



# FY2006 3Q Earnings Release

KT Freetel Co., Ltd.

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## I . Financial Highlights

### [ Summary of income statement & financial ratios ]

(In million KRW)

	06-3Q	05-3Q	YoY	06-2Q	QoQ
<b>Service revenue</b>	<b>1,289,143</b>	<b>1,266,907</b>	1.8%	<b>1,314,216</b>	-1.9%
<b>Service cost</b>					
(Including handset margin)	1,125,050	1,068,912	5.3%	1,161,540	-3.1%
(Excluding handset margin)	1,156,696	1,076,338	7.5%	1,179,156	-1.9%
<b>Operating income</b>					
(Including handset margin)	164,092	197,996	-17.1%	152,676	7.5%
(Excluding handset margin)	132,447	190,569	-30.5%	135,060	-1.9%
<b>EBITDA</b>					
(Including handset margin)	448,120	482,539	-7.1%	435,806	2.8%
(Excluding handset margin)	416,474	475,113	-12.3%	418,190	-0.4%
<b>Non-operating income</b>	27,047	18,927	42.9%	24,485	10.5%
<b>Non-operating expense</b>	64,986	71,591	-9.2%	76,981	-15.6%
<b>Ordinary income</b>	126,154	145,331	-13.2%	100,180	25.9%
Tax expense	28,046	15,231	84.1%	19,598	43.1%
<b>Net income</b>	<b>98,108</b>	<b>130,100</b>	-24.6%	<b>80,582</b>	21.7%
<b>Financial ratio</b>	<b>06-3Q</b>	<b>05-3Q</b>	<b>YoY</b>	<b>06-2Q</b>	<b>QoQ</b>
▮ Marketing cost/service Rev.(Including handset margin)	20.6%	19.4%	1.2%p	23.1%	-2.6%p
(Excluding handset margin)	23.0%	19.9%	3.1%p	24.5%	-1.5%p
▮ OP margin	12.7%	15.6%	-2.9%p	11.6%	1.1%p
(Excluding handset margin)	10.3%	15.0%	-4.7%p	10.3%	-0.0%p
▮ EBITDA margin	34.8%	38.1%	-3.3%p	33.2%	1.6%p
(Excluding handset margin)	32.3%	37.5%	-5.2%p	31.8%	0.5%p
▮ Net profit margin	7.6%	10.3%	-2.7%p	6.1%	1.5%p
▮ Effective income tax rate	22.2%	10.5%	11.8%p	19.6%	2.7%p
▮ Net debt/equity ratio	12.0%	58.1%	-46.1%p	18.1%	-6.1%p
Net debt/equity including 3G license payable	25.3%	73.9%	-48.6%p	31.5%	-6.3%p
▮ Total debt/equity ratio	85.9%	115.0%	-29.1%p	86.3%	-0.3%p

#### A. Service revenue declined 1.9% QoQ, but increased 1.8% YoY

- 1) Reflection of cumulative effect (KRW 19 billion) of lowered interconnection rate for the first half mainly caused QoQ service revenue contraction
- 2) If impact from new interconnection rates were normalized, service revenue could have been KRW 1,308 billion, 0.3% growth QoQ and 3.2% growth YoY
- 3) Rising subscribers and bulging wireless data revenue (10%) contributed to a positive YoY growth, offsetting downside impact from interconnection revenue adjustments

#### B. EBITDA margin improved by 1.6%p QoQ, but deteriorated 3.3%p YoY

- 1) Declined marketing cost (-7.8%) and Tax&Dues (-83.8%) were main reasons for improved QoQ EBITDA margin
- 2) Interconnection margin erosion and increased marketing cost mainly led to YoY EBITDA margin decline
- 3) Adjusted 3Q EBITDA margin by normalizing cumulative effect from interconnection rate change was 36.7% (Please refer to VII. EBITDA margin description)

**C. Net profit rose by 21.7% QoQ, but fell by 24.6% YoY**

- 1) 7.5% increase in operating income and 27.7% improvement in net non-operating account contributed to healthy QoQ net income growth
- 2) Weakened operating income from heavy marketing expenses and higher corporate tax rate led to YoY net income decline

**D. Adjusted Income statement after normalizing impact from new interconnection rates is as follows:**

(In billion KRW)

		05-3Q	05-4Q	06-1Q	06-2Q	06-3Q	QoQ	YoY
<b>Service revenue</b>		1,267	1,296	1,260	1,305	1,308	0.3%	3.2%
<b>Service cost</b>	(Including handset margin)	1,069	1,081	1,105	1,168	1,112	-4.8%	4.0%
	(Excluding handset margin)	1,076	1,083	1,110	1,186	1,144	-3.6%	6.2%
<b>Operating income</b>	(Including handset margin)	198	214	155	136	196	43.9%	-1.0%
	(Excluding handset margin)	191	213	150	119	164	38.6%	-13.7%
<b>EBITDA</b>	(Including handset margin)	483	499	438	419	480	14.5%	-0.5%
	(Excluding handset margin)	475	497	433	402	448	11.6%	-5.6%
<b>Ordinary income</b>		145	122	138	84	158	88.8%	8.8%
<b>Net income</b>		130	110	113	67	123	83.1%	-5.2%

		05-3Q	05-4Q	06-1Q	06-2Q	06-3Q	QoQ	YoY
<input type="checkbox"/> OP margin	(Including handset margin)	15.6%	16.6%	12.3%	10.4%	15.0%	4.6%p	-0.6%p
	(Excluding handset margin)	15.0%	16.5%	11.9%	9.1%	12.6%	3.5%p	-2.4%p
<input type="checkbox"/> EBITDA margin	(Including handset margin)	38.1%	38.5%	34.8%	32.1%	36.7%	4.6%p	-1.4%p
	(Excluding handset margin)	37.5%	38.4%	34.4%	30.8%	34.3%	3.5%p	-3.2%p
<input type="checkbox"/> Net profit margin		10.3%	8.5%	8.9%	5.2%	9.4%	4.2%p	-0.9%p

## II. Sales

(In million KRW)

	06-3Q	05-3Q	YoY	06-2Q	QoQ
<b>Service revenue</b>	<b>1,289,143</b>	<b>1,266,907</b>	<b>1.8%</b>	<b>1,314,216</b>	<b>-1.9%</b>
<b>Voice revenue</b>	<b>961,547</b>	<b>971,969</b>	<b>-1.1%</b>	<b>985,900</b>	<b>-2.5%</b>
Monthly base fee	439,472	414,784	6.0%	434,261	1.2%
Airtime charge	301,087	306,952	-1.9%	304,308	-1.1%
Value added service	43,794	41,314	6.0%	44,811	-2.3%
Interconnection	217,730	254,165	-14.3%	245,201	-11.2%
Others	9,513	7,744	22.9%	9,607	-1.0%
(Voice Discount)	(50,050)	(52,990)	-5.5%	(52,289)	-4.3%
<b>Data revenue</b>	<b>182,333</b>	<b>165,911</b>	<b>9.9%</b>	<b>185,233</b>	<b>-1.6%</b>
Monthly base fee	51,332	48,851	5.1%	52,788	-2.8%
Messaging(SMS,MMS)	53,289	39,225	35.9%	54,966	-3.1%
Wireless data usage	55,372	63,883	-13.3%	57,741	-4.1%
(Data discount)	(631)	(228)	176.8%	(258)	144.6%
Contents	18,180	10,610	71.3%	15,118	20.3%
Others	4,790	3,570	34.2%	4,878	-1.8%
<b>Resale revenue</b>	<b>114,425</b>	<b>105,994</b>	<b>8.0%</b>	<b>117,669</b>	<b>-2.8%</b>
<b>Other revenue</b>	<b>30,837</b>	<b>23,032</b>	<b>33.9%</b>	<b>25,414</b>	<b>21.3%</b>
Subscription	18,433	21,074	-12.5%	16,516	11.6%
Other service revenue	12,404	1,958	533.5%	8,899	39.4%
<b>Handset sales</b>	<b>370,397</b>	<b>305,378</b>	<b>21.3%</b>	<b>325,042</b>	<b>14.0%</b>
<b>Total operating revenue</b>	<b>1,659,539</b>	<b>1,572,285</b>	<b>5.5%</b>	<b>1,639,258</b>	<b>1.2%</b>

### A. Voice revenue dropped by 2.5% QoQ and 1.1% YoY

- 1) Monthly base fee income was increased by 1.2% QoQ and 6.0% YoY mainly due to subscriber growth and higher monthly base fee per subscriber
- 2) Airtime charge fell by 1.1% QoQ mainly due to seasonal effect of lower traffic, and decreased by 1.9% YoY due to increased subscribers with high monthly fee plans and 'Carryover Call Plans'.
- 3) Interconnection revenue fell by 11.2% QoQ and 14.3% YoY due to reflection of cumulative effect (KRW 19 billion) of rate adjustment (If normalized, 3Q interconnection revenue is KRW 237 billion, 0.4% QoQ increase but 6.9% YoY decrease)
- 4) Other voice revenue surged by 22.9% YoY because of higher international calls and roaming incomes

### B. Data revenue decreased by 1.6% QoQ, but increased by 9.9% YoY

- 1) Monthly base fee was decreased by 2.8% QoQ, but increased by 5.1% YoY because more subscribers opted for high message using service packages
- 2) Messaging revenue grew by 35.9% YoY due to steadily growing usages of messaging services
- 3) Contents revenue soared by 20.3% QoQ and 71.3% YoY mainly because of changes in the accounting method for sourcing music contents, recognizing revenues as gross-base instead of net-base (If contents revenue of last year were recalculated under current method, the amount would have been KRW 14 billion and 30% YoY growth)

### C. Resale revenue

- 1) Declined per subscriber revenue due to seasonal effect caused resale revenue to drop by 2.8% QoQ
- 2) Subscriber growth and ARPU increase contributed to resale revenue growth of 8% YoY

### D. Handset sales

- 1) Increased number of sign-ups(12.4% growth) mainly led to 14% QoQ growth of handset sales
- 2) Strong handset replacement demand contributed most of 21.3% YoY growth

### III. Service cost

	(In million KRW)				
	06-3Q	05-3Q	YoY	06-2Q	QoQ
1. Labor expense	60,569	57,405	5.5%	51,275	18.1%
2. Commision	108,883	100,066	8.8%	110,244	-1.2%
3. Interconnection	180,790	153,761	17.6%	163,966	10.3%
4. International call	3,939	2,275	73.1%	4,708	-16.3%
5. Contents fee	8,589	903	851.5%	6,659	29.0%
6. Rent	35,517	28,612	24.1%	33,997	4.5%
7. Depreciation&Amortization	284,027	284,544	-0.2%	283,130	0.3%
8. Leased line expense	88,973	90,286	-1.5%	87,829	1.3%
9. Utility	17,774	16,552	7.4%	13,187	34.8%
10. Repair&Maintenance	19,178	18,779	2.1%	18,499	3.7%
11. Lease expense	1,947	15,327	-87.3%	15,327	-87.3%
12. Marketing expense	296,670	252,627	17.4%	321,693	-7.8%
13. Bad debt expense	21,261	9,434	125.4%	24,525	-13.3%
14. Tax & Dues	4,368	14,173	-69.2%	26,990	-83.8%
15. USO	5,000	10,000	-50.0%	(2,048)	N/A
16. Others	19,210	21,595	-11.0%	19,176	0.2%
<b>Total service expense</b>	<b>1,156,696</b>	<b>1,076,338</b>	<b>7.5%</b>	<b>1,179,156</b>	<b>-1.9%</b>
Handset margin	31,646	7,426	326.2%	17,616	79.6%
<b>Net Service cost total</b>	<b>1,125,050</b>	<b>1,068,912</b>	<b>5.3%</b>	<b>1,161,540</b>	<b>-3.1%</b>

#### A. Labor expense

- 1) Increased by 18.1% QoQ largely due to rising expenses for bonus payments and an internal company event in 3Q, and 5.5% YoY due to a moderate growth in the number of employees

#### B. Commission (Fees)

- 1) Rose by 8.8% YoY due to increased fees for maintaining base stations

#### C. Interconnection expense

- 1) Increased by 10.3% QoQ and 17.6% YoY due to reflection of cumulative effect (KRW 13 billion) of adjusted interconnection rate for the first half
- 2) If normalized, 3Q interconnection expense is KRW 168 billion, 1.8% QoQ decrease but 9% YoY increase

#### D. International calls

- 1) Jumped 73.1% YoY due to increased international call traffics and expanding usages of international prepaid card services

#### E. Contents fee

- 1) Soared by large margin YoY due to change in accounting method for recognizing contents revenue and expense
- 2) If contents fee were recalculated under current method, the amount would have been KRW 4.3 billion and 100% YoY growth

#### F. Rent

- 1) Rose by 4.5% QoQ and 24.1% YoY due to increased renting fees for shared base stations and the head office

#### G. Bad debt expense

- 1) Temporarily increased due to ABS effect. After reflecting bad debt redemption from ABS in non-operating, the effective ratio stands at 1.8%, similar level of last year

## H. Tax & Dues

- 1) Fell 83.8% QoQ mainly due to reduced fines and settlement of contribution to 'IT promotion fund'.

## IV. Interconnection revenue & expense

(In million KRW)

	06-3Q	05-3Q	YoY	06-2Q	QoQ
<b>Interconnection revenue</b>	<b>217,730</b>	<b>254,165</b>	<b>-14.3%</b>	<b>245,201</b>	<b>-11.2%</b>
LM	70,113	90,798	-22.8%	79,430	-11.7%
MM	147,617	163,367	-9.6%	165,771	-11.0%
<b>Interconnection expense</b>	<b>180,790</b>	<b>153,761</b>	<b>17.6%</b>	<b>163,966</b>	<b>10.3%</b>
LM	28,011	27,399	2.2%	27,440	2.1%
MM	152,779	126,361	20.9%	136,526	11.9%
<b>Net interconnection profit</b>	<b>36,940</b>	<b>100,404</b>	<b>-63.2%</b>	<b>81,235</b>	<b>-54.5%</b>
LM	42,102	63,398	-33.6%	51,990	-19.0%
MM	(5,162)	37,005	-113.9%	29,245	-117.7%

### A. Net interconnection profit

- Decreased by 54.5% QoQ and 63.2% YoY due to cumulative effect (KRW 32 billion) of new interconnection rate
- If normalized, 3Q net interconnection profit increases 6.4% QoQ, but decreases 31.3% YoY

### B. Interconnection revenue

- Decreased by 11.2% QoQ and 14.3% YoY due to cumulative effect (KRW 19 billion) of new interconnection rate
- If normalized, 3Q interconnection revenue rises 0.4% QoQ, but falls 6.9% YoY

### C. Interconnection expense

- Increased by 10.3% QoQ and 17.6% YoY due to cumulative effect (KRW 13 billion) of new interconnection rate
- If normalized, 3Q interconnection expense falls 1.8% QoQ, but rises 9% YoY

### ※ Normalized Interconnection revenue & expense

(In million KRW)

	05-3Q	05-4Q	06-1Q	06-2Q	06-3Q	QoQ	YoY
<b>Revenue</b>	<b>254,165</b>	<b>259,938</b>	<b>225,595</b>	<b>235,548</b>	<b>236,565</b>	<b>0.4%</b>	<b>-6.9%</b>
LM	90,798	90,417	77,752	75,644	77,636	2.6%	-14.5%
MM	163,367	169,521	147,843	159,904	158,929	-0.6%	-2.7%
<b>Expense</b>	<b>153,761</b>	<b>157,069</b>	<b>160,869</b>	<b>170,732</b>	<b>167,620</b>	<b>-1.8%</b>	<b>9.0%</b>
LM	27,399	28,533	27,260	27,440	28,011	2.1%	2.2%
MM	126,361	128,536	133,610	143,291	139,609	-2.6%	10.5%
<b>Net Profit</b>	<b>100,404</b>	<b>102,869</b>	<b>64,725</b>	<b>64,817</b>	<b>68,945</b>	<b>6.4%</b>	<b>-31.3%</b>
LM	63,698	61,884	50,492	48,204	49,625	2.9%	-22.1%
MM	37,005	40,985	14,233	16,613	19,320	16.3%	-47.8%

## V. Marketing cost

	(In million KRW)				
	06-3Q	05-3Q	YoY	06-2Q	QoQ
Sales commission	186,434	196,173	-5.0%	190,370	-2.1%
Sales promotion	85,710	31,768	169.8%	87,354	-1.9%
Advertising	24,526	24,685	-0.6%	43,970	-44.2%
<b>Subtraction of handset margin</b>	<b>31,646</b>	<b>7,426</b>	<b>326.2%</b>	<b>17,616</b>	<b>79.6%</b>
* Net marketing cost total	265,025	245,200	8.1%	304,077	-12.8%
<b>Net Marketing cost/service rev.</b>	<b>20.6%</b>	<b>19.4%</b>	<b>1.2%p</b>	<b>23.1%</b>	<b>-2.6%p</b>

\* Net Marketing cost : excluding handset margin to align with peers

	(In million KRW)				
	06-3Q	05-3Q	YoY	06-2Q	QoQ
<b>Acquisition cost</b>	<b>137,093</b>	<b>100,751</b>	<b>36.1%</b>	<b>127,551</b>	<b>7.5%</b>
Sales commission	99,987	97,877	2.2%	96,846	3.2%
Sales promotion	37,106	2,874	1190.9%	30,705	20.8%
Acquisition cost/subscriber	146,634	104,213	40.7%	153,298	-4.3%
Adjusted Acquisition cost/subs.*	115,253	80,407	43.3%	135,540	-15.0%
<b>Retention cost</b>	<b>135,051</b>	<b>127,190</b>	<b>6.2%</b>	<b>150,172</b>	<b>-10.1%</b>
Sales commission	86,447	98,296	-12.1%	93,524	-7.6%
Sales promotion	48,604	28,894	68.2%	56,648	-14.2%
<b>Advertising</b>	<b>24,526</b>	<b>24,685</b>	<b>-0.6%</b>	<b>43,970</b>	<b>-44.2%</b>
<b>Subtraction of handset margin</b>	<b>31,646</b>	<b>7,426</b>	<b>326.2%</b>	<b>17,616</b>	<b>79.6%</b>
<b>Net marketing cost total</b>	<b>265,025</b>	<b>245,200</b>	<b>8.1%</b>	<b>304,077</b>	<b>-12.8%</b>

\*Note: Adjusted acquisition cost per subs. – exclude handset sales promotion fees from the manufacturers

### A. Net marketing cost total

- 1) Net marketing cost decreased by 12.8% QoQ due to falling subscriber retention cost and advertising cost

### B. Subscriber acquisition cost

- 1) Rose by 7.5% QoQ due to increased number of sign-ups
- 2) Grew by 36.1% YoY because handset subsidy is legalized from end-March 2006

### C. Subscriber retention cost

- 1) Decreased by 10.1% QoQ due to reduced number of handset replacements
- 2) Increased by 6.2% YoY because of handset subsidy legalization from March 2006

### D. Advertising cost

- 1) Sharply fell by 44.2% QoQ after the end of FIFA World Cup games promotion in 2Q

## VI. Non-operating Income & Expense

(In million KRW)

	06-3Q	05-3Q	YoY	06-2Q	QoQ
Interest income	8,242	2,525	226.5%	4,577	80.1%
Interest expense	35,025	44,973	-22.1%	35,271	-0.7%
<b>Net gain(loss)</b>	<b>(26,783)</b>	<b>(42,449)</b>	<b>-36.9%</b>	<b>(30,695)</b>	<b>-12.7%</b>
Gain from FOREX	309	385	-19.6%	1,385	-77.6%
Loss from FOREX	40	49	-16.6%	713	-94.3%
<b>Net gain(loss)</b>	<b>269</b>	<b>337</b>	<b>-20.1%</b>	<b>671</b>	<b>-59.9%</b>
Other non-operating income	18,495	16,017	15.5%	18,523	-0.2%
Other non-operating expense	29,920	26,570	12.6%	40,996	-27.0%
<b>Net gain(loss)</b>	<b>(11,425)</b>	<b>(10,553)</b>	<b>8.3%</b>	<b>(22,473)</b>	<b>-49.2%</b>
Total non-operating income	27,047	18,927	42.9%	24,485	10.5%
Total non-operating expense	64,986	71,591	-9.2%	76,981	-15.6%
<b>Gross net gain(loss)</b>	<b>(37,939)</b>	<b>(52,665)</b>	<b>-28.0%</b>	<b>(52,496)</b>	<b>-27.7%</b>

### A. Non-operating net gain/loss

- Improved by 27.7% QoQ mainly due to increase of interest income and positive equity method account

## VII. EBITDA margin & CAPEX

(In million KRW)

	06-3Q	05-3Q	YoY	06-2Q	QoQ
D&A	284,027	284,544	-0.2%	283,130	0.3%
<b>EBITDA</b>	<b>448,120</b>	<b>482,539</b>	<b>-7.1%</b>	<b>435,806</b>	<b>2.8%</b>
EBITDA margin	34.8%	38.1%	-3.3%p	33.2%	1.6%p
<b>CAPEX</b>	<b>264,876</b>	<b>125,521</b>	<b>111.0%</b>	<b>309,564</b>	<b>-14.4%</b>

### A. EBITDA margin

- Despite the negative impact from new interconnection rate adjustment, EBITDA margin improved by 1.6%p QoQ due to the decrease of marketing cost and tax&dues. (Adjusted 3Q EBITDA margin after reflecting handset margin and normalization of interconnection rate effect stood at 36.7%, 4.6%p increase QoQ)
- EBITDA margin fell by 3.3%p YoY because of increased marketing cost and impact from new interconnection rate. (fell by 1.4%p if adjusted for handset margin and interconnection)

### B. CAPEX

- CAPEX for 3Q 2006 rose by 111% YoY due to active investments in HSDPA

### ※ Adjusted EBITDA margin

(In million KRW)

	05-3Q	05-4Q	Total	06-1Q	06-2Q	06-3Q	Total
① Basic EBITDA	475,113	497,285	1,944,981	448,966	418,190	416,474	1,283,630
*Service revenue	1,266,907	1,295,648	5,008,217	1,260,484	1,304,564	1,307,977	3,873,025
<b>EBITDA margin</b>	<b>37.5%</b>	<b>38.4%</b>	<b>38.8%</b>	<b>35.6%</b>	<b>32.1%</b>	<b>31.8%</b>	<b>33.1%</b>
② Added profit from handset sales	7,426	1,293	17,974	4,946	17,616	31,645	54,207
③ Normalized interconnection profit	0	0	0	(15,587)	(16,418)	32,005	0
<b>**Adjusted EBITDA (①+②+③)</b>	<b>482,539</b>	<b>498,578</b>	<b>1,962,955</b>	<b>438,325</b>	<b>419,388</b>	<b>480,125</b>	<b>1,337,838</b>
<b>Adjusted EBITDA margin</b>	<b>38.1%</b>	<b>38.5%</b>	<b>39.2%</b>	<b>34.8%</b>	<b>32.1%</b>	<b>36.7%</b>	<b>34.5%</b>

\* Service revenue reflects interconnection rate adjustment \*\* Adjusted EBITDA & margin have been provided for comparison with peers.



## VIII. Balance Sheet

(In million KRW)

	06-3Q	06-2Q		06-3Q	06-2Q
<b>Asset</b>	<b>8,113,846</b>	<b>7,948,108</b>	<b>Liabilities</b>	<b>3,750,327</b>	<b>3,681,486</b>
Current asset	2,574,264	2,362,424	Current	1,824,289	1,762,817
Quick Asset	2,428,139	2,182,744	Non-current	1,926,038	1,918,669
Inventory	146,124	179,680			
Non-current asset	5,539,582	5,585,684	<b>Equity</b>	<b>4,363,519</b>	<b>4,266,621</b>
Investment	426,785	434,325	Paid-in-capital	1,044,181	1,044,181
Tangible Asset	4,137,900	4,152,542	APIC	1,728,150	1,731,271
Intangible Asset	974,897	998,817	Retained earnings	1,585,040	1,486,932
			Capital adjustment	6,148	4,236

### A. Leverage

- 1) Net debt/Equity ratio improved by 6.1%p QoQ to 12% due to increase of retained earnings

\* Long-term payable related to WCDMA license is excluded in calculating Net debt/Equity ratio (Net debt/Equity ratio of 25.3% if included)

### [ Interest-bearing debt breakdown]

(In million KRW)

	06-3Q	05-3Q	YoY	06-2Q	QoQ
Interest-bearing debt	1,677,609	2,409,680	-30.4%	1,677,300	0.0%
Payable within one year	299,798	733,283	-59.1%	299,717	0.0%
<b>Net debt</b>	<b>524,828</b>	<b>2,043,998</b>	<b>-74.3%</b>	<b>773,751</b>	<b>-32.1%</b>

### A. Interest-bearing debt

- 1) Interest-bearing debt comprises of KRW 300 billion of current portion of long-term debt and KRW 1.38 trillion of long-term debt
- 2) Long-term payable of KRW 577 billion for WCDMA license is not included in calculating interest-bearing debt
- Current portion of long-term payable: KRW 88 billion
  - Long-term payable: KRW 489 billion

## IX. Operation highlight

### A. Subscriber trend

('000)

	06-3Q	06-2Q	06-1Q	05-4Q	05-3Q
<b>Total No. of Subs.</b>	<b>12,773</b>	<b>12,634</b>	<b>12,539</b>	<b>12,302</b>	<b>12,279</b>
KT resale subs.	2,640	2,598	2,553	2,493	2,512
Quarterly addition	1,181	1,075	1,238	993	1,139
Quarterly deactivation	1,042	980	1,002	970	1,025
Quarterly net addition	139	95	237	23	114
<b>KTF-only (excluding resale subs.)</b>	<b>10,132</b>	<b>10,036</b>	<b>9,986</b>	<b>9,809</b>	<b>9,767</b>
Quarterly addition	935	832	983	826	967
Quarterly deactivation	838	782	806	784	839
Quarterly net addition	86	50	177	42	127

### B. Subscriber breakdown by handset type

('000)

	06-3Q	06-2Q	06-1Q	05-4Q	05-3Q
EV-DO	5,110	4,774	4,594	4,392	4,225
VOD	2,515	2,100	1,770	1,523	1,360
1X	7,277	7,354	7,440	7,336	7,367
2G	386	506	504	575	687
<b>Total</b>	<b>12,773</b>	<b>12,634</b>	<b>12,539</b>	<b>12,302</b>	<b>12,279</b>

\* Including KT resale sub.

### C. ARPU

(KRW)

	06-3Q	06-2Q	06-1Q	05-4Q	05-3Q
ARPU-excluding interconnect.	30,567	30,881	30,263	30,727	30,350
ARPU-including interconnect.	38,287	38,690	37,983	39,483	38,978
Data ARPU (Net basis)	6,018	6,172	5,983	5,733	5,702
Contribution to ARPU (Net)	20%	20%	20%	19%	19%
Data ARPU (Gross basis)	6,788	6,949	7,033	6,859	6,732
Contribution to ARPU (Gross)	22%	23%	23%	22%	22%

\* Excluding KT resale sub.

**D. ARPU by handset type**

(KRW)

		06-3Q	06-2Q	06-1Q	05-4Q	05-3Q
1X	Data ARPU	4,571	4,620	4,501	4,597	4,497
	Total ARPU	29,923	30,485	30,336	31,216	30,798
EV-DO	Data ARPU	7,451	6,965	6,708	6,844	7,399
	Total ARPU	38,905	38,650	38,053	39,371	39,915
VOD	Data ARPU	12,005	11,415	10,702	10,582	10,280
	Total ARPU	47,411	46,570	44,997	45,726	44,781
2G	Data ARPU	3,144	3,643	2,781	2,060	1,876
	Total ARPU	12,153	13,886	13,930	13,658	14,069

\* Excluding KT resale subs., excluding interconnection revenue, Data ARPU as Gross basis

## # Appendix 1 : Income Statement

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

Descriptions	2005. 1 ~ 3		2005. 4 ~ 6		2005. 7 ~ 9		2005. 10 ~ 12		2006. 1 ~ 3		2006. 4 ~ 6		2006. 7 ~ 9	
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
<b>I. Total Sales</b>		<b>1,469,166</b>		<b>1,458,233</b>		<b>1,572,285</b>		<b>1,552,105</b>		<b>1,563,997</b>		<b>1,639,258</b>		<b>1,659,539</b>
<b>PCS Service</b>	<b>1,193,317</b>		<b>1,230,690</b>		<b>1,255,351</b>		<b>1,283,048</b>		<b>1,253,824</b>		<b>1,292,600</b>		<b>1,264,146</b>	
Activations	20,258		17,552		21,074		17,910		20,885		16,516		18,433	
Monthly Fee	448,122		457,641		463,635		470,278		479,672		487,050		490,804	
Airtime charge	294,107		313,653		306,952		316,273		289,724		304,308		301,087	
Value-added service	141,742		145,781		155,032		158,730		166,258		172,636		170,636	
(PCS discount)	(52,523)		(54,935)		(53,218)		(53,965)		(50,370)		(52,547)		(50,681)	
Interconnection	240,611		249,723		254,165		259,938		234,777		245,201		217,730	
Resale	99,157		99,557		105,994		112,109		111,173		117,669		114,425	
Fees from other services	1,842		1,718		1,716		1,775		1,705		1,767		1,710	
<b>Other Services</b>	<b>10,694</b>		<b>10,961</b>		<b>11,556</b>		<b>12,600</b>		<b>15,842</b>		<b>21,616</b>		<b>24,997</b>	
Handset rental	120		68		82		192		134		126		124	
Overseas call	5,597		5,742		5,639		6,050		6,531		6,316		5,126	
M-commerce	2,186		2,151		2,168		2,121		2,330		2,365		2,403	
International Roaming	1,074		1,417		1,607		2,289		1,841		2,373		3,485	
Other overseas service	249		295		231		96		105		88		59	
K-merce Lottery	60		55		67		67		73		71		41	
M-Ad.	670		668		889		1,027		1,293		807		1,251	
Credit card service	335		330		639		369		565		1,572		1,082	
MNP port-out service	9		9		9		9		11		11		13	
Professional Sports	394		226		225		381		383		225		225	
Rental Income									2,577		7,662		5,504	
Others													5,684	
<b>Handset</b>	<b>265,155</b>		<b>216,582</b>		<b>305,378</b>		<b>256,457</b>		<b>294,331</b>		<b>325,042</b>		<b>370,397</b>	
Handset	265,634		217,331		306,493		257,371		295,312		326,468		371,741	
(Handset discount)	(480)		(749)		(1,115)		(914)		(982)		(1,426)		(1,344)	
<b>II. Operating Expense</b>		<b>1,279,030</b>		<b>1,236,006</b>		<b>1,374,290</b>		<b>1,337,668</b>		<b>1,393,128</b>		<b>1,486,582</b>		<b>1,495,447</b>
Salary & Bonus	43,679		33,962		41,919		44,216		41,927		35,786		42,600	
Fees for temporary employee	260		250		191		190		155		151		197	
Out-sourcing employee	2,309		1,680		2,210		1,734		2,611		1,941		2,271	
Retirement	5,214		2,627		2,620		3,992		4,384		2,998		2,803	
Fringe benefits & others	6,816		7,455		6,899		7,736		7,319		7,728		9,091	
Rent	27,118		28,361		28,612		29,937		29,190		33,997		35,517	
Lease	15,327		15,327		15,327		15,327		15,327		15,327		1,947	
Service fee & commission	95,196		99,027		100,066		105,916		101,370		109,836		108,171	
Depreciations	261,213		259,218		258,878		258,452		257,963		257,933		258,793	
Amortizations	24,503		24,541		25,665		25,688		25,080		25,197		25,235	
Tax & dues	13,519		7,467		14,173		9,040		11,584		26,990		4,368	
Fare	1,234		2,308		2,214		2,194		1,413		1,968		2,042	
Insurance	381		356		371		7		627		219		487	
Interconnections	142,345		149,985		153,761		157,069		154,465		163,966		180,790	
Overseas call cost	1,843		2,035		2,275		3,869		4,835		4,708		3,939	
Leased line cost	91,667		88,976		90,286		89,726		86,211		87,829		88,973	
CP info usage charge	742		893		903		797		4,544		6,659		8,589	
Universal service obligations share	10,000		10,000		10,000		16,545		5,000		2,048		5,000	
Vehicles	489		581		619		594		613		627		664	
Educations	1,711		1,871		2,214		2,535		2,129		2,526		2,054	
Ordinary R&D	475		1,130		3,401		4,098		1,069		1,296		1,333	
Awards	1,035		970		1,351		417		132		145		1,552	
Entertainment	427		494		498		509		418		504		529	
Sales commission	167,163		174,359		196,173		183,459		225,862		190,370		186,434	
Sales promotions	28,345		30,371		31,768		40,427		26,244		87,354		85,710	
Advertisement	25,261		27,524		24,685		26,630		24,674		43,970		24,526	
Bad Debt	9,781		5,667		9,434		29,400		22,516		24,525		21,261	
Travel & Car fare	1,387		1,449		1,296		1,787		1,780		1,548		1,217	
Utilities	12,097		12,117		16,552		13,768		13,813		13,596		18,487	
Communications	7,911		7,574		7,420		7,359		7,268		6,748		6,581	
Repair & Maintenance	13,087		18,754		18,779		23,717		17,569		18,499		19,178	
Office supplies	2,802		2,894		2,454		3,254		2,808		2,573		2,516	
Other researches	805		2,334		1,358		2,968		1,054		1,793		2,018	
Book & Printing	167		285		175		228		111		149		191	
Conference & managerial events	1,647		1,756		1,790		2,011		1,682		1,749		1,631	
Cost of Handset sold	261,073		211,409		297,952		255,164		289,385		307,426		338,751	
Others	0		0		0		0		-		-		-	

Descriptions	2005. 1 ~ 3		2005. 4 ~ 6		2005. 7 ~ 9		2005. 10 ~ 12		2006. 1 ~ 3		2006. 4 ~ 6		2006. 7 ~ 9	
	Amount		Amount		Amount		Amount		Amount		Amount		Amount	
<b>III. Operating Income</b>		190,136		222,227		197,996		214,437		170,869		152,676		164,092
<b>IV. Non-operating gains</b>		91,927		20,884		18,927		26,216		39,576		24,486		27,047
Interest	1,926		2,210		2,525		3,397		5,402		4,577		8,242	
Disposition of ST sales securities	0		0		477		8,236		2,649		2,859		2,626	
Evaluation of ST sales securities	0		300		-147		(56)		1,414		1,092		769	
Disposition of Available-for-sale s	7,735		54		-54		(7,734)		8,405		0		0	
Evaluation of Available-for-sale s	0		57		-57		(0)		3,312		4,298		4,883	
Dividend	301		-		-		0		240		312		0	
Rent	1,294		2,663		1,658		3,609		0		0		0	
Equity method evaluation	892		(178)		754		2,045		70		551		2,599	
FX transactions	178		6,791		178		64		3,095		1,104		23	
FX translations	7,136		(3,228)		207		3,175		1,921		282		287	
Disposition of Investment	284		-		110		0		0		0		0	
Disposition of tangible asset	57,238		74		66		1,049		67		87		47	
Disposition of Intangible asset	0		16		-3		142		6		0		0	
Collection of bad debt	0		61		0		200		0		0		0	
Gain from Derivatives	0		0		0		(0)		0		0		0	
Tax refund	2,099		0		0		566		5,483		0		0	
Others	5,594		4,750		6,677		4,093		859		2,570		1,601	
Miscellaneous gains	7,250		7,301		6,535		7,433		6,652		6,753		5,970	
<b>V. Non-operating losses</b>		107,310		75,001		71,591		118,193		56,994		76,982		64,986
Interest	48,767		48,439		44,973		42,516		36,778		35,271		35,025	
FX transactions	110		29		169		45		83		565		37	
FX translations	150		29		121		181		416		150		4	
Donation	5,221		4,573		4,702		4,776		4,839		5,073		4,888	
Equity method evaluation	314		2,215		(1,474)		385		8,865		4,722		-	
Disposition of ST sales securities	0		0		0		0		-		-		81	
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	7,452		3,516		3,376		10,787		-		-		586	
Disposition of Tangible asset	36,433		9,426		16,189		54,897		1,896		4,640		20,262	
Disposition of Intangible asset	3		4		8		33		29		10		8	
Loss from derivatives	0		7,948		0		0		-		477		-	
Evaluation loss from derivatives	5,119		(4,251)		221		1,252		938		-		-	
Loss sharing for overseas call	0		0		0		0		-		-		-	
Others	642		(17)		477		136		-		22,698		-	
Loss from disaster	0		0		0		0		-		-		-	
Selling Trade receivable-ABS	2,974		2,965		2,947		2,975		2,967		2,973		2,949	
Other bad debt	0		-		-		-		-		388		1,146	
Miscellaneous losses	125		125		123		210		183		14		-	
<b>VI. Ordinary Income</b>		174,752		168,110		145,331		122,460		153,452		100,180		126,154
<b>VII. Pretax Income</b>		174,752		168,110		145,331		122,460		153,452		100,180		126,154
<b>VIII. Tax</b>		17,969		17,609		15,231		12,841		28,153		19,598		28,046
<b>IX. Net Income</b>		156,784		150,500		130,100		109,619		125,299		80,582		98,108

## # Appendix 2 : Balance Sheet

## Balance Sheet

(Unit : W mn)

	3Q-2006	2Q-2006	3Q-2005		3Q-2006	2Q-2006	3Q-2005
<b>Assets</b>	<b>8,113,846</b>	<b>7,948,108</b>	<b>7,561,775</b>	<b>Liabilities</b>	<b>3,750,327</b>	<b>3,681,486</b>	<b>4,045,156</b>
<b>Current</b>	<b>2,574,264</b>	<b>2,362,424</b>	<b>1,992,050</b>	<b>Current</b>	<b>1,824,289</b>	<b>1,762,817</b>	<b>1,755,167</b>
<b>Quick</b>	<b>2,428,139</b>	<b>2,182,744</b>	<b>1,805,919</b>	Trade payable	340,331	268,519	211,868
Cash	260,698	212,034	253,512	Other payable	742,445	770,522	419,910
ST Securities	640,000	380,000	50,000	Short-term borrowings	-	-	-
Available-for-sale Securities	252,083	311,514	62,171	Advances from customer	35,469	31,300	28,556
Hold-to-maturity	33,749	52,458	-	Withholdings	134,184	115,853	137,600
Trade receivables	966,453	947,725	1,223,659	Accrued expenses	124,637	127,248	142,955
Other receivables	104,693	117,131	70,574	Current portion of LT debt	395,286	394,324	733,283
Short-term loans	10,238	10,494	7,866	Unpaid income tax	51,937	55,052	78,557
Advanced payment	19,397	18,491	35,136	Unpaid Dividends	-	-	-
Prepaid expenses	11,856	13,178	10,726	Others	-	-	2,438
Accrued income	4,386	2,983	1,962				
Deferred tax	124,577	116,728	90,207				
Others	8	8	107				
<b>Inventory</b>	<b>146,124</b>	<b>179,680</b>	<b>186,131</b>				
<b>Non-Current</b>	<b>5,539,582</b>	<b>5,585,684</b>	<b>5,569,726</b>	<b>Non-Current</b>	<b>1,926,038</b>	<b>1,918,669</b>	<b>2,289,988</b>
<b>Investment</b>	<b>426,785</b>	<b>434,325</b>	<b>444,524</b>	Bonds	1,377,811	1,377,583	1,676,397
Long-term financial investment	16	16	16	Long-term borrowings	-	-	-
Investment securities	25,622	13,467	14,113	Long-term payables	488,878	483,878	554,056
Equity method security	67,937	65,827	67,182	Others	59,349	57,208	59,536
Hold-to-maturity	-	-	2,558				
Long-term Receivables	63,311	52,431	58,576	<b>Equity</b>	<b>4,363,519</b>	<b>4,266,621</b>	<b>3,516,620</b>
Long-term loans	18,740	28,805	37,952	<b>Capital Stock</b>	<b>1,044,181</b>	<b>1,044,181</b>	<b>955,703</b>
Guarantee deposit	208,473	212,913	194,053	<b>APIC</b>	<b>1,728,150</b>	<b>1,731,271</b>	<b>1,325,489</b>
Deferred income tax	26,668	44,848	58,869	<b>Retained Earnings</b>	<b>1,585,040</b>	<b>1,486,932</b>	<b>1,322,944</b>
Others	16,018	16,018	11,205	<b>Capital Adjustment</b>	<b>6,148</b>	<b>4,236</b>	<b>(87,515)</b>
<b>Tangible</b>	<b>4,137,900</b>	<b>4,152,542</b>	<b>4,058,712</b>				
Land	119,254	119,328	119,490				
Buildings	268,359	271,028	279,125				
Structure	71,804	72,452	72,695				
Equipment & Machinery	3,417,920	3,414,243	3,363,686				
Vehicles	1,816	2,049	3,153				
Construction in progress	83,127	83,407	28,454				
Others	175,620	190,035	192,109				
<b>Intangible</b>	<b>974,897</b>	<b>998,817</b>	<b>1,066,490</b>				