



FY2006 1Q Earnings Release

KT Freetel Co., Ltd.

- FY2004 results in this material are restated in accordance with FY2005 accounting principle & methods for comparison purpose.
- This material is on FY2005 4Q 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: ₩ mn)

| | 06-1Q | 05-1Q | YoY | 05-4Q | QoQ |
|--------------------------|-----------|-----------|--------|-----------|--------|
| Service Revenue | 1,269,666 | 1,204,011 | 5.5% | 1,295,648 | -2.0% |
| Service Cost | 1,103,743 | 1,017,957 | 8.4% | 1,082,504 | 2.0% |
| Operating Profit | 170,869 | 190,136 | -10.1% | 214,437 | -20.3% |
| Excluding Handset Profit | 165,923 | 186,054 | -10.8% | 213,145 | -22.2% |
| EBITDA | 448,966 | 471,771 | -4.8% | 497,285 | -9.7% |
| Non-op. Revenue | 39,576 | 91,927 | -56.9% | 26,216 | 51.0% |
| Non-op. Expense | 56,994 | 107,310 | -46.9% | 118,193 | -51.8% |
| Recurring Profit | 153,452 | 174,752 | -12.2% | 122,460 | 25.3% |
| Tax | 28,153 | 17,969 | 56.7% | 12,841 | 119.2% |
| Net Profit | 125,299 | 156,784 | -20.1% | 109,619 | 14.3% |

| Ratio | 06-1Q | 05-1Q | YoY | 05-4Q | QoQ |
|---|-------|--------|---------|-------|--------|
| □ Marketing/Service revenue | 21.8% | 18.3% | 3.5%p | 19.3% | 2.5%p |
| □ Operating Margin | 13.1% | 15.5% | -2.4%p | 16.5% | -3.4%p |
| □ EBITDA Margin | 35.4% | 39.2% | -3.8%p | 38.4% | -3.0%p |
| □ Net Profit Margin | 9.9% | 13.0% | -3.1%p | 8.5% | 1.4%p |
| □ Effective Tax Rate | 18.3% | 10.3% | 8.0%p | 10.5% | 7.8%p |
| □ Net Debt Ratio | 21.8% | 86.3% | -64.5%p | 25.1% | -3.3%p |
| Net Debt Ratio-Including accru payment of spectrum | 33.2% | 103.1% | -69.9%p | 38.5% | -5.3%p |
| □ Debt Ratio | 88.6% | 141.4% | -52.8%p | 95.9% | -7.3%p |

A. Service revenue fell 2.0% QoQ, but increased 5.5% YoY.

- 1) Seasonality, coupled with 2006 interconnection rate cut assumptions, led to a minus QoQ service revenue growth.
- 2) With an increase in subscribers & solid data revenue growth, service revenue surpassed annual service revenue guidance

B. EBITDA margin eroded to 35.4%, by 3.0%p QoQ and 3.8%p YoY

- 1) Due to the marketing expense increase to obtain new subs, EBITDA margin suffered.
- Captured 31% of the total market net adds in 1Q (excluding KT resale subscriber growth).
- 2) Due to conservative assumption of interconnection rate change, EBITDA margin damaged.

C. Net profit rose 14.3% QoQ, but declined 20.1% YoY.

- 1) Net profit grew 14.3% QoQ due to huge improvements in net non-operating side despite depressed operating profit by 20.3% QoQ.
- 2) Compared to 1Q 05, depressed operational results and boosted tax rate resulted in 20.1% curtail in net profit growth as improvement in non-operational side was minimal.

II. Sales

[Sales Breakdown]

(Unit: ₩ mn)

| | 06-1Q | 05-1Q | YoY | 05-4Q | QoQ |
|------------------------|------------------|------------------|--------------|------------------|--------------|
| Service Revenue | 1,269,666 | 1,204,011 | 5.5% | 1,295,648 | -2.0% |
| Voice Revenue | 955,655 | 931,307 | 2.6% | 995,145 | -4.0% |
| Monthly Fee | 425,903 | 403,600 | 5.5% | 419,632 | 1.5% |
| Airtime Charge | 289,724 | 294,107 | -1.5% | 316,273 | -8.4% |
| VAS | 45,550 | 37,307 | 22.1% | 44,419 | 2.5% |
| Interconnection | 234,777 | 240,611 | -2.4% | 259,938 | -9.7% |
| Others | 9,381 | 7,213 | 30.1% | 8,931 | 5.0% |
| Sales Discount | (49,680) | (51,532) | -3.6% | (54,048) | -8.1% |
| Data Revenue | 178,087 | 151,439 | 17.6% | 168,762 | 5.5% |
| Monthly Fee | 53,769 | 44,523 | 20.8% | 50,645 | 6.2% |
| Messaging | 46,394 | 35,261 | 31.6% | 42,993 | 7.9% |
| Airtime Charge | 61,458 | 60,981 | 0.8% | 62,137 | -1.1% |
| Sales Discount | (690) | (991) | -30.4% | (201) | 242.5% |
| Contents | 12,856 | 8,193 | 56.9% | 9,467 | 35.8% |
| Others | 4,300 | 3,472 | 23.8% | 3,722 | 15.5% |
| KT Resale | 111,173 | 99,157 | 12.1% | 112,109 | -0.8% |
| Others | 24,752 | 22,108 | 12.0% | 19,632 | 26.1% |
| Sign-up Fee | 20,885 | 20,258 | 3.1% | 17,909 | 16.6% |
| Others | 3,867 | 1,851 | 108.9% | 1,723 | 124.5% |
| Handset Sales | 294,331 | 265,155 | 11.0% | 256,457 | 14.8% |
| Total Sales | 1,563,997 | 1,469,166 | 6.5% | 1,552,105 | 0.8% |

A. Voice Revenue (+2.6% YoY, - 4% QoQ)

- 1) Combined revenues of monthly fee and airtime charges decreased 2.8% QoQ, but edged up 2.6% YoY due to monthly fee increase from subscriber growth.
- 2) VAS revenue climbed by 22.1% YoY due to invigorated free-call option tariffs.
- 3) Others rose 30.1% YoY with boosts from international call and international roaming revenue.

B. Data Revenue (+17.6% YoY, +5.5% QoQ)

- 1) Monthly fee growth is attributed to the swelling subscriptions of monthly packet plans such as "Data carry forwarding tariff".
- 2) Messaging revenue continued to show strong growth of 31.6% YoY after posting 28% YoY in 1Q 05.
- 3) By adopting direct sourcing instead of CP sourcing for the music contents, KTF recognizes contents revenue as gross based. Thus, contents revenue jumped 56.9% YoY.

C. KT Resale

- 1) 12.1% YoY increase driven by a 3.2% subscriber increase.
- 2) Seasonality & call traffic estimation correction made slight QoQ decrease.

D. Handset Sales

- 1) Handset sales rose 11% YoY and 14.8% QoQ due to an increase in gross subscribers.

III. Operating Expense

[Operating Expenses Breakdown]

(Unit: ₩ mn)

| | 06-1Q | 05-1Q | YoY | 05-4Q | QoQ |
|------------------------------|------------------|------------------|-------------|------------------|-------------|
| 1. Labor | 58,658 | 61,024 | -3.9% | 60,820 | -3.6% |
| 2. Fees | 101,596 | 95,196 | 6.7% | 105,915 | -4.1% |
| 3. Interconnection | 154,465 | 142,345 | 8.5% | 157,069 | -1.7% |
| 4. International Calls | 4,835 | 1,843 | 162.3% | 3,870 | 24.9% |
| 5. Contents Fee | 4,544 | 742 | 512.4% | 797 | 470.0% |
| 6. Rent | 29,190 | 27,118 | 7.6% | 29,937 | -2.5% |
| 7. Depreciation/Amortization | 283,043 | 285,717 | -0.9% | 284,140 | -0.4% |
| 8. Leased Line | 86,211 | 91,667 | -6.0% | 89,725 | -3.9% |
| 9. Utilities | 13,586 | 12,097 | 12.3% | 13,768 | -1.3% |
| 10. Repair & Maintenance | 17,569 | 13,087 | 34.2% | 23,717 | -25.9% |
| 11. Lease | 15,327 | 15,327 | 0.0% | 15,327 | 0.0% |
| 12. Marketing | 276,780 | 220,769 | 25.4% | 250,516 | 10.5% |
| 13. Bad Debt | 22,516 | 9,781 | 130.2% | 29,400 | -23.4% |
| 14. Tax & Dues | 11,584 | 13,519 | -14.3% | 9,040 | 28.1% |
| 15. USO | 5,000 | 10,000 | -50.0% | (16,545) | -130.2% |
| 16. Others | 18,841 | 17,726 | 6.3% | 25,008 | -24.7% |
| Sales expenses | 1,103,743 | 1,017,957 | 8.4% | 1,082,504 | 2.0% |
| Cost of handsets sold | 289,385 | 261,073 | 10.8% | 255,164 | 13.4% |
| Total | 1,393,128 | 1,279,030 | 8.9% | 1,337,668 | 4.1% |

A. Labor

- 1) Due to decrease in total number of employees & retirements of high salaried employees, labor cost declined 3.9% YoY and 3.6% QoQ.

B. Fees

- 1) Due to increase in maintenance costs for BTS, fees rose 6.7% YoY.

C. Interconnection

- 1) Decreased by 1.7% QoQ due to a seasonal slide of outgoing call traffics.
- 2) YoY interconnection expense increased by 8.5% due to surging traffics, mainly by a 13.4% increase of outgoing calls to LGT.

D. International Calls

- 1) Jumped 24.9% QoQ and 162.3% YoY due to the rise of international call traffics & international prepaid services.

E. Contents Fee

- 1) Due to accounting method changes from net base to gross base for the CP contents with music portal "dosirak" & "Ring to you", contents fee escalated 512.4% YoY and 470% QoQ.

F. Leased line

- 1) Due to the restructuring improvement of leased line and falling unit cost, leased line cost decreased.

G. Repair & Maintenance

- 1) 34.2% YoY increase is caused by the termination of warranty period for the PCX, but decreased 25.9% QoQ due to seasonality.

H. Bad Debt

1) In applying adjusted bad debt ratio from the last quarter, bad debt increased YoY,

F. USO

1) With a conservative 2006 USO provision of 20 billion won, KTF's provision obligation in 1Q amounts to 5 billion won.

G. Tax & Dues

1) Including 3.7 billion won fine from the violation of handset subsidy ban.

VI. Interconnection Revenue & Expense

[Interconnection Revenue & Expense]

(Unit: ₩ mn)

| | 06-1Q | 05-1Q | YoY | 05-4Q | QoQ |
|-----------------------------------|----------------|----------------|---------------|----------------|---------------|
| Interconnection Revenue | 234,777 | 240,611 | -2.4% | 259,938 | -9.7% |
| LM | 81,489 | 90,511 | -10.0% | 90,417 | -9.9% |
| MM | 153,288 | 150,100 | 2.1% | 169,521 | -9.6% |
| Interconnection Expense | 154,465 | 142,345 | 8.5% | 157,069 | -1.7% |
| LM | 27,260 | 29,114 | -6.4% | 28,533 | -4.5% |
| MM | 127,205 | 113,231 | 12.3% | 128,536 | -1.0% |
| Net Interconnection Income | 80,312 | 98,266 | -18.3% | 102,869 | -21.9% |
| LM | 54,230 | 61,397 | -11.7% | 61,884 | -12.4% |
| MM | 26,083 | 36,869 | -29.3% | 40,985 | -36.4% |

A. Net Interconnection Income

1) Due to a seasonal decrease in call traffic & conservative FY06 interconnection rate assumptions, net interconnection income fell 21.9% QoQ and 18.3% YoY.

B. Interconnection revenue

- 1) With the seasonal decrease in incoming call traffic & conservative interconnection rate assumptions, QoQ interconnection revenue decreased.
- 2) Despite an increase of call traffic YoY, new interconnection rate assumptions negatively impacted interconnection revenue growth.

C. Interconnection expense

- 1) Interconnection expenses decreased QoQ accordingly with a seasonal decrease in outgoing call traffic.
- 2) Despite conservative interconnection rate assumptions, increase in outgoing call traffic led to an increase in interconnection expense YoY.

VI. Marketing Cost

[Marketing Cost Breakdown]

(Unit: ₩ mn)

| | 06-1Q | 05-1Q | YoY | 05-4Q | QoQ |
|-----------------------------|----------------|----------------|--------------|----------------|--------------|
| Commission | 225,862 | 167,162 | 35.1% | 183,459 | 23.1% |
| Promotion | 26,226 | 28,345 | -7.5% | 40,427 | -35.1% |
| Advertising | 24,674 | 25,261 | -2.3% | 26,630 | -7.3% |
| Total Marketing Cost | 276,762 | 220,768 | 25.4% | 250,516 | 10.5% |
| Marketing / sales | 21.8% | 18.3% | 3.5%p | 19.3% | 2.5%p |
| * Adjusted Marketing Cost | 271,834 | 216,687 | 25.5% | 249,224 | 9.1% |
| Adj. Marketing / sales | 21.4% | 18.0% | 3.5%p | 19.20% | 2.2%p |

•Note: Adjusted marketing cost – exclude handset sales margin to align with industry standard

(Unit: ₩ mn)

| | 06-1Q | 05-1Q | YoY | 05-4Q | QoQ |
|-----------------------------|----------------|----------------|--------------|----------------|---------------|
| Acquisition | 139,802 | 85,830 | 62.9% | 97,445 | 43.5% |
| Commission | 136,627 | 82,471 | 65.7% | 94,603 | 44.4% |
| Promotion | 3,175 | 3,359 | -5.5% | 2,842 | 11.7% |
| Per Sub.(₩) | 142,175 | 96,013 | 48.1% | 117,935 | 20.6% |
| Per Sub.(₩)adjusted* | 121,077 | 85,795 | 41.1% | 95,610 | 26.6% |
| Retention | 112,304 | 109,677 | 2.4% | 126,441 | -11.2% |
| Commission | 89,235 | 84,691 | 5.4% | 88,856 | 0.4% |
| Promotion | 23,069 | 24,986 | -7.7% | 37,585 | -38.6% |
| Advertising | 24,674 | 25,261 | -2.3% | 26,630 | -7.3% |
| Total Marketing Cost | 276,780 | 220,768 | 25.4% | 250,516 | 10.5% |

•Note: Acquisition per Sub.(₩) adjusted – exclude handset sales promotion fees from the manufacturers

A. Total marketing cost

- 1) Total marketing cost increased 10.5% QoQ, mainly due to increase in subscriber acquisition cost.

B. Subscriber acquisition cost

- 1) Heated competitive environment & effort to attract new subscribers pushed up the cost by 43.5% QoQ.

C. Subscriber retention cost

- 1) Subscriber retention cost declined QoQ due to decrease in marketing promotion activities.
- 2) Subscriber retention cost increased by 2.4% YoY due to increase in total handset change costs.

VII. Non-operating Income & Expense

[Non-Operating Items]

(Unit: ₩ mn)

| | 06-1Q | 05-1Q | YoY | 05-4Q | QoQ |
|--------------------------------|-----------------|-----------------|---------------|-----------------|----------------|
| Interest income | 5,402 | 1,926 | 180.5% | 3,397 | 59.0% |
| Interest Expense | 36,778 | 48,767 | -24.6% | 42,516 | -13.5% |
| Net Interest income | (31,376) | (46,841) | -33.0% | (39,118) | -19.8% |
| F/X related Gains | 5,017 | 7,314 | -31.4% | 3,239 | 54.9% |
| F/X related Losses | 499 | 261 | 91.2% | 226 | 120.7% |
| Net F/X Gains | 4,517 | 7,053 | -36.0% | 3,013 | 49.9% |
| Other Gains | 29,157 | 82,687 | -64.7% | 19,579 | 48.9% |
| Other Losses | 19,717 | 58,282 | -66.2% | 75,452 | -73.9% |
| Net Other Gains | 9,440 | 24,405 | -61.3% | (55,872) | -116.9% |
| Total Non-Op. Gains | 39,576 | 91,927 | -56.9% | 26,216 | 51.0% |
| Total Non-Op. Losses | 56,994 | 107,310 | -46.9% | 118,193 | -51.8% |
| Total Net Non-Op. Gains | (17,418) | (15,383) | 13.2% | (91,977) | -81.1% |

A. Net interest gains

- 1) Net interest income improved due to a reduction in interest bearing debt & an increase of interest income.

B. Net F/X gains

- 1) Net F/X gain increased from appreciated Korean Won against Japanese Yen.
(Yen denominated debt of 4.7 billion won)

C. Net other gains

- 1) Due to gain on sale of EMPAS shares (430K, 8.2 billion won) and decreased loss on disposition of tangible asset & evaluation of investment securities, net other gains increased QoQ.
- 2) Due to the decrease of gains on disposal of tangible assets, net other gains declined YoY.

VIII. EBITDA Margin & Capex

(Unit: ₩ mn)

| | 06-1Q | 05-1Q | YoY | 05-4Q | QoQ |
|---------------|----------------|---------------|---------------|----------------|---------------|
| D&A | 283,043 | 285,717 | -0.9% | 284,140 | -0.4% |
| EBITDA | 448,966 | 471,771 | -4.8% | 497,285 | -9.7% |
| EBITDA Margin | 35.4% | 39.2% | -3.8%p | 38.4% | -3.0%p |
| Capex | 274,960 | 90,212 | 204.8% | 347,828 | -20.9% |

- #### A. EBITDA margin eroded 3.8%p YoY and 3.0%p QoQ due to an increase in marketing expenses and interconnection rate change assumptions.

- #### B. Capex in FY06 1Q was 275 billion won due to active HSDPA implementation.

VIII. Balance Sheet

(Unit: ₩ mn)

| | 06-1Q | 05-4Q | | 06-1Q | 05-4Q |
|--------------|------------------|------------------|--------------------|------------------|------------------|
| Asset | 7,893,819 | 8,200,172 | Liability | 3,707,699 | 4,013,309 |
| Current | 2,323,479 | 2,487,130 | Current | 1,492,326 | 1,726,732 |
| Quick | 2,120,690 | 2,274,312 | Fixed | 2,215,373 | 2,286,577 |
| Inventory | 202,789 | 212,818 | | | |
| Fixed | 5,570,340 | 5,713,042 | Equity | 4,186,119 | 4,186,862 |
| Investment | 442,582 | 579,541 | Paid in Capital | 1,044,181 | 1,044,181 |
| Tangible | 4,105,805 | 4,091,233 | APIC | 1,731,271 | 1,731,321 |
| Intangible | 1,021,953 | 1,042,268 | Retained Earning | 1,406,350 | 1,419,196 |
| | | | Capital adjustment | 4,317 | △7,836 |

A. Debt-to-equity ratio improved by 7.3%p QoQ to 88.6% and net debt-to-equity ratio improved by 3.3%p to 21.8%.

* Accrued payments from W-CDMA spectrum license are excluded from the net debt.
(When included, net debt-to-equity ratio stands at 33.2%)

[Breakdown of interest bearing debt]

(Unit: ₩ mn)

| 구분 | 06-1Q | 05-4Q | 05-1Q | QoQ | YoY |
|-----------------------|----------------|------------------|------------------|---------------|---------------|
| Interest bearing debt | 1,715,995 | 2,016,557 | 2,895,477 | -14.9% | -40.7% |
| Payable within 1 year | 39,001 | 339,862 | 1,174,933 | -88.5% | -96.7% |
| Net Debt | 912,297 | 1,050,706 | 2,792,467 | -13.2% | -67.3% |
| Foreign debt | ₩ 4.7 bn | ₩ 4.7 bn | ₩ 14.2 bn | - | -₩ 9.5 bn |

A. Interest bearing debt consists of 39 billion won in current portion of long-term debt and 1,676.7 billion won in debentures.

B. Accrued payments from W-CDMA spectrum license was excluded in the interest bearing debt.

- Current portion of WCDMA license 86 billion won
- Long-term payable of WCDMA license 478.9 billion won

IX. Operational Results

A. Subscribers

(Unit: Thousands)

| | 06-1Q | 05-4Q | 05-3Q | 05-2Q | 05-1Q |
|-------------------------|--------|--------|--------|--------|--------|
| Total Subs | 12,539 | 12,302 | 12,279 | 12,166 | 12,042 |
| KT resale | 2,553 | 2,493 | 2,512 | 2,526 | 2,473 |
| Quarterly adds | 1,238 | 993 | 1,139 | 1,011 | 1,290 |
| Quarterly churn-outs | 1,002 | 970 | 1,025 | 887 | 977 |
| Quarterly net adds | 237 | 23 | 114 | 124 | 313 |
| Excluding KT res | 9,986 | 9,809 | 9,767 | 9,640 | 9,569 |
| Quarterly adds | 983 | 826 | 967 | 805 | 894 |
| Quarterly churn-outs | 806 | 784 | 839 | 734 | 824 |
| Quarterly net adds | 177 | 42 | 127 | 71 | 70 |

B. Subscribers by Network

(Unit: Thousands)

| | 06-1Q | 05-4Q | 05-3Q | 05-2Q | 05-1Q |
|--------------|--------|--------|--------|--------|--------|
| EV-DO | 4,594 | 4,392 | 4,225 | 3,852 | 3,512 |
| VOD | 1,769 | 1,523 | 1,360 | 1,106 | 938 |
| 1X | 7,440 | 7,336 | 7,367 | 7,492 | 7,537 |
| 2G | 504 | 575 | 687 | 822 | 993 |
| Total | 12,539 | 12,303 | 12,279 | 12,166 | 12,042 |

* Including KT resale

C. ARPU

(Unit: Won)

| | 06-1Q | 05-4Q | 05-3Q | 05-2Q | 05-1Q |
|--------------------------|--------|--------|--------|--------|--------|
| ARPU-exclude interconn. | 30,396 | 30,814 | 30,350 | 30,331 | 29,437 |
| ARPU-include interconn. | 37,785 | 39,519 | 38,978 | 39,071 | 37,521 |
| Data ARPU | 6,020 | 5,749 | 5,702 | 5,393 | 5,295 |
| Proportion to total ARPU | 20% | 19% | 19% | 18% | 18% |
| Data ARPU | 7,075 | 6,879 | 6,732 | 6,365 | 6,359 |
| Proportion to total ARPU | 23% | 22% | 22% | 21% | 22% |

* Excluding KT resale

D. ARPU by Network

(Unit: Won)

| | | 06-1Q | 05-4Q | 05-3Q | 05-2Q |
|-------|------------|--------|--------|--------|--------|
| 1X | Data ARPU | 4,501 | 4,597 | 4,497 | 4,401 |
| | Total ARPU | 30,336 | 31,216 | 30,798 | 31,069 |
| EV-DO | Data ARPU | 6,708 | 6,844 | 7,399 | 7,388 |
| | Total ARPU | 38,053 | 39,371 | 39,915 | 40,366 |
| VOD | Data ARPU | 10,706 | 10,588 | 10,417 | 9,486 |
| | Total ARPU | 45,016 | 45,750 | 44,962 | 43,837 |
| 2G | Data ARPU | 2,781 | 2,060 | 1,876 | 1,669 |
| | Total ARPU | 13,930 | 13,658 | 14,069 | 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.

KTF

(Unit : W mn)

| Descriptions | 2006. 1 ~ 3 | 2005. 10 ~ 12 | 2005. 7 ~ 9 | 2005. 4 ~ 6 | 2005. 1 ~ 3 |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| | Amount | Amount | Amount | Amount | Amount |
| I. Total Sales | 1,563,997 | 1,552,105 | 1,572,285 | 1,458,233 | 1,469,166 |
| PCS Service | 1,253,824 | 1,283,048 | 1,255,351 | 1,230,690 | 1,193,317 |
| Activations | 20,885 | 17,910 | 21,074 | 17,552 | 20,258 |
| Monthly Fee | 479,672 | 470,278 | 463,635 | 457,641 | 448,122 |
| Airtime charge | 289,724 | 316,273 | 306,952 | 313,653 | 294,107 |
| Value-added service | 166,258 | 158,730 | 155,032 | 145,781 | 141,742 |
| (PCS discount) | (50,370) | (53,965) | (53,218) | (54,935) | (52,523) |
| Interconnection | 234,777 | 259,938 | 254,165 | 249,723 | 240,611 |
| Resale | 111,173 | 112,109 | 105,994 | 99,557 | 99,157 |
| Fees from other services | 1,705 | 1,775 | 1,716 | 1,718 | 1,842 |
| Other Services | 15,842 | 12,600 | 11,556 | 10,961 | 10,694 |
| Handset rental | 134 | 192 | 82 | 68 | 120 |
| Overseas call | 6,531 | 6,050 | 5,639 | 5,742 | 5,597 |
| Mcommerce | 2,330 | 2,121 | 2,168 | 2,151 | 2,186 |
| International Roaming | 1,841 | 2,289 | 1,607 | 1,417 | 1,074 |
| Other overseas service | 105 | 96 | 231 | 295 | 249 |
| K-merch Lottery | 73 | 67 | 67 | 55 | 60 |
| MAd | 1,293 | 1,027 | 889 | 668 | 670 |
| Credit card service | 565 | 369 | 639 | 330 | 335 |
| MNP port-out service | 11 | 9 | 9 | 9 | 9 |
| Professional Sports | 383 | 381 | 225 | 226 | 394 |
| Rental Income | 2,577 | | | | |
| Handset | 294,331 | 256,457 | 305,378 | 216,582 | 265,155 |
| Handset | 295,312 | 257,371 | 306,493 | 217,331 | 265,634 |
| (Handset discount) | (982) | (914) | (1,115) | (749) | (480) |
| II. Operating Expense | 1,393,128 | 1,337,668 | 1,374,290 | 1,236,006 | 1,279,030 |
| Salary & Bonus | 41,927 | 44,216 | 41,919 | 33,962 | 43,679 |
| Fees for temporary employee | 155 | 190 | 191 | 250 | 260 |
| Out-sourcing employee | 2,611 | 1,734 | 2,210 | 1,680 | 2,309 |
| Retirement | 4,384 | 3,992 | 2,620 | 2,627 | 5,214 |
| Fringe benefits & others | 7,319 | 7,736 | 6,899 | 7,455 | 6,816 |
| Rent | 29,190 | 29,937 | 28,612 | 28,361 | 27,118 |
| Lease | 15,327 | 15,327 | 15,327 | 15,327 | 15,327 |
| Service fee & commission | 101,370 | 105,916 | 100,066 | 99,027 | 95,196 |
| Depreciations | 257,963 | 258,452 | 258,878 | 259,218 | 261,213 |
| Amortizations | 25,080 | 25,688 | 25,665 | 24,541 | 24,503 |
| Tax & dues | 11,584 | 9,040 | 14,173 | 7,467 | 13,519 |
| Fare | 1,413 | 2,194 | 2,214 | 2,308 | 1,234 |
| Insurance | 627 | 7 | 371 | 356 | 381 |
| Interconnections | 154,465 | 157,069 | 153,761 | 149,985 | 142,345 |
| Overseas call cost | 4,835 | 3,869 | 2,275 | 2,035 | 1,843 |
| Leased line cost | 86,211 | 89,726 | 90,286 | 88,976 | 91,667 |
| CP info usage charge | 4,544 | 797 | 903 | 893 | 742 |
| Universal service obligations sh | 5,000 | 16,545 | 10,000 | 10,000 | 10,000 |
| Vehicles | 613 | 594 | 619 | 581 | 489 |
| Educations | 2,129 | 2,535 | 2,214 | 1,871 | 1,711 |
| Ordinary R&D | 1,069 | 4,098 | 3,401 | 1,130 | 475 |
| Awards | 132 | 417 | 1,351 | 970 | 1,035 |
| Entertainment | 418 | 509 | 498 | 494 | 427 |
| Sales commission | 225,862 | 183,459 | 196,173 | 174,359 | 167,163 |
| Sales promotions | 26,244 | 40,427 | 31,768 | 30,371 | 28,345 |
| Advertisement | 24,674 | 26,630 | 24,685 | 27,524 | 25,261 |
| Bad Debt | 22,516 | 29,400 | 9,434 | 5,667 | 9,781 |
| Travel & Car fare | 1,780 | 1,787 | 1,296 | 1,449 | 1,387 |
| Utilities | 13,813 | 13,768 | 16,552 | 12,117 | 12,097 |
| Communications | 7,268 | 7,359 | 7,420 | 7,574 | 7,911 |
| Repair & Maintenance | 17,569 | 23,717 | 18,779 | 18,754 | 13,087 |
| Office supplies | 2,808 | 3,254 | 2,454 | 2,894 | 2,802 |
| Other researchs | 1,054 | 2,968 | 1,358 | 2,334 | 805 |
| Book & Printing | 111 | 228 | 175 | 285 | 167 |
| Conference & managerial event | 1,682 | 2,011 | 1,790 | 1,756 | 1,647 |
| Cost of Handset sold | 289,385 | 255,164 | 297,952 | 211,409 | 261,073 |
| Others | - | 0 | 0 | 0 | 0 |

| KTF | | | | | | | | | | (Unit : W mn) |
|--|-----------|----------------|-------------|----------------|-----------|----------------|-----------|----------------|-----------|----------------|
| Descriptions | 2006. 1~3 | | 2005. 10~12 | | 2005. 7~9 | | 2005. 4~6 | | 2005. 1~3 | |
| | Amount | | Amount | | Amount | | Amount | | Amount | |
| III. Operating Income | | 170,869 | | 214,437 | | 197,996 | | 222,227 | | 190,136 |
| IV. Non-operating gains | | 39,576 | | 26,216 | | 18,927 | | 20,884 | | 91,927 |
| Interest | 5,402 | | 3,397 | | 2,525 | | 2,210 | | 1,926 | |
| Disposition of ST sales securities | 2,649 | | 8,236 | | 477 | | 0 | | 0 | |
| Evaluation of ST sales securities | 1,414 | | (56) | | -147 | | 300 | | 0 | |
| Disposition of Available-for-sale securities | 8,405 | | (7,734) | | -54 | | 54 | | 7,735 | |
| Evaluation of Available-for-sale securities | 3,312 | | (0) | | -57 | | 57 | | 0 | |
| Dividend | 240 | | 0 | | - | | - | | 301 | |
| Rent | 0 | | 3,609 | | 1,658 | | 2,663 | | 1,294 | |
| Equity method evaluation | 70 | | 2,045 | | 754 | | (178) | | 892 | |
| FX transactions | 3,095 | | 64 | | 178 | | 6,791 | | 178 | |
| FX translations | 1,921 | | 3,175 | | 207 | | (3,228) | | 7,136 | |
| Disposition of Investment | 0 | | 0 | | 110 | | - | | 284 | |
| Disposition of tangible asset | 67 | | 1,049 | | 66 | | 74 | | 57,238 | |
| Disposition of Intangible asset | 6 | | 142 | | -3 | | 16 | | 0 | |
| Collection of bad debt | 0 | | 200 | | 0 | | 61 | | 0 | |
| Gain from Derivatives | 0 | | (0) | | 0 | | 0 | | 0 | |
| Tax refund | 5,483 | | 566 | | 0 | | 0 | | 2,099 | |
| Others | 859 | | 4,093 | | 6,677 | | 4,750 | | 5,594 | |
| Miscellaneous gains | 6,652 | | 7,433 | | 6,535 | | 7,301 | | 7,250 | |
| V. Non-operating losses | | 56,994 | | 118,193 | | 71,591 | | 75,001 | | 107,310 |
| Interest | 36,778 | | 42,516 | | 44,973 | | 48,439 | | 48,767 | |
| FX transactions | 83 | | 45 | | 169 | | 29 | | 110 | |
| FX translations | 416 | | 181 | | 121 | | 29 | | 150 | |
| Donation | 4,839 | | 4,776 | | 4,702 | | 4,573 | | 5,221 | |
| Equity method evaluation | 8,865 | | 385 | | (1,474) | | 2,215 | | 314 | |
| Disposition of ST sales securities | - | | 0 | | 0 | | 0 | | 0 | |
| Evaluation of ST sales securities | - | | 0 | | 0 | | 0 | | 0 | |
| Disposition of Inventories | - | | 0 | | 0 | | 0 | | 0 | |
| Evaluation of Inventories | - | | 0 | | 0 | | 0 | | 0 | |
| Disposition of Investment | - | | 0 | | 0 | | 0 | | 0 | |
| Evaluation of Invest. securities | - | | 10,787 | | 3,376 | | 3,516 | | 7,452 | |
| Disposition of Tangible asset | 1,896 | | 54,897 | | 16,189 | | 9,426 | | 36,433 | |
| Disposition of Intangible asset | 29 | | 33 | | 8 | | 4 | | 3 | |
| Loss from derivatives | - | | 0 | | 0 | | 7,948 | | 0 | |
| Evaluation loss from derivatives | 938 | | 1,252 | | 221 | | (4,251) | | 5,119 | |
| Loss sharing for overseas call | - | | 0 | | 0 | | 0 | | 0 | |
| Others | - | | 136 | | 477 | | (17) | | 642 | |
| Loss from disaster | - | | 0 | | 0 | | 0 | | 0 | |
| Selling Trade receivable-ABS | 2,967 | | 2,975 | | 2,947 | | 2,965 | | 2,974 | |
| Other bad debt | - | | - | | - | | - | | 0 | |
| Miscellaneous losses | 183 | | 210 | | 123 | | 125 | | 125 | |
| VI. Ordinary Income | | 153,452 | | 122,460 | | 145,331 | | 168,110 | | 174,752 |
| VII. Pretax Income | | 153,452 | | 122,460 | | 145,331 | | 168,110 | | 174,752 |
| VIII. Tax | | 28,153 | | 12,841 | | 15,231 | | 17,609 | | 17,969 |
| IX. Net Income | | 125,299 | | 109,619 | | 130,100 | | 150,500 | | 156,784 |

Appendix 2 : Balance Sheet

Balance Sheet

| | 1Q-2006 | 4Q-2005 | 1Q-2005 | | 1Q-2006 | 4Q-2005 | 1Q-2005 |
|--------------------------------|------------------|------------------|------------------|----------------------------|------------------|------------------|------------------|
| Assets | 7,893,819 | 8,200,171 | 7,812,658 | Liabilities | 3,707,699 | 4,013,309 | 4,576,068 |
| Current | 2,323,479 | 2,487,129 | 1,855,213 | Current | 1,492,326 | 1,726,732 | 2,246,833 |
| Quick | 2,120,690 | 2,274,312 | 1,618,063 | Trade payable | 284,497 | 293,889 | 216,703 |
| Cash | 63,367 | 287,823 | 101,101 | Other payable | 733,405 | 715,332 | 425,449 |
| ST Securities | 270,000 | 430,000 | | Short-term borrowings | - | - | 200,000 |
| Available-for-sale Securities | 470,332 | 248,028 | 1,909 | Advances from customer | 32,577 | 32,967 | 26,375 |
| Hold-to-maturity | 74,088 | | | Withholdings | 118,548 | 101,268 | 158,477 |
| Trade receivables | 981,138 | 1,064,561 | 1,209,685 | Accrued expenses | 107,728 | 136,719 | 95,346 |
| Other receivables | 102,934 | 106,259 | 170,426 | Current portion of LT debt | 125,075 | 339,862 | 974,933 |
| Short-term loans | 9,616 | 7,777 | 7,105 | Unpaid income tax | 77,379 | 93,658 | 49,835 |
| Advanced payment | 21,203 | 23,153 | 40,263 | Unpaid Dividends | 8,244 | - | 99,715 |
| Prepaid expenses | 15,121 | 12,472 | 15,149 | Others | 4,873 | 13,037 | |
| Accrued income | 2,596 | 2,330 | 1,300 | | | | |
| Deferred tax | 110,286 | 91,899 | 71,027 | | | | |
| Others | 8 | 8 | 98 | | | | |
| Inventory | 202,789 | 212,818 | 237,150 | | | | |
| Non-Current | 5,570,340 | 5,713,042 | 5,957,446 | Non-Current | 2,215,373 | 2,286,577 | 2,329,235 |
| Investment | 442,582 | 579,541 | 514,106 | Bonds | 1,676,995 | 1,676,695 | 1,720,544 |
| Long-term financial investment | 16 | 16 | 16 | Long-term borrowings | - | - | |
| Investment securities | 13,769 | 14,799 | 17,732 | Long-term payables | 478,868 | 559,540 | 543,146 |
| Equity method security | 69,517 | 77,285 | 58,266 | Others | 59,511 | 50,342 | 65,545 |
| Hold-to-maturity | - | 104,305 | 51,484 | | | | |
| Long-term Receivables | 49,687 | 55,958 | 73,760 | | | | |
| Long-term loans | 32,387 | 36,591 | 46,808 | | | | |
| Guarantee deposit | 211,902 | 219,473 | 197,373 | | | | |
| Deferred income tax | 48,989 | 58,124 | 58,365 | | | | |
| Others | 16,316 | 12,990 | 10,302 | | | | |
| Tangible | 4,105,805 | 4,091,233 | 4,327,916 | | | | |
| Land | 119,328 | 119,546 | 119,496 | | | | |
| Buildings | 273,648 | 276,570 | 174,321 | | | | |
| Structure | 72,988 | 74,086 | 69,249 | | | | |
| Equipment & Machinery | 3,376,866 | 3,372,016 | 3,616,103 | | | | |
| Vehicles | 2,357 | 2,638 | 3,678 | | | | |
| Construction in progress | 69,677 | 40,577 | 127,724 | | | | |
| Others | 190,941 | 205,801 | 217,345 | | | | |
| Intangible | 1,021,953 | 1,042,268 | 1,115,424 | | | | |
| | | | | Equity | 4,186,120 | 4,186,863 | 3,236,590 |
| | | | | Capital Stock | 1,044,181 | 1,044,181 | 955,703 |
| | | | | APIC | 1,731,271 | 1,731,321 | 1,325,489 |
| | | | | Retained Earnings | 1,406,350 | 1,419,196 | 1,042,343 |
| | | | | Capital Adjustment | 4,317 | (7,836) | (86,945) |