



FY2005 2Q Earnings Release

KT Freetel Co., Ltd.

- This material is on FY2005-2Q pre-closing result which is not reviewed nor audited by external auditor. And the more, all the numbers herein are still under the risk of material change according to accounting closing of company. Therefore, we will re-announce the financial result as soon as we finish the internal closing.
- This material contains forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. Actual results may differ materially from those expressed or implied by these forward-looking statements. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this presentation might not occur in the way we expect, or at all. You should not place undue reliance on any forward-looking information.
- This material contains several estimated numbers. These are under the risk of retroactive change in the kind of disclosed data, forms, or numbers without notice.
- Company will not take any kind of legal responsibility on your investment decision based on this material.

I. Financial Highlights

[Summary of Financial Statement & Key Ratios]

(Unit: W mn)

| | '04-2Q | '05-1Q | '05-2Q | QoQ | YoY |
|--------------------------|-----------|-----------|-----------|--------|---------|
| PCS Revenue | 1,174,042 | 1,204,011 | 1,241,651 | 3.1% | 5.8% |
| PCS Cost | 1,055,743 | 1,017,957 | 1,024,597 | 0.7% | -3.0% |
| Operating Profit | 101,852 | 190,136 | 222,227 | 16.9% | 118.2% |
| Excluding Handset Profit | 118,299 | 186,054 | 217,054 | 16.7% | 83.5% |
| EBITDA | 392,728 | 471,771 | 500,812 | 6.2% | 27.5% |
| Non-op. Revenue | 24,126 | 91,927 | 20,884 | -77.3% | -13.4% |
| Non-op. Expense | 81,836 | 107,310 | 75,001 | -30.1% | -8.4% |
| Recurring Profit | 44,142 | 174,752 | 168,110 | -3.8% | 280.8% |
| Extraordinary Gain | - | - | - | | |
| Extraordinary Loss | - | - | - | | |
| Pretax Profit | 44,142 | 174,752 | 168,110 | -3.8% | 280.8% |
| Tax | 745 | 17,969 | 17,609 | -2.0% | 2263.9% |
| Net Profit | 43,397 | 156,784 | 150,500 | -4.0% | 246.8% |

| Key Ratios | '04-2Q | '05-1Q | '05-2Q | QoQ | YoY |
|--|--------|--------|--------|--------|--------|
| □ Marketing/PCS revenue | 25.0% | 18.3% | 18.7% | 0.4%p | -6.3%p |
| □ Operating Margin | 10.1% | 15.5% | 17.5% | 2.0%p | 7.4%p |
| □ EBITDA Margin | 33.5% | 39.2% | 40.3% | 1.1%p | 6.8%p |
| □ Net Profit Margin | 3.7% | 13.0% | 12.1% | -0.9%p | 8.4%p |
| □ Effective Tax Rate | 1.7% | 10.3% | 10.5% | 0.2%p | 8.8%p |
| □ Net Debt Ratio | 109% | 86% | 73% | -13%p | -36%p |
| Net Debt Ratio-Including accrued payment of spectrum | 127% | 103% | 89% | -14%p | -38%p |
| □ Debt Ratio | 168% | 141% | 123% | -18%p | -46%p |

A. PCS revenue increased by 3.1% QoQ and 5.8% YoY.

- 1) Despite the tariff cut in September FY04, PCS revenue grew by 5.8% YoY due to ARPU and net subscriber growth.

B. Upsurge in EBITDA Margin to 40.3%, an increase of 1.1%p QoQ and 6.8%p YoY.

- 1) Although total marketing cost increased by 5.2% due to increased acquisition cost per sub and advertisement cost, total PCS expense increased marginally by 0.7%, showing two consecutive quarters of effective cost control.

C. Net profit decreased by 4.0% QoQ, but increased by 246.8% YoY.

- 1) Achieved a big jump in net income thanks to greater increase of service revenue and also decrease of marketing cost due to market cool down.
- 2) Showed a slight decrease in net profit compared to previous quarter that bore gains from disposition of tangible assets and from non-ordinary items.

II. Sales

[Sales Breakdown]

(Unit: W mn)

| | '04-2Q | '05-1Q | '05-2Q | QoQ | YoY |
|----------------------|------------------|------------------|------------------|---------------|---------------|
| PCS Revenue | 1,174,042 | 1,204,011 | 1,241,651 | 3.1% | 5.8% |
| Voice Revenue | 945,288 | 938,952 | 974,647 | 3.8% | 3.1% |
| Monthly fee | 414,383 | 411,249 | 419,315 | 2.0% | 1.2% |
| Airtime Charge | 302,859 | 294,107 | 313,653 | 6.6% | 3.6% |
| VAS | 38,875 | 37,307 | 38,764 | 3.9% | -0.3% |
| Interconnection | 233,298 | 240,607 | 249,718 | 3.8% | 7.0% |
| Others | 6,456 | 7,213 | 7,472 | 3.6% | 15.7% |
| Sales Discount | (50,582) | (51,532) | (54,275) | 5.3% | 7.3% |
| Data Revenue | 119,887 | 143,793 | 148,073 | 3.0% | 23.5% |
| Monthly fee | 31,797 | 36,873 | 38,326 | 3.9% | 20.5% |
| Messaging | 31,131 | 35,261 | 37,652 | 6.8% | 20.9% |
| Airtime Charge | 72,688 | 60,981 | 60,604 | -0.6% | -16.6% |
| Contents | (2,529) | 8,193 | 8,761 | 6.9% | -446.4% |
| Others | 3,097 | 3,472 | 3,385 | -2.5% | 9.3% |
| KT Resale | 83,021 | 99,157 | 99,557 | 0.4% | 19.9% |
| Others | 25,846 | 22,108 | 19,374 | -12.4% | -25.0% |
| Sign-up Fee | 23,260 | 20,258 | 17,552 | -13.4% | -24.5% |
| Others | 2,586 | 1,851 | 1,822 | -1.6% | -29.6% |
| Handset Sales | 318,151 | 265,155 | 216,582 | -18.3% | -31.9% |
| Total Sales | 1,492,193 | 1,469,166 | 1,458,233 | -0.7% | -2.3% |

A. PCS Revenue:

- 1) Increased by 3.1% due to subscriber growth and ARPU growth.
- 2) 5.8% YoY increase is attributed to growth of total number of subscribers including high ARPU subscribers who signed-up after the start of MNP and also growth of KT resale revenue.

B. Sign-up Fee:

- 1) Due to decrease in gross adds in 2Q, sign-up fee decreased by 13.4% QoQ and 24.5% YoY.

C. Voice Revenue:

- 1) Monthly fee and airtime charge, together, increased by 3.9% QoQ and 2.2% YoY due to subscriber growth and MOU growth.

D. Data Revenue:

- 1) 3% QoQ increase and 23.5% YoY increase are attributed to not only subscriber growth but also increased number of EV-DO subscribers and launch of new applications such as Dosirak (Music Portal), Gpang (Game Portal), Kwasy etc.

E. KT Resale:

- 1) KT resale subscriber growth, in addition to improved quality of subscribers led to a rise of 0.4% QoQ and 19.9% YoY.

F. Handset Sales:

- 1) Less amount of handset shipment resulted in decrease of handset sales by 18.3% QoQ and 31.9% YoY.

III. Operating Expenses

[Operating Expenses Breakdown]

(Unit: W mn)

| | '04-2Q | '05-1Q | '05-2Q | QoQ | YoY |
|------------------------------|-----------|-----------|-----------|--------|--------|
| 1. Labor | 44,630 | 61,024 | 48,815 | -20.0% | 9.4% |
| 2. Fees | 101,752 | 95,196 | 99,027 | 4.0% | -2.7% |
| 3. Interconnection | 122,805 | 142,345 | 149,985 | 5.4% | 22.1% |
| 4. Overseas calls | 1,358 | 1,843 | 2,035 | 10.4% | 49.9% |
| 5. Contents Charge(CP) | 1,026 | 742 | 893 | 20.3% | -13.0% |
| 6. Rent | 30,243 | 27,118 | 28,361 | 4.6% | -6.2% |
| 7. Depreciation/Amortization | 274,429 | 285,717 | 283,759 | -0.7% | 3.4% |
| 8. Leased line | 93,024 | 91,667 | 88,976 | -2.9% | -4.4% |
| 9. Utilities | 11,297 | 12,097 | 12,117 | 0.2% | 7.3% |
| 10. Repair & Maintenance | 18,412 | 13,087 | 18,754 | 43.3% | 1.9% |
| 11. Lease | 15,327 | 15,327 | 15,327 | 0.0% | 0.0% |
| 12. Marketing | 293,088 | 220,769 | 232,253 | 5.2% | -20.8% |
| 13. Bad debt | 3,920 | 9,781 | 5,667 | -42.1% | 44.5% |
| 14. Tax & Obligations | 13,122 | 13,519 | 7,467 | -44.8% | -43.1% |
| 15. USO | 10,000 | 10,000 | 10,000 | 0.0% | 0.0% |
| 16. Others | 21,309 | 17,726 | 21,162 | 19.4% | -0.7% |
| PCS related expense | 1,055,743 | 1,017,957 | 1,024,597 | 0.7% | -3.0% |
| Handset Cost | 334,599 | 261,073 | 211,409 | -19.0% | -36.8% |
| Total Expense | 1,390,342 | 1,279,030 | 1,236,006 | -3.4% | -11.1% |

A. Labor:

- 1) Decreased by 20% QoQ due to incentive paid in the previous quarter.
- 2) Labor expense over sales ratio stayed at the same level of 3.9% compared to same period last year.

B. Interconnection Expense:

- 1) Due to increase in outgoing call traffic, interconnection expense increased by 5.4% QoQ and 22.1% YoY. Also partly attributable to the LM rate change.

C. Leased Line:

- 1) Decreased 2.9% compared to the previous quarter that had a temporarily overlapped lines for the transfer of switch. And a decrease of by 4.4% YoY represents cost effective management of leased lines.

D. Marketing Expense:

- 1) Rose 5.2% QoQ from increase in subscriber acquisition per head and advertising costs, while decreased 20.8% YoY from continuous market cool down.

E. Bad Debt Expense:

- 1) Due to unexpected receipt of payments from trade receivables that were previously written-off, bad debt expense decreased by 42.1% QoQ.
- 2) 2Q last year was low due to some of the recovery of M.com debts. Hence this quarter show a gain of 44.5%.

F. Taxes & Obligations:

- 1) Dropped 44.8% from effects of last quarter's fine related to handset subsidy.

IV. Interconnection Revenue & Expense

[Interconnection Revenue & Expense]

(Unit: W mn)

| | '04-2Q | '05-1Q | '05-2Q | QoQ | YoY |
|----------------------------|---------|---------|---------|-------|--------|
| Total Revenue | 233,298 | 240,611 | 249,723 | 3.8% | 7.0% |
| LM | 93,107 | 90,511 | 85,193 | -5.9% | -8.5% |
| MM | 140,191 | 150,100 | 164,530 | 9.6% | 17.4% |
| Total Expense | 122,805 | 142,345 | 149,985 | 5.4% | 22.1% |
| LM | 31,075 | 29,114 | 27,102 | -6.9% | -12.8% |
| MM | 91,731 | 113,231 | 122,883 | 8.5% | 34.0% |
| Net Interconnection Income | 110,492 | 98,266 | 99,738 | 1.5% | -9.7% |
| LM | 62,032 | 61,397 | 58,090 | -5.4% | -6.4% |
| MM | 48,460 | 36,869 | 41,648 | 13.0% | -14.1% |

A. Interconnection income increased 3.8% QoQ, 7% YoY as inbound traffic increased.

B. Despite quarterly growth in inbound traffic, LM revenue decreased 5.9% QoQ due to estimation differences between the 1st and 2nd quarter. 8.5% YoY decrease from reduced inbound traffic and adjustment in interconnection rates.

C. Underestimation of interconnection expenses in 1Q and increase in outbound traffic resulted in a 5.4% QoQ increase of interconnection expense. Despite lower MM rates, interconnection expense increased 22.1% YoY due to increase in outbound traffic.

– Therefore, net interconnection income increased 1.5% QoQ but decreased 9.7% YoY.

V. Marketing Cost

[Marketing Cost Breakdown]

(Unit: W mn)

| | '04-2Q | '05-1Q | '05-2Q | QoQ | YoY |
|----------------------|---------|---------|---------|--------|--------|
| Commission | 218,972 | 167,163 | 174,358 | 4.3% | -20.4% |
| Promotion | 44,029 | 28,345 | 30,371 | 7.1% | -31.0% |
| Advertising | 30,087 | 25,261 | 27,524 | 9.0% | -8.5% |
| Total Marketing Cost | 293,088 | 220,769 | 232,253 | 5.2% | -20.8% |
| | '04-2Q | '05-1Q | '05-2Q | QoQ | YoY |
| Acquisition | 115,435 | 85,830 | 90,836 | 5.8% | -21.3% |
| Commission | 103,500 | 82,471 | 88,563 | 7.4% | -14.4% |
| Promotion | 11,935 | 3,359 | 2,273 | -32.3% | -81.0% |
| Per Sub. (W) | 117,255 | 96,013 | 112,858 | 17.5% | -3.8% |
| Retention | 147,567 | 109,678 | 113,894 | 3.8% | -22.8% |
| Commission | 115,472 | 84,692 | 85,795 | 1.3% | -25.7% |
| Promotion | 32,095 | 24,986 | 28,098 | 12.5% | -12.5% |
| Advertising | 30,087 | 25,261 | 27,524 | 9.0% | -8.5% |
| Total Marketing Cost | 293,088 | 220,769 | 232,253 | 5.2% | -20.8% |

A. Acquisition Cost:

- 1) Despite quarterly decrease in gross adds, acquisition costs went up by 5.8% QoQ due to increased subscriber acquisition cost per head.
- 2) Decrease in gross adds and subscriber acquisition cost per head led to 21.3% downturn in costs.

B. Retention Cost:

- 1) Although total number of handset changes were lower than 1Q, increase in promotion costs and other miscellaneous items resulted in 3.8% QoQ increase of retention cost.
- 2) In a yearly comparison, decreased 22.8% from relatively fewer number of handset changes.

VI. Non-Operating Income & Expense

[Non-Operating Items]

(Unit: W mn)

| | '04-2Q | '05-1Q | '05-2Q | QoQ | YoY |
|-------------------------|----------|----------|----------|---------|--------|
| Interest Income | 1,247 | 1,926 | 2,210 | 14.7% | 77.2% |
| Interest Expense | 55,761 | 48,767 | 48,439 | -0.7% | -13.1% |
| Net Interest Income | (54,513) | (46,841) | (46,229) | -1.3% | -15.2% |
| F/X Related Gains | 6,260 | 7,314 | 3,563 | -51.3% | -43.1% |
| F/X Related Losses | 221 | 261 | 58 | -77.7% | -73.7% |
| Net F/X Gains | 6,040 | 7,053 | 3,505 | -50.3% | -42.0% |
| Other Gains | 16,618 | 82,687 | 15,111 | -81.7% | -9.1% |
| Other Losses | 25,855 | 58,282 | 26,504 | -54.5% | 2.5% |
| Net Other Gains | (9,236) | 24,404 | (11,393) | -146.7% | 23.4% |
| Total Non-op. Gains | 24,126 | 91,927 | 20,884 | -77.3% | -13.4% |
| Total Non-op. Losses | 81,836 | 107,310 | 75,001 | -30.1% | -8.4% |
| Total Net Non-op. Gains | (57,710) | (15,384) | (54,117) | 251.8% | -6.2% |

A. Net Interest Income:

- 1) Net interest income decreased 1.3% QoQ, 15.2% YoY from continuous decrease in interest bearing debt and decrease in interest rates.

B. Net F/X Gains:

- 1) Due to the strong dollar and increased U.S interest rates in the 2Q, foreign exchange translation gains decreased 50.3% QoQ.

VII. EBITDA Margin & Capex

(Unit: W mn)

| | '04-2Q | '05-1Q | '05-2Q | QoQ | YoY |
|------------------|---------|---------|---------|-------|--------|
| D&A | 274,429 | 285,717 | 283,759 | -0.7% | 3.4% |
| EBITDA | 392,728 | 471,771 | 500,812 | 6.2% | 27.5% |
| EBITDA Margin(%) | 33.5% | 39.2% | 40.3% | 1.1%p | 6.8%p |
| Capex | 278,200 | 90,200 | 150,240 | 66.6% | -46.0% |

- A. Depreciation expenses remained at 1Q levels with only a 3.4% YoY increase while Capex increased 66.6% QoQ to 150.2 billion won.

- B. EBITDA surged by 6.2% QoQ and 27.5% YoY attributed to service revenue growth and decreased overall expense.

VIII. Balance Sheet

(Unit: W mn)

| | 2Q-2005 | 1Q-2005 | | 2Q-2005 | 1Q-2005 |
|----------------|------------------|------------------|--------------------|------------------|------------------|
| Asset | 7,542,969 | 7,812,658 | Liability | 4,155,196 | 4,576,068 |
| Current | 1,775,310 | 1,855,213 | Current | 1,871,700 | 2,246,833 |
| Quick | 1,534,488 | 1,618,063 | Fixed | 2,283,496 | 2,329,235 |
| Inventory | 240,822 | 237,150 | | | |
| Fixed | 5,767,658 | 5,957,446 | Equity | 3,387,773 | 3,236,590 |
| Investment | 467,274 | 514,106 | Paid in Capital | 955,703 | 955,703 |
| Tangible | 4,209,034 | 4,327,916 | APIC | 1,325,489 | 1,325,489 |
| Intangible | 1,091,351 | 1,115,424 | Retained Earning | 1,192,844 | 1,042,343 |
| | | | Capital Adjustment | △86,262 | △86,945 |

A. 2Q Debt-equity ratio sharply declined by 18%p QoQ to 123% at the same time net debt ratio improved to 73%. Accrued payments from W-CDMA spectrum license are excluded from net debt. (when included, net debt stood at 89%)

[Interest Bearing Debt Breakdown]

(Unit: W mn)

| | '05-2Q | '05-1Q | QoQ |
|-----------------------|-----------|-----------|--------|
| Interest Bearing Debt | 2,606,819 | 2,895,477 | -9.8% |
| Payable within 1 year | 933,112 | 1,087,673 | -14.2% |
| Net Debt | 2,462,086 | 2,792,467 | -11.8% |
| Foreign Debt | JPY4.7bn | JPY14.2bn | -66.9% |

A. Interest bearing debt includes 930.7 billion won in current portion of long-term debt and 1.6761 trillion won in debentures while it excludes accrued payments from WCDMA spectrum license(548.6bn).

B. Foreign debt in the amount of 9.5 billion Yen has been repaid.

IX. Operational Results

A. Subscribers

(Unit: Thousands)

| | 1Q-04 | 2Q-04 | 3Q-04 | 4Q-04 | 1Q-05 | 2Q-05 |
|----------------------|--------|--------|--------|--------|--------|--------|
| Total No. of Subs | 11,292 | 11,946 | 11,709 | 11,729 | 12,042 | 12,166 |
| KT Resale | 1,999 | 2,301 | 2,234 | 2,230 | 2,473 | 2,526 |
| Quarterly adds | 1,480 | 1,443 | 681 | 795 | 1,290 | 1,011 |
| Quarterly churn-outs | 630 | 788 | 918 | 775 | 977 | 887 |
| Net adds | 850 | 655 | -237 | 20 | 313 | 124 |
| Excluding KT resale | 9,293 | 9,646 | 9,476 | 9,499 | 9,569 | 9,640 |
| Quarterly adds | 902 | 984 | 595 | 663 | 894 | 805 |
| Quarterly churn-outs | 497 | 631 | 765 | 639 | 824 | 734 |
| Net adds | 406 | 353 | -170 | 23 | 70 | 71 |

B. Subscribers by Network

(Unit: Thousands)

| | 2Q-04 | 3Q-04 | 4Q-04 | 1Q-05 | 2Q-05 |
|-------|--------|--------|--------|--------|--------|
| EV-DO | 2,319 | 2,760 | 3,055 | 3,512 | 3,852 |
| VOD | 698 | 770 | 835 | 938 | 1,106 |
| 1X | 7,679 | 7,482 | 7,440 | 7,537 | 7,492 |
| 2G | 1,948 | 1,467 | 1,234 | 993 | 822 |
| Total | 11,946 | 11,709 | 11,729 | 12,042 | 12,166 |

* Including KT resale

C. ARPU

(Unit: Won)

| | | 04-2Q | 04-3Q | 04-4Q | 05-1Q | 05-2Q |
|-------------|--------------------------|--------|--------|--------|--------|--------|
| After | ARPU-exclude interconn. | 29,654 | 29,622 | 30,147 | 29,437 | 30,331 |
| Discount | ARPU-include interconn. | 37,675 | 37,484 | 38,578 | 37,521 | 38,814 |
| Net-based | Data ARPU | 4,617 | 4,919 | 5,144 | 5,028 | 5,154 |
| | Proportion to total ARPU | 16% | 17% | 17% | 17% | 17% |
| Gross-based | Data ARPU | 5,558 | 5,872 | 6,102 | 6,092 | 6,166 |
| | Proportion to total ARPU | 19% | 20% | 20% | 21% | 20% |

* Excluding KT resale

D. ARPU by Network

(Unit: Won)

| | | 2Q-04 | 3Q-04 | 4Q-04 | 1Q-05 | 2Q-05 |
|-------|------------|--------|--------|--------|--------|--------|
| 1X | Data ARPU | 4,304 | 4,463 | 4,527 | 4,510 | 4,401 |
| | Total ARPU | 31,936 | 31,248 | 31,377 | 30,431 | 31,069 |
| EV-DO | Data ARPU | 10,893 | 10,036 | 9,087 | 8,093 | 7,388 |
| | Total ARPU | 46,915 | 44,686 | 43,430 | 40,493 | 40,366 |
| VOD | Data ARPU | 14,663 | 12,845 | 11,732 | 10,499 | 9,486 |
| | Total ARPU | 53,488 | 49,695 | 48,014 | 44,629 | 43,837 |
| 2G | Data ARPU | 1,353 | 1,543 | 2,226 | 1,930 | 1,669 |
| | Total ARPU | 18,806 | 16,952 | 16,660 | 15,484 | 15,011 |

* Excluding KT resale and interconnection, Gross based

Appendix 1: Income Statement

* This material is not reviewed nor audited by external auditor, and reflecting pre-closing numbers. Use for analysis purpose only.

[Unit: W mn]

| Descriptions | 2004. 4 - 6 | | 2004. 7 - 9 | | 2004. 10 - 12 | | 2005. 1 - 3 | | 2005. 4 - 6 | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Amount | | Amount | | Amount | | Amount | | Amount | |
| I . Total Sales | | 1,492,193 | | 1,458,263 | | 1,438,289 | | 1,469,166 | | 1,458,233 |
| PCS Service | 1,163,557 | | 1,158,409 | | 1,173,290 | | 1,193,317 | | 1,230,690 | |
| <i>Activations</i> | 23,260 | | 13,272 | | 14,717 | | 20,258 | | 17,552 | |
| <i>Monthly Fee</i> | 446,180 | | 443,934 | | 438,990 | | 448,122 | | 457,641 | |
| <i>Airtime charge</i> | 302,859 | | 297,470 | | 318,140 | | 294,107 | | 313,653 | |
| <i>Value-added service</i> | 140,164 | | 156,534 | | 159,520 | | 141,742 | | 145,781 | |
| <i>(PCS discount)</i> | (66,879) | | (69,510) | | (73,440) | | (52,523) | | (54,935) | |
| <i>Interconnection</i> | 233,298 | | 225,174 | | 228,808 | | 240,611 | | 249,723 | |
| <i>Resale</i> | 83,021 | | 89,744 | | 84,692 | | 99,157 | | 99,557 | |
| <i>Fees from other services</i> | 1,654 | | 1,791 | | 1,863 | | 1,842 | | 1,718 | |
| Other Services | 10,485 | | 10,190 | | 11,078 | | 10,694 | | 10,961 | |
| <i>Handset rental</i> | 290 | | 336 | | 337 | | 120 | | 68 | |
| <i>Overseas call</i> | 4,916 | | 4,401 | | 5,052 | | 5,597 | | 5,742 | |
| <i>M-commerce</i> | 1,872 | | 2,039 | | 2,081 | | 2,186 | | 2,151 | |
| <i>International Roaming</i> | 1,098 | | 1,126 | | 1,293 | | 1,074 | | 1,417 | |
| <i>Other overseas service</i> | 459 | | 231 | | 642 | | 249 | | 295 | |
| <i>K-merce Lottery</i> | 18 | | 39 | | 68 | | 60 | | 55 | |
| <i>M-Ad.</i> | 696 | | 741 | | 931 | | 670 | | 668 | |
| <i>Credit card service</i> | 910 | | 1,044 | | 316 | | 335 | | 330 | |
| <i>MNP port-out service</i> | 0 | | 8 | | 6 | | 9 | | 9 | |
| <i>Professional Sports</i> | 225 | | 225 | | 353 | | 394 | | 226 | |
| Handset | 318,151 | | 289,664 | | 235,921 | | 265,155 | | 216,582 | |
| <i>Handset</i> | 319,030 | | 290,452 | | 254,502 | | 265,634 | | 217,331 | |
| <i>(Handset discount)</i> | (879) | | (788) | | (581) | | (480) | | (749) | |
| II . Operating Expense | | 1,390,342 | | 1,303,798 | | 1,270,228 | | 1,279,030 | | 1,236,006 |
| <i>Salary & Bonus</i> | 32,146 | | 41,836 | | 44,012 | | 43,679 | | 33,962 | |
| <i>Fees for temporary employee</i> | 251 | | 440 | | 251 | | 260 | | 250 | |
| <i>Out-sourcing employee</i> | 1,688 | | 2,249 | | 1,991 | | 2,309 | | 1,680 | |
| <i>Retirement</i> | 2,181 | | 2,310 | | 3,652 | | 5,214 | | 2,627 | |
| <i>Fringe benefits & others</i> | 6,870 | | 6,146 | | 7,739 | | 6,816 | | 7,455 | |
| <i>Rent</i> | 30,243 | | 27,101 | | 29,770 | | 27,118 | | 28,361 | |
| <i>Lease</i> | 15,327 | | 15,327 | | 15,327 | | 15,327 | | 15,327 | |
| <i>Service fee & commission</i> | 101,752 | | 104,008 | | 103,157 | | 95,196 | | 99,027 | |
| <i>Depreciations</i> | 249,985 | | 251,927 | | 256,218 | | 261,213 | | 259,218 | |
| <i>Amortizations</i> | 24,444 | | 24,461 | | 24,472 | | 24,503 | | 24,541 | |

[Unit: W mn]

| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Tax & dues | 13,122 | 7,459 | 9,387 | 13,519 | 7,467 |
| Fare | 2,660 | 1,291 | 2,648 | 1,234 | 2,308 |
| Insurance | 516 | 321 | 423 | 381 | 356 |
| Interconnections | 122,805 | 128,587 | 144,500 | 142,345 | 149,985 |
| Overseas call cost | 1,358 | 1,423 | 1,646 | 1,843 | 2,035 |
| Leased line cost | 93,024 | 89,442 | 87,243 | 91,667 | 88,976 |
| CP info usage charge | 1,026 | 595 | 585 | 742 | 893 |
| Universal service obligations sharing | 10,000 | 10,000 | 557 | 10,000 | 10,000 |
| Vehicles | 501 | 550 | 540 | 489 | 581 |
| Educations | 1,333 | 1,966 | 2,309 | 1,711 | 1,871 |
| Ordinary R&D | 1,718 | 2,737 | 4,403 | 475 | 1,130 |
| Awards | 161 | 2,648 | 374 | 1,035 | 970 |
| Entertainment | 554 | 613 | 511 | 427 | 494 |
| Sales commission | 218,972 | 182,976 | 158,394 | 167,163 | 174,359 |
| Sales promotions | 44,029 | 38,441 | 39,893 | 28,345 | 30,371 |
| Advertisement | 30,087 | 29,016 | 26,062 | 25,261 | 27,524 |
| Bad Debt | 3,920 | 2,971 | 13,587 | 9,781 | 5,667 |
| Travel & Car fare | 1,149 | 1,137 | 1,435 | 1,387 | 1,449 |
| Utilities | 11,297 | 14,818 | 12,674 | 12,097 | 12,117 |
| Communications | 7,016 | 7,495 | 7,357 | 7,911 | 7,574 |
| Repair & Maintenance | 18,412 | 15,653 | 18,806 | 13,087 | 18,754 |
| Office supplies | 2,860 | 2,744 | 3,368 | 2,802 | 2,894 |
| Other researchs | 1,877 | 1,443 | 1,783 | 805 | 2,334 |
| Book & Printing | 206 | 227 | 172 | 167 | 285 |
| Conference & managerial events | 2,252 | 1,950 | 1,833 | 1,647 | 1,756 |
| Cost of Handset sold | 334,599 | 281,455 | 243,149 | 261,073 | 211,409 |
| Others | 0 | 35 | 0 | 0 | 0 |
| III. Operating Income | 101,852 | 154,465 | 168,060 | 190,136 | 222,227 |
| IV. Non-operating gains | 24,126 | 31,936 | 28,321 | 91,927 | 20,884 |
| Interest | 1,247 | 693 | 8,634 | 1,926 | 2,210 |
| Disposition of short-term sales securities | 231 | 0 | 0 | 0 | 0 |
| Evaluation of short-term sales securities | (143) | 0 | 0 | 0 | 300 |
| Disposition of Available-for-sale securities | 0 | 0 | 0 | 7,735 | 54 |
| Evaluation of Available-for-sale securities | 0 | 0 | 0 | 0 | 57 |
| Dividend | 315 | 0 | 190 | 301 | - |
| Rent | 3,729 | 1,387 | 2,768 | 1,294 | 2,663 |
| Equity method evaluation | 2,095 | 1,534 | (3,105) | 892 | (178) |
| FX transactions | 4,973 | 183 | 249 | 178 | 6,791 |
| FX translations | 1,287 | 3,902 | 6,373 | 7,136 | (3,228) |
| Disposition of Investment | 0 | 42 | 38 | 284 | - |
| Disposition of tangible asset | 3 | 24 | 132 | 57,238 | 74 |
| Disposition of Intangible asset | 26 | 0 | 0 | 0 | 16 |
| Collection of bad debt | 0 | 68 | 2,134 | 0 | 61 |
| Gain from Derivatives | 0 | 0 | 0 | 0 | 0 |
| Tax refund | 0 | 0 | 0 | 2,099 | 0 |
| Others | 3,524 | 16,972 | 5,709 | 5,594 | 4,750 |
| Miscellaneous gains | 6,837 | 7,133 | 5,200 | 7,250 | 7,301 |

[Unit: W mn]

| | | | | | | | | | | |
|--|--------|---------------|--------|---------------|---------|----------------|--------|----------------|---------|----------------|
| V. Non-operating losses | | 81,836 | | 89,041 | | 86,401 | | 107,310 | | 75,001 |
| Interest | 55,761 | | 55,747 | | 53,397 | | 48,767 | | 48,439 | |
| FX transactions | 303 | | 63 | | 13 | | 110 | | 29 | |
| FX translations | (82) | | 36 | | 708 | | 150 | | 29 | |
| Donation | 2,981 | | 2,873 | | 9,767 | | 5,221 | | 4,573 | |
| Equity method evaluation | 1,792 | | 675 | | (1,425) | | 314 | | 2,216 | |
| Disposition of short-term sales securities | 0 | | 0 | | 0 | | 0 | | 0 | |
| Evaluation of short-term sales securities | 0 | | 0 | | 0 | | 0 | | 0 | |
| Disposition of Inventories | 0 | | 0 | | 0 | | 0 | | 0 | |
| Evaluation of Inventories | 0 | | 0 | | 0 | | 0 | | 0 | |
| Disposition of Investment | 0 | | 0 | | 3,526 | | 0 | | 0 | |
| Evaluation of Investment securities | 8,635 | | 19,431 | | 8,936 | | 7,452 | | 3,516 | |
| Disposition of Tangible asset | 3,901 | | 4,876 | | 3,998 | | 36,433 | | 9,426 | |
| Disposition of Intangible asset | 7 | | 8 | | 13 | | 3 | | 4 | |
| Loss from derivatives | 0 | | 0 | | 0 | | 0 | | 7,948 | |
| Evaluation loss from derivatives | 118 | | 564 | | 667 | | 5,119 | | (4,251) | |
| Loss sharing for overseas call | 0 | | 0 | | 0 | | 0 | | 0 | |
| Others | 4,724 | | 1,672 | | 1,407 | | 642 | | (436) | |
| Loss from disaster | 0 | | 0 | | 0 | | 0 | | 0 | |
| Selling Trade receivable-ABS | 3,568 | | 2,967 | | 2,947 | | 2,974 | | 2,965 | |
| Other bad debt | 0 | | 0 | | 1,758 | | 0 | | - | |
| Miscellaneous losses | 127 | | 129 | | 689 | | 125 | | 125 | |
| VI. Ordinary Income | | 44,142 | | 97,361 | | 109,980 | | 174,752 | | 168,110 |
| VII. Pretax Income | | 44,142 | | 97,361 | | 109,980 | | 174,752 | | 168,110 |
| VIII. Tax | | 745 | | 5,634 | | 9,886 | | 17,969 | | 17,609 |
| IX. Net Income | | 43,397 | | 91,727 | | 100,094 | | 156,784 | | 150,500 |

Appendix 2: Balance Sheet

* This material is not reviewed nor audited by external auditor, and reflecting pre-closing numbers. Use for analysis purpose only.

[Unit: W mn]

대차대조표

| | 2Q-2005 | 1Q-2005 | 2Q-2004 | | 2Q-2005 | 1Q-2005 | 2Q-2004 |
|--------------------------------|------------------|------------------|------------------|-----------------------------------|------------------|------------------|------------------|
| Assets | 7,542,969 | 7,812,658 | 8,166,556 | Liabilities | 4,155,196 | 4,576,068 | 5,124,663 |
| Current | 1,775,310 | 1,855,213 | 1,530,519 | Current | 1,871,700 | 2,246,833 | 2,447,343 |
| Quick | 1,534,488 | 1,618,063 | 1,307,614 | | | | |
| Cash | 92,502 | 101,101 | 23,994 | Trade payable | 165,877 | 216,703 | 330,774 |
| Available-for-sale Securities | 52,231 | 1,909 | 3,309 | Other payable | 416,532 | 425,449 | 623,644 |
| Trade receivables | 1,193,960 | 1,209,685 | 1,147,834 | Short-term borrowings | | 200,000 | 500,000 |
| Other receivables | 74,829 | 170,426 | 81,593 | Advances from customer | 26,358 | 26,375 | 20,503 |
| Short-term loans | 8,076 | 7,105 | 6,688 | Withholdings | 141,499 | 158,477 | 91,935 |
| Advanced payment | 21,224 | 40,263 | 27,946 | Accrued expenses | 127,954 | 95,346 | 116,485 |
| Prepaid expenses | 12,102 | 15,149 | 15,138 | Current portion of long-term debt | 930,716 | 974,933 | 749,102 |
| Accrued income | 1,142 | 1,300 | 966 | Unpaid income tax | 62,765 | 49,835 | 14,900 |
| Deferred tax | 78,385 | 71,027 | 136 | Unpaid Dividends | | 99,715 | |
| Others | 38 | 98 | | | | | |
| Inventory | 240,822 | 237,150 | 222,905 | | | | |
| Non-Current | 5,767,658 | 5,957,446 | 6,636,037 | Non-Current | 2,283,496 | 2,329,235 | 2,677,320 |
| Investment | 467,274 | 514,106 | 678,727 | Bonds | 1,676,103 | 1,720,544 | 2,102,335 |
| Long-term financial investment | 16 | 16 | 21 | Long-term borrowings | | | |
| Investment securities | 17,084 | 17,732 | 73,031 | Long-term payables | 548,571 | 543,146 | 528,228 |
| Equity method security | 56,674 | 58,266 | 21,897 | Others | 58,821 | 65,545 | 46,757 |
| Hold-to-maturity | 27,870 | 51,484 | 57,361 | | | | |
| Long-term Receivables | 59,235 | 73,760 | 156,751 | Equity | 3,387,773 | 3,236,590 | 3,041,892 |
| Long-term loans | 41,495 | 46,808 | 56,171 | Capital Stock | 955,703 | 955,703 | 955,703 |
| Guarantee deposit | 196,588 | 197,373 | 204,556 | APIC | 1,325,489 | 1,325,489 | 1,325,489 |
| Deferred income tax | 57,996 | 58,365 | 99,969 | Retained Earnings | 1,192,844 | 1,042,343 | 846,542 |
| Others | 10,317 | 10,302 | 8,970 | Capital Adjustment | (86,262) | (86,945) | (85,842) |
| Tangible | 4,209,034 | 4,327,916 | 4,770,294 | | | | |
| Land | 119,509 | 119,496 | 122,519 | | | | |
| Buildings | 281,666 | 174,321 | 185,310 | | | | |
| Structure | 72,363 | 69,249 | 67,563 | | | | |
| Equipment & Machinery | 3,497,304 | 3,616,103 | 3,901,945 | | | | |
| Vehicles | 3,419 | 3,678 | 4,784 | | | | |
| Construction in progress | 26,290 | 127,724 | 217,383 | | | | |
| Others | 208,482 | 217,345 | 270,790 | | | | |
| Intangible | 1,091,351 | 1,115,424 | 1,187,016 | | | | |