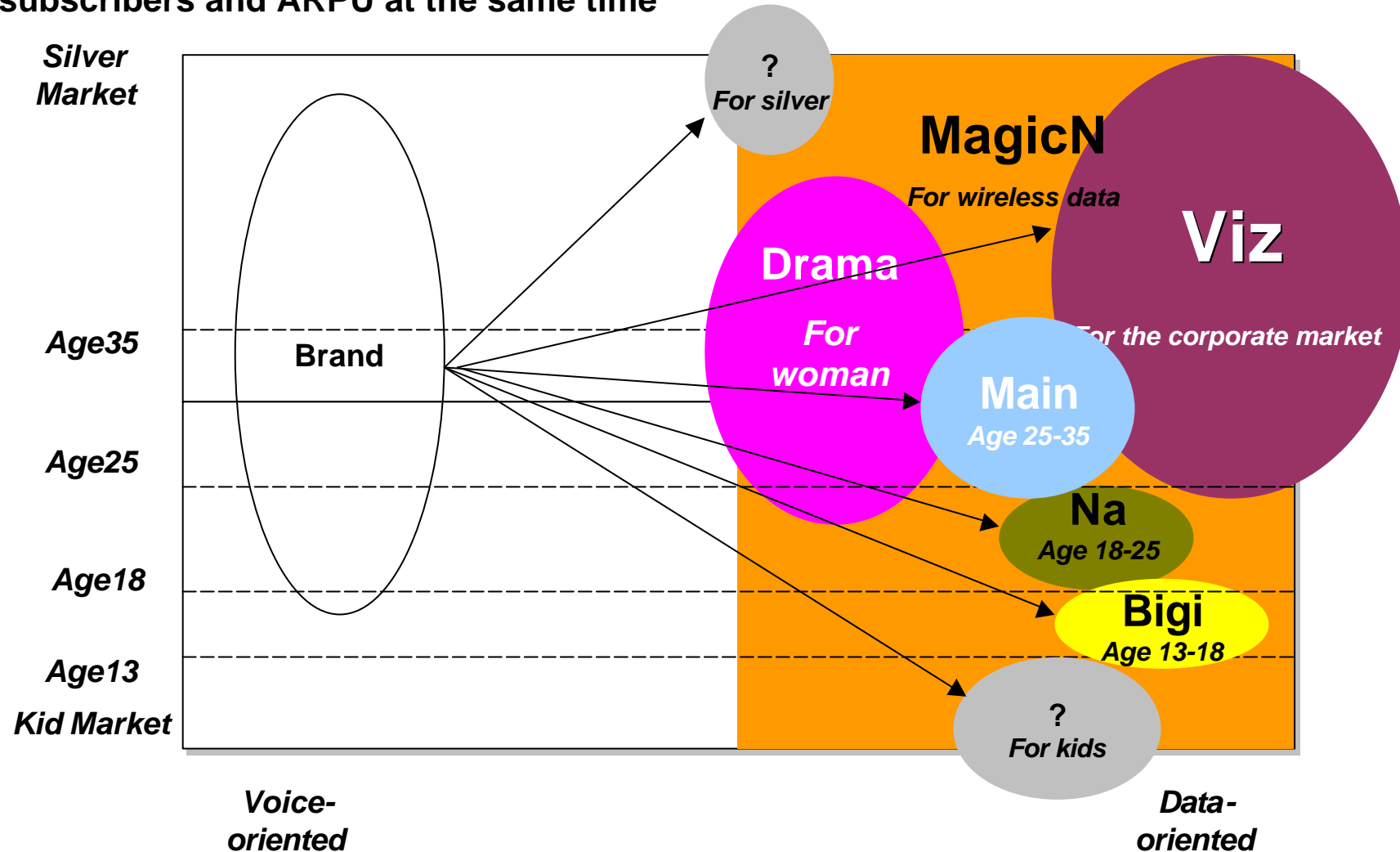
3Q Connection Fee Income

- LM: 173 bn
- MM: 104 bn

*Traffics among KTF network are reflected in incoming traffics as well

Innovative Market Segmentation Strategy

By satisfying the needs of subscribers in the target market through market segmentation strategy, KTF is securing customer loyalty and pursuing growth in subscribers and ARPU at the same time

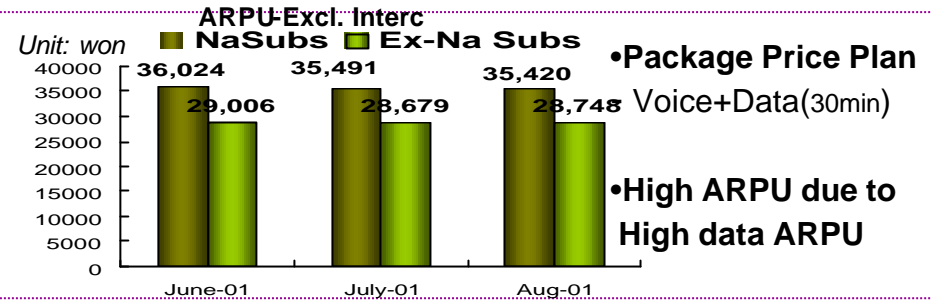
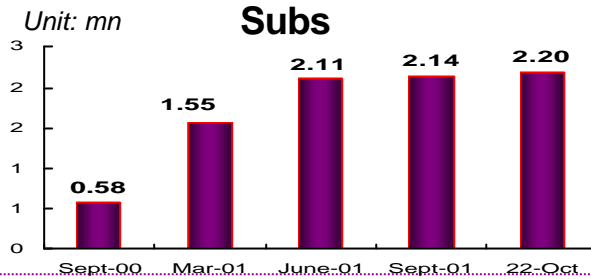


Segmented marketing Performance

Age18-25



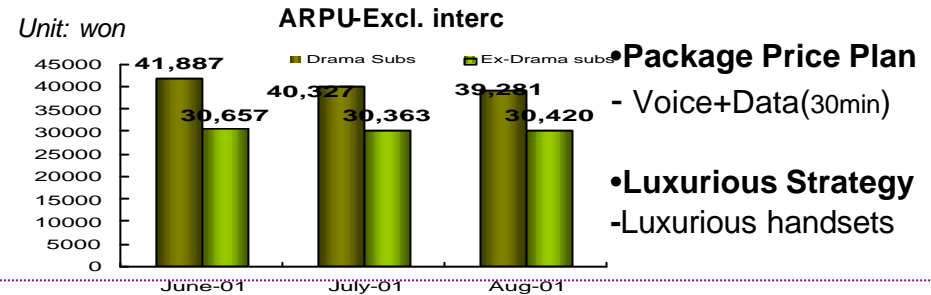
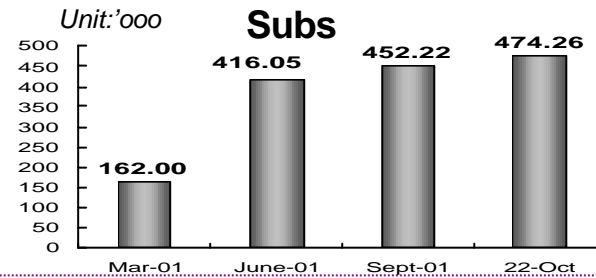
May 2000



For woman



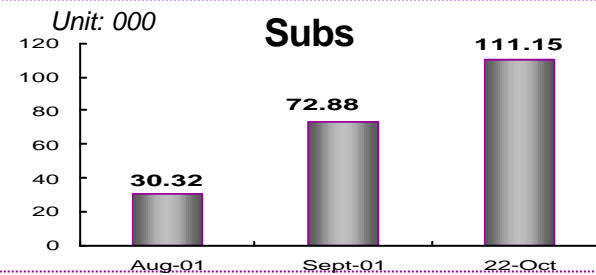
Dec 2000



Age13-18



Aug 2001

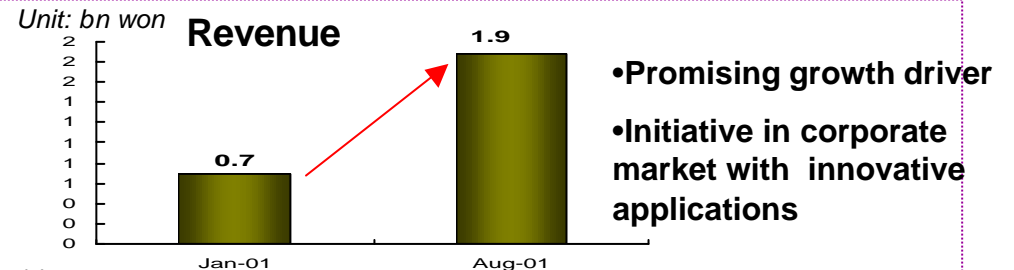
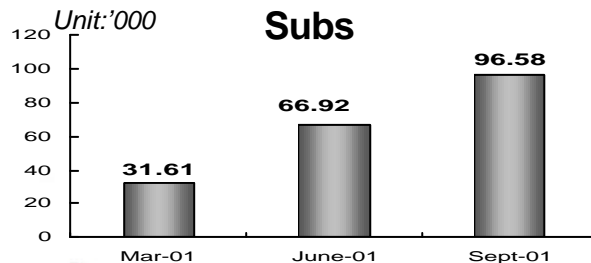


- Secure first-experience market
- Low penetration rate: approximately 30%(under 10's)
- Wireless data-oriented price plan

Corporate Market



Jan. 2001



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- Business Performance
- **Wireless Data Performance**
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Wireless Data Users

Highest Browser Handset Penetration Rate

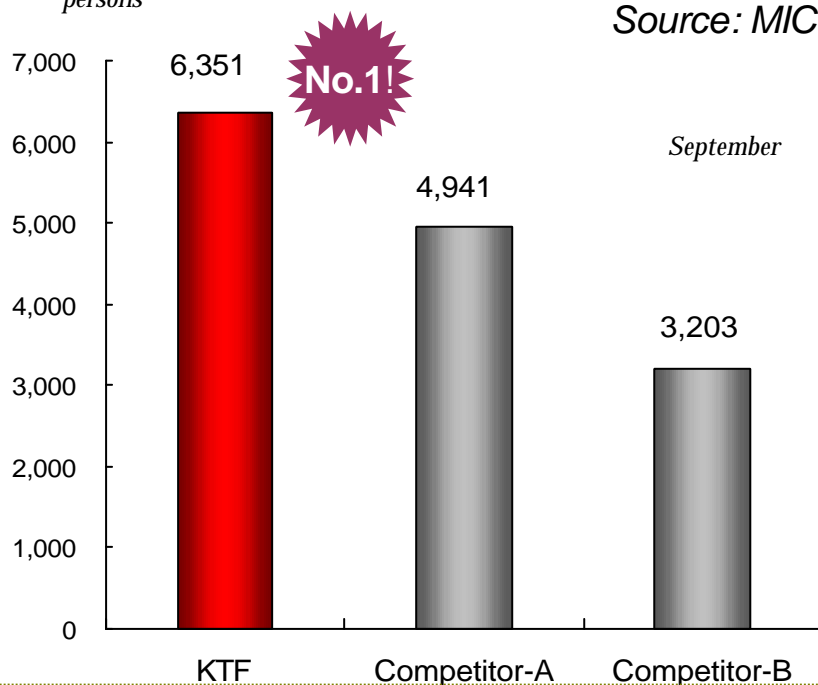
Reasons for high penetration compared to competitors:

First, compared to other competitors, there are more young subscribers who are familiar with wireless Internet and are early adopters of new services

Second, KTF began wireless Internet services before competitors

Third, wireless data focused marketing policy (e.g. voice+data combined product)

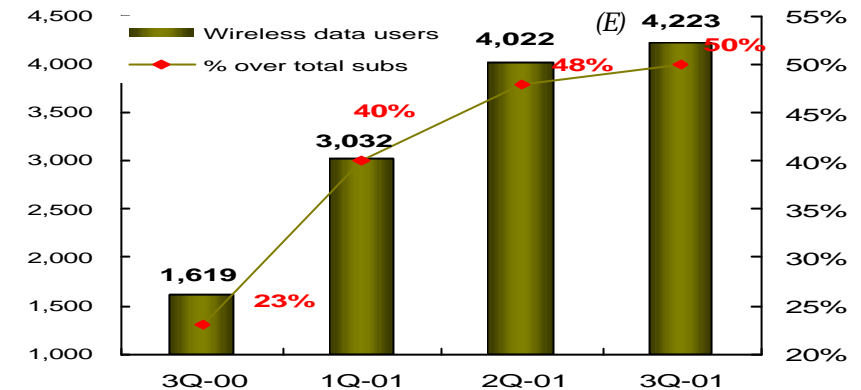
Unit: 1,000 persons



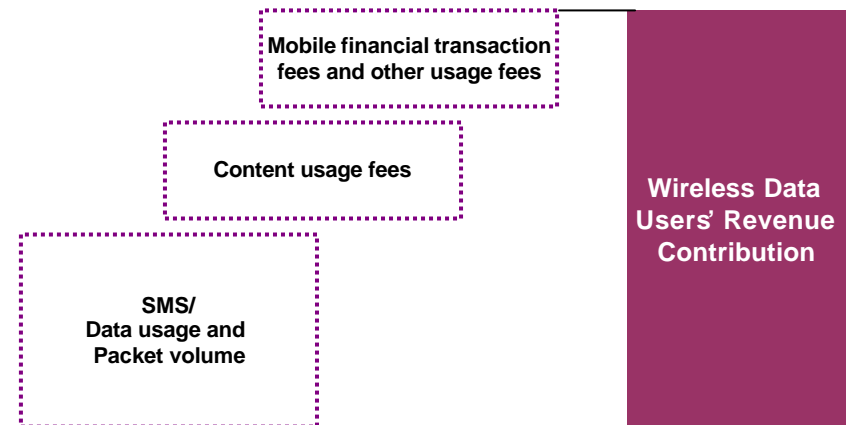
Ongoing Increase in Wireless Data Users

Unit: 1,000 persons

*Excluding KT resale subscribers



Revenue Contribution of Wireless Data Users



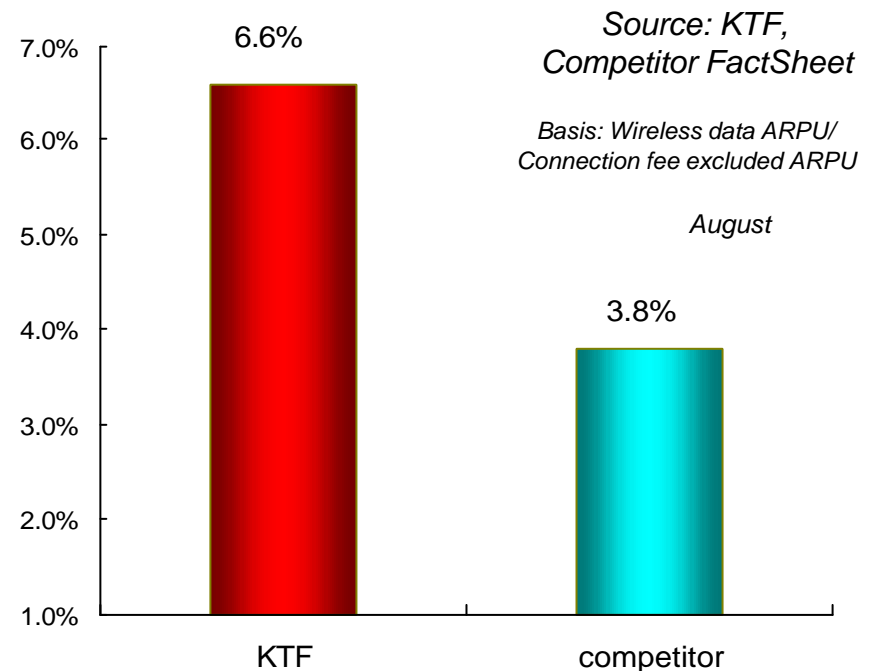
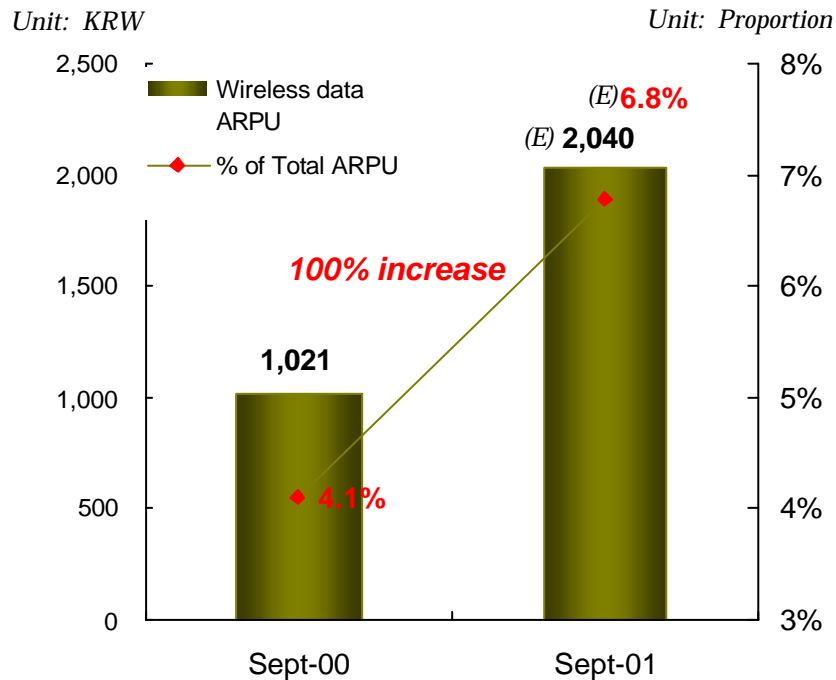
Wireless Data ARPU

High wireless data ARPU growth rate (approximate growth of 100% from Sept. last year)

- ▶ Wireless data ARPU is showing a high growth rate compared to voice ARPU (16% growth in voice ARPU from September last year, 100% growth in wireless data ARPU)
- ▶ This was contributed by the development of wireless data services arising from the rapid increase in wireless data users, charging of popular content usage, provision of diverse content and generation of 1X service revenue

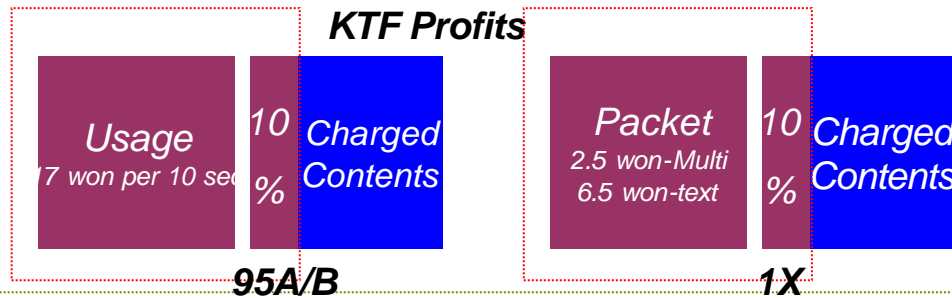
Highest ARPU Take-Up Compared to Competitors

- ▶ Highest wireless data ARPU take-up among competitors
- ▶ This was due to the wireless data tariff plan that is similar to SKT levels, the development of diverse content, high public recognition of MagicN, wireless data focused marketing and high number of young subscribers who are familiar with wireless data



Wireless Internet Contents

Profit Distribution Method: Usage and Packet all go to KTF, and charged contents are distributed to KTF and CP on a 1:9 ratio

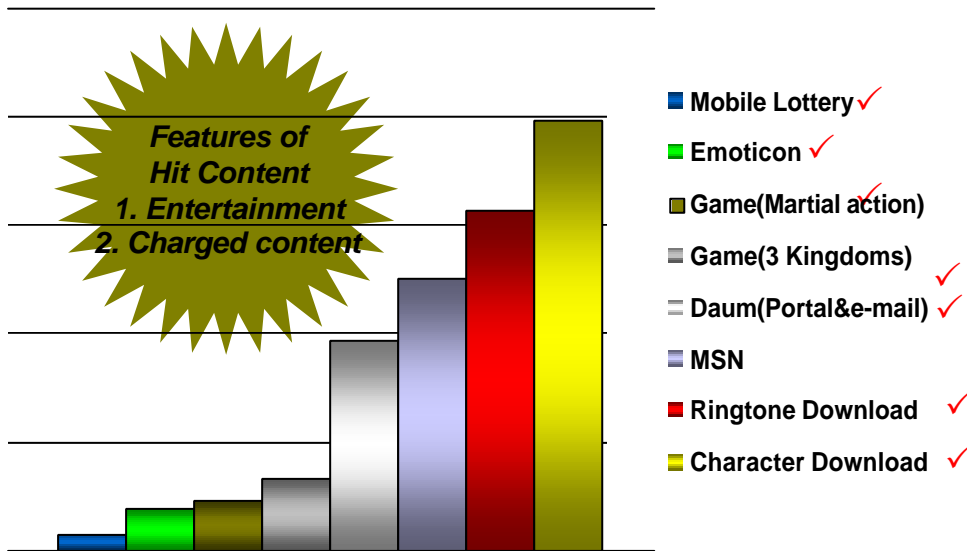


● Usage Fee for Charged Contents

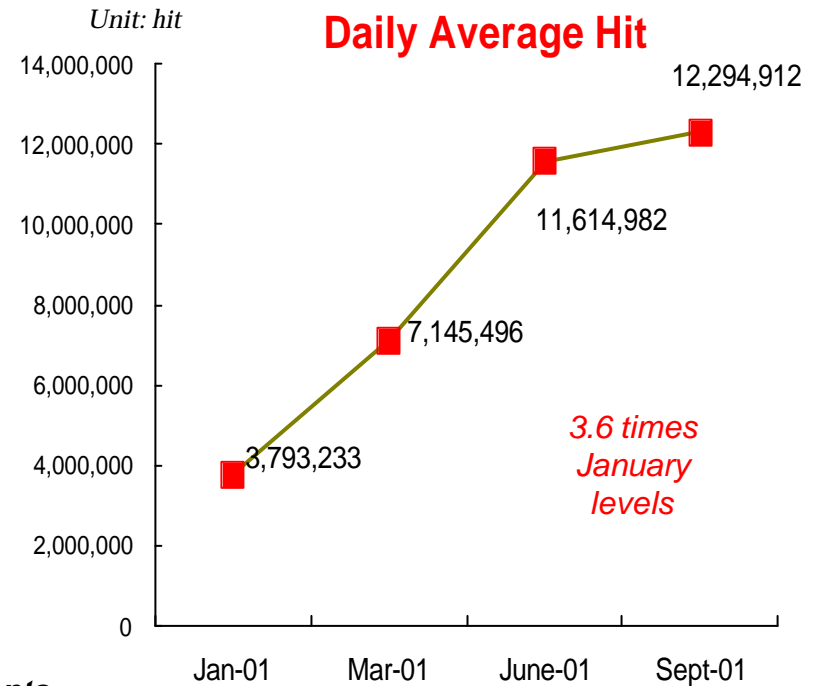
: 5-1200 won

(e.g.) Game download: 500 won, Ringtone download: 200-270 won, Character download: 120-220 won

• Top Contents



✓ : Charged Contents



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KTF's Competitive CDMA1X Services

1. Competitive Network

Nationwide KTF 2G Network

- ▶ 95B Network
(Data speed
:-64.4Kbps)

Competitor's 2G Nationwide Network

- ▶ 95A Network
(Data speed
:-14.4Kbps)

Reduction of capex
through rollout
focused on highly
populated areas

2. Young Subscriber Base

Much higher portion of
teens and twenties
compared to competitors
(45%)
competitor: 29%

2G wireless data
ARPU's
actual contributors

1X data services'
High success
potential

3. Adoption of Competitive BREW Platform

▶ High processing speed
20-400 times faster
than Java platform

▶ Higher APP storage
Less memory than
Java platform

▶ Cooperation with chip-
makers
Provide Qualcomm's
development tools
To CPs for free

▶ High quality interface
Menu selection through icon

Secure initiative
through customer
satisfaction

Reasons for investing in 1X

a. 1X subscriber ARPU which is higher than 2G subscriber ARPU

b. Efficiency of 1x network

1. 1X network provides 1.7 times more capacity than 2G capacity
2. Satisfy demand for high speed data services – data transmission speed is 144Kbps, twice the current 2G network
3. Investment Characteristic of HDR

c. Delay of 3G services

d. Necessary to expand additional FA due to increase in subscribers

1. Capacity of current 2G network is about 9 million for 9FA
2. Further capex is required to be able to handle increase in traffic from acquisition of additional subscribers going forward (Total subscribers for 2005 expected to be approximately 15 mln)

CDMA1X Subscribers

High portion of subscribers in teens and twenties

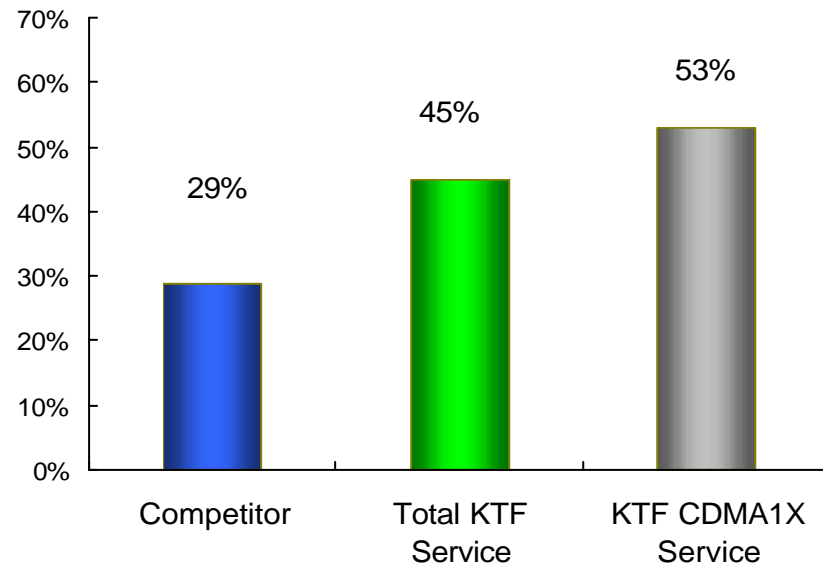
- Early adopters of new services are in their teens and twenties – Young subscriber base is part of KTF's competitiveness
- KTF is attractive to people in their teens and twenties, and with the ongoing inflow of mostly young 1X subscribers, it will maintain the superiority of the wireless data services – wireless data users are mostly in their teens and twenties

High portion of 1X color phone subscribers

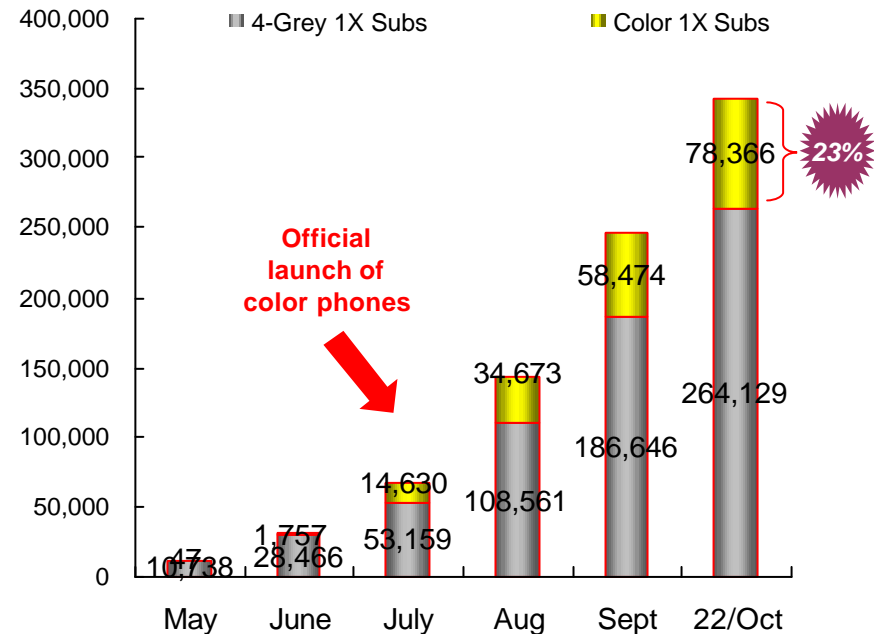
- High portion of color phone subscribers compared to competitors
- True 1X subscribers are those that use color phones
- KTF will employ marketing policy for 1X services focusing on color phones
- Friendly market environment - Handset manufacturers also changing line-up focusing on 1X color phones

Proportion of Subscribers in Teens/Twenties

Unit: Proportion



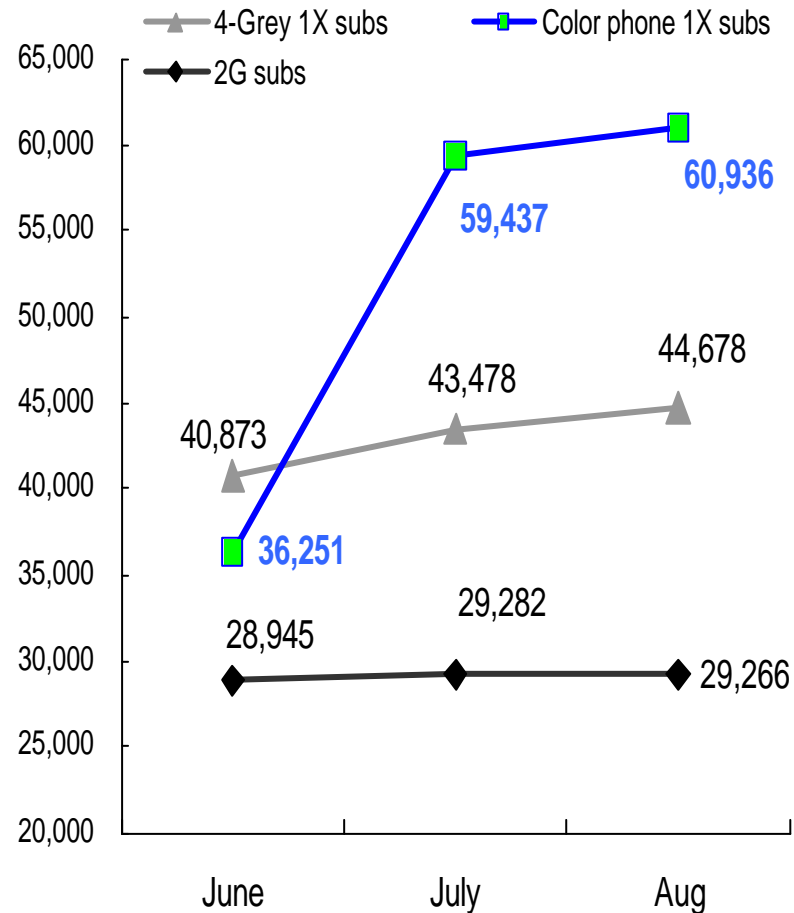
Unit: persons



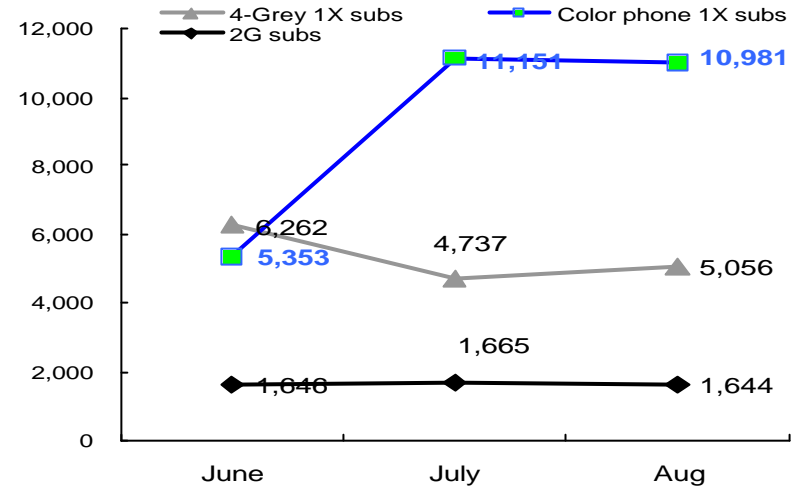
CDMA1X ARPU

Comparison of total 2G/1X ARPU

Unit: persons



Comparison of wireless data 2G/1X ARPU

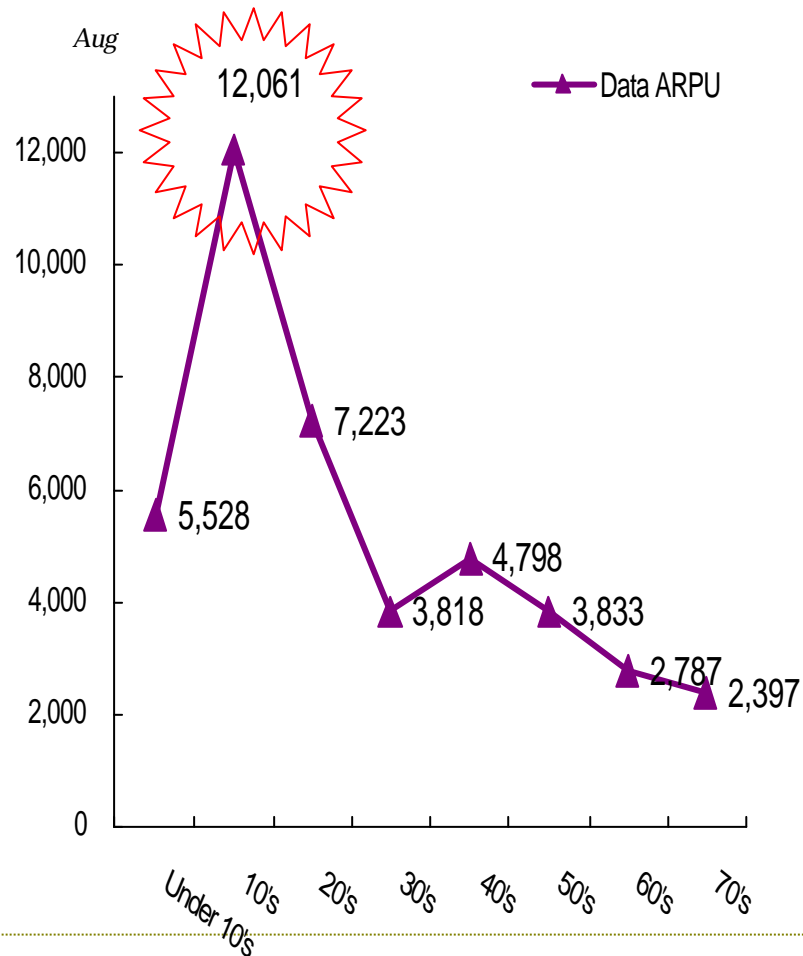


Characteristics of 1X ARPU

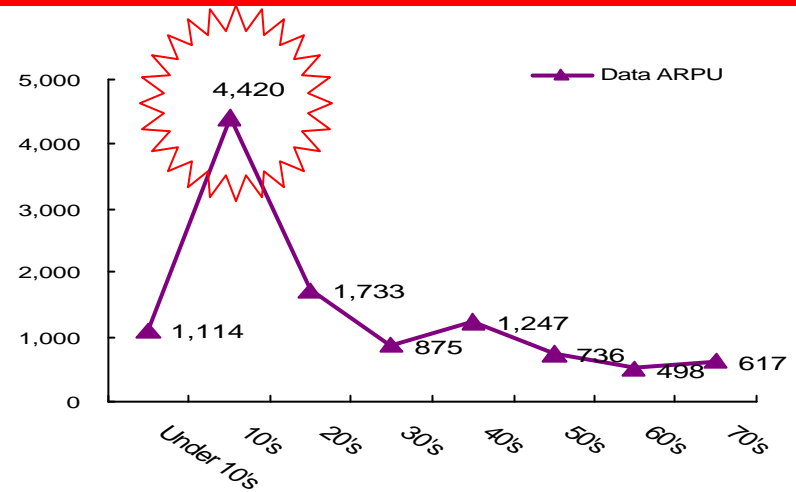
- Wireless data ARPU of 1X color handset subscribers are approximately **twice** that of 1X black and white handset subscribers' wireless data ARPU, and **9 times** that of 2G subscribers' wireless data ARPU
- ➔ Current levels of 1X ARPU are expected to be diluted somewhat due to the future increase in subscribers, and to be stabilized at a certain level, but the high ARPU of 1X color handset subscribers holds much significance

Data ARPU by Subscriber Age

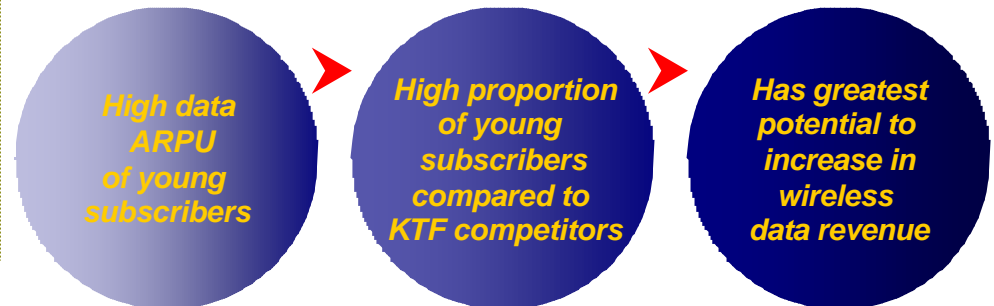
Wireless data ARPU per 1X subscriber age



-Case Study- Wireless data ARPU per 2G subscriber age



KTF's Potential



BREW Platform

BREW handsets

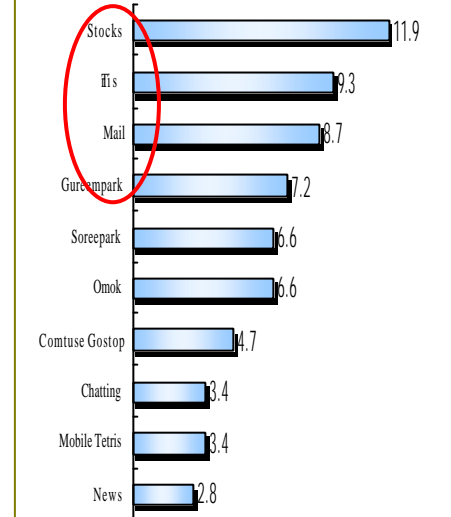
<p>Real time stock quotes</p>	<p>Wireless/fixed line chatting</p>	<p>Online games</p>	<p>Game Download</p> <p>Diverse game downloads</p>
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Advantages of BREW (Binary Runtime Environment for Wireless)

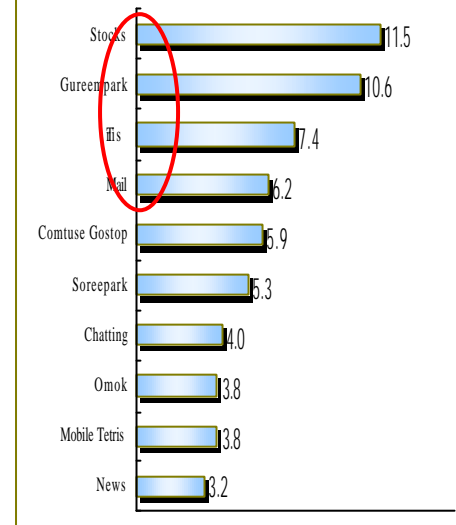
- Better compatability than Java**
 : C++Language *Java language also technically possible
- Use of DRIVING FORCE by Qualcomm**
 : Free provision of development tools to CP
- Speedy data processing compared to Java**
 : Up to maximum 400 times that of Java, effect of extending battery life and achieving customer satisfaction
- Low memory compared to Java**
 : Possible to store more software handsets than Java

Initial Analysis from BREW users (no. of respondents: 500)

Major Contents Used

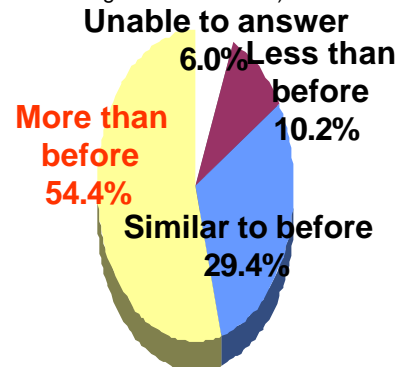


Preferred Contents



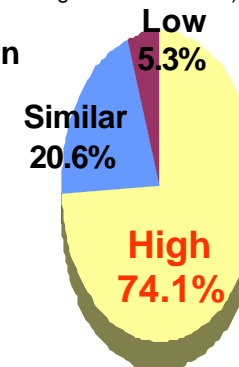
Desire to Pay

(Comparison with existing wireless Internet)

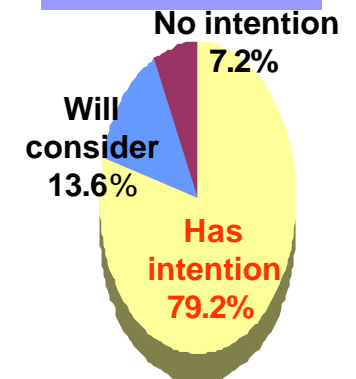


Superiority

(Comparison with existing wireless Internet)



Willingness to recommend



M-Commerce

KTF M-Commerce Overview

Mobile banking services

Wire transfer and loan services through strategic alliance with 16 companies

Services with use of mobile phone number(NpayMagic)

First in the world to provide wire transfer, settlement and cash services through strategic alliance with Daum, H&CB, Koram Bank (planned)
- approximately 100,000 on the 3rd week of October

Small sum settlement services

Provide services for which payment of purchased goods or services can be made through the customer's mobile phone – after launch of mobile reservation services in early June, recorded 1 million hits per month and KRW 50 million of monthly revenue

Securities trading services and other services

- Services allowing purchase/sale orders, view of order results, notifications on price change, confirmation on order description
- No. of September subscribers to My Portfolio services: 10,000
- Mobile lottery services – Apprx. KRW 500 mln additional revenue expected this year

KTF Smart Card service

First domestic M-Card services with IC Chip installed
-Discussing with Kookmin Bank, Kookmin Card, Mondex Card *BC, Samsung Card

Mobile Wallet

Card Slot

m-Smart Payment

Financial Transactions

Transportation Services

Retail Distribution

E-wallet function

Other wireless settlement

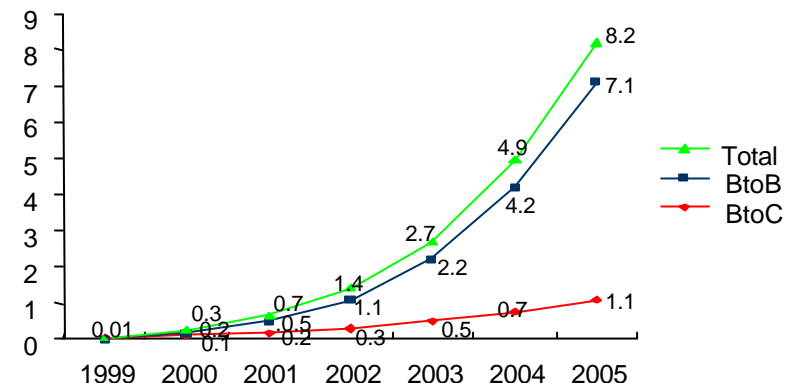
1. Acquisition of additional income - 0.3% of settled amount

2. Possible to establish e-CRM by securing financial customer data

3. Improvement in customer loyalty and lock-in effect from convenient payment function

Domestic M-Commerce Market Size

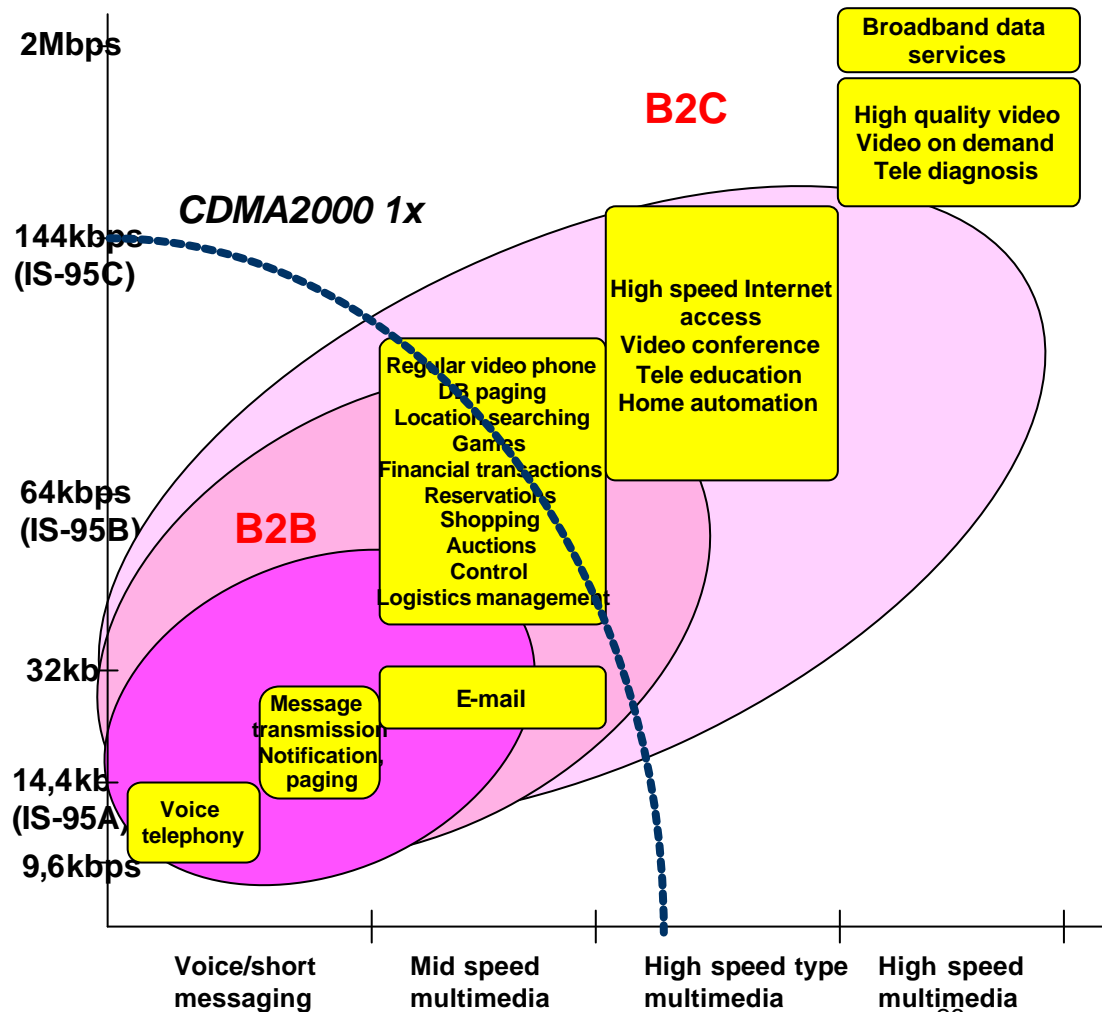
unit: tln



Note: mCommerce revenue defined as the value of the transactions, together with transaction charges and telecommunications costs associated with the transaction, and any subscription fees
Source: Accenture analysis, Ovum 2001

VIZ-Brand for Corporate Clients

Network Development and Changes in the Corporate Environment



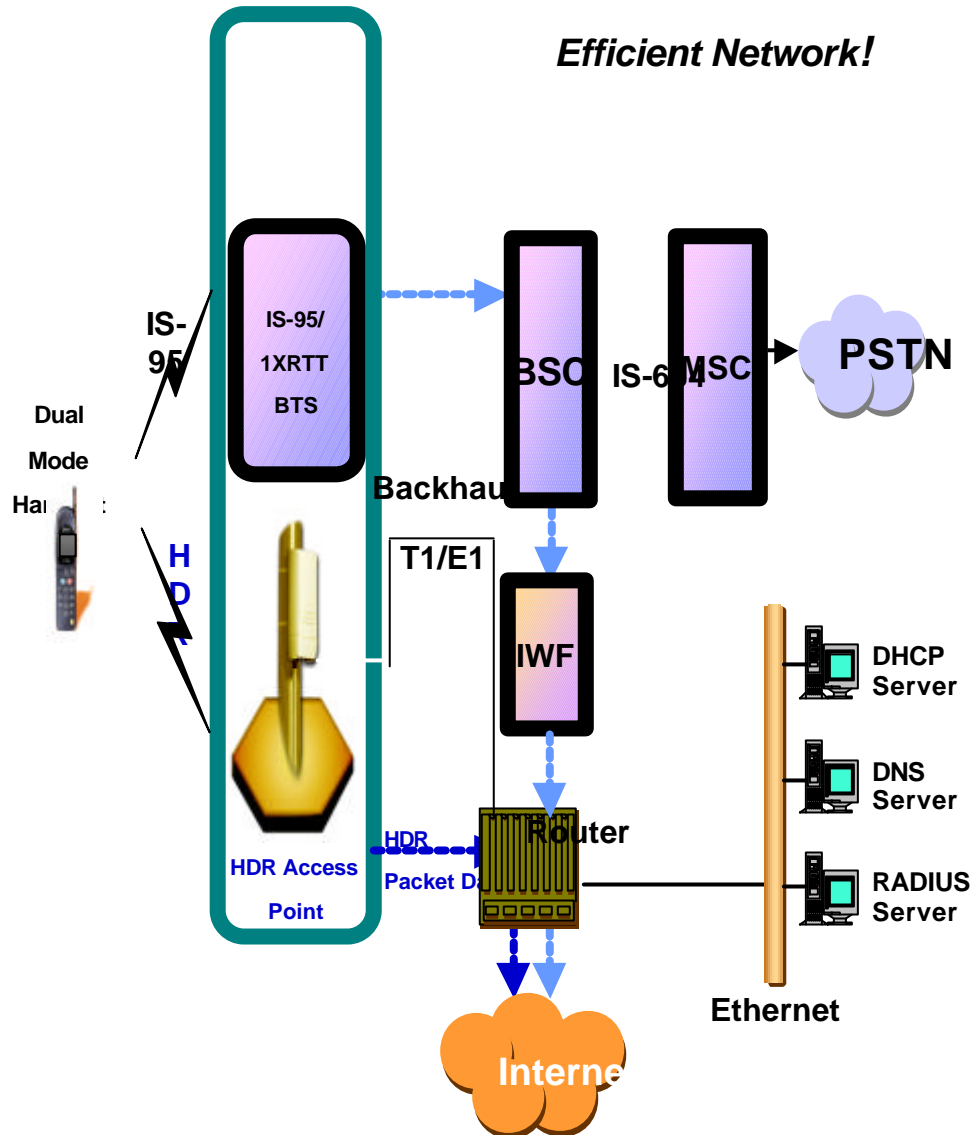
KTF 'Viz' services

Mobile Office	<ul style="list-style-type: none"> • Wireless modem services, PDA • Wireless Intranet services
Mobile Track	<ul style="list-style-type: none"> • Logistics services • Location information services
Mobile Telemetry	<ul style="list-style-type: none"> • Tele-diagnosis services, anti-crime services, meter inspection services
Mobile Commerce	<ul style="list-style-type: none"> • Corporate advertising services, nZone wireless credit settlement services

Recent 'Viz Business Status

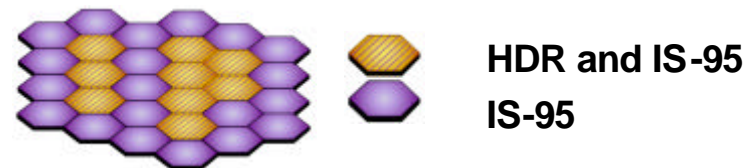
nZone Services	<ul style="list-style-type: none"> • Services allowing calls inside and outside building in regular offices with a mobile phone • Strategic partner: Samsung • Electronics • <u>Business approval by MIC</u> <p><i>First In the country!</i></p>
Tele matics	<ul style="list-style-type: none"> • Strategic partner: Daewoo Motors • <u>Servicing period: Nov. 1</u> • Services provided: Traffic update, burglary detection, tracing function, emergency rescue services, remote vehicle control services via two-way communication <p><i>First In the country!</i></p>

CDMA1X EV-DO(High Data Rate)



Secure leadership in high speed data market

- **Launch world's first services**
- planned for May 2002
- **Maximum speed: ~2.4Mbps**
- high speed multimedia services possible
- **Reduction of capex through use of existing network**
- possible to use same cell sites, towers and antennas
- **Provide selective HDR services**
- compatibility with existing 95 network
- **Pure Packet Data Network**
- 'always-on' services possible



Contents

- Financial Performance
- Business Performance
- Wireless Data Performance
- New Services for Growth
- **FY01 Business Plan**
- Recent Issues

FY01 Business Plan

Management Efforts to Improve Corporate Value

- Will pursue maximum merger synergy
- Profitability is the most important management guideline
- Will conceive ways to minimize dilution upon merger with KTICOM

Major Indicators

- Target market share: **33.7%**
- Target no. of 1X subs: **0.76 mln → 1 mln**
- Service revenue: **KRW 3.861 tln → 3.921 tln**

Upward adjustment of FY01 performance

- Operating income: **692 bln → 750 bln**
- Ordinary income: **361 bln → 434 bln**
- Net income: **250 bln → 300 bln**

**Expected to far exceed net income target (300 bln)*

**Includes KT M.com Jan.~April performance*

Outlook on 4Q Market

- 1. Legislation in progress for banning of handset subsidies**
 - Strong government will (MIC currently conducting market survey)
 - Consensus among telecom operators
 - Diverse marketing policies to lower entry barriers
- 2. Development of 1X services**
 - Encourage purchase by dropping 1X handset prices
 - Diverse tariff products and multimedia content
- 3. Ongoing market segmentation strategy**
 - Pursuit of growth through targeting of niche market
 - Aggressive targeting of corporate market
- 4. Advent of diverse applications for increasing ARPU**
 - M-Commerce, PDA, Wireless Modem

In a friendly market environment, KTF will pursue both profitability and growth



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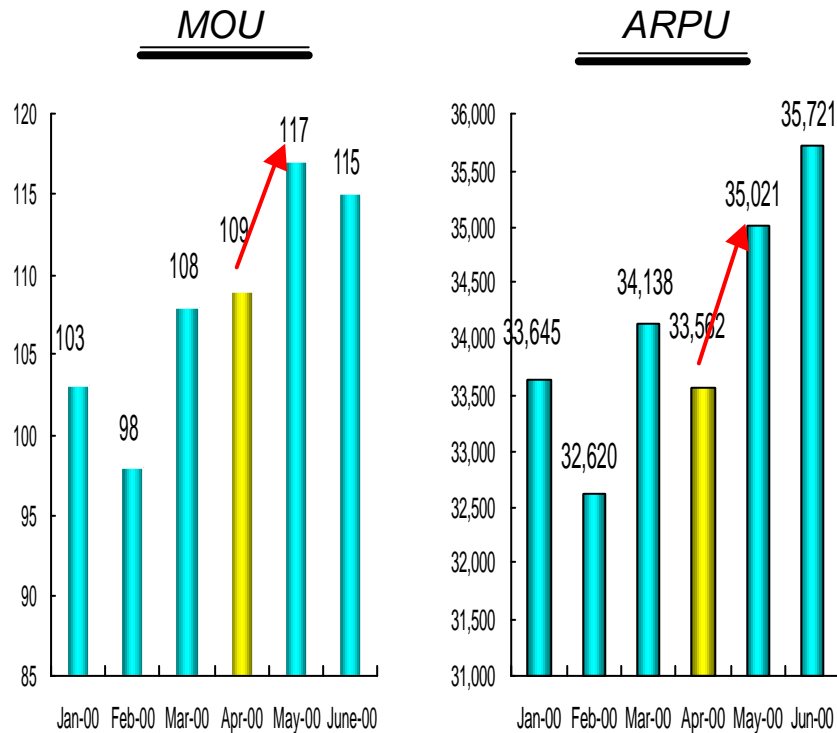
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Recent Issues

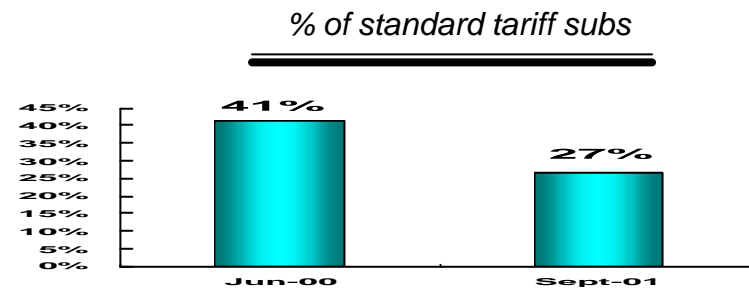
Tariff Cut ↘ ARPU

- **Case Study**
- ➔ **Tariff cut in April 2000 (KTF: 5% SKT: 15%)**
- ➔ **The tariff drop will immediately increase MOU and ARPU**



Tariff Cuts and KTF

- ➔ **The 3 plans currently being discussed are to be applied only to SKT**
(Plan 1: 6.4%, Plan 2: 8.5%, Plan 3: 10.8%)
- ➔ **KTF can cut its rates even lower**
- ➔ **Drop in basic fee and usage fee only influence standard products**
- ➔ **ARPU will remain robust due to package price plans and price flexibility(case study)**



Conversion of Telephone Tax to VAT

- ➔ **With conversion of telephone tax to VAT in September, income is increased by approximately KRW 12 bln each month**