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## FY2007 1Q Earnings Release

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# KT Freetel Co., Ltd.

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## I. Financial Highlights

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

(In million KRW)	2007-1Q	2006-4Q	QoQ	2007-1Q	2006-1Q	YoY
Service revenue	1,333,420	1,346,933	-1.0%	1,333,420	1,269,666	5.0%
Service cost	1,232,768	1,165,824	5.7%	1,232,768	1,098,797	12.2%
<b>Operating income</b>	<b>100,652</b>	181,109	<b>-44.4%</b>	<b>100,652</b>	170,869	-41.1%
<b>EBITDA</b>	<b>384,112</b>	465,900	<b>-17.6%</b>	<b>384,112</b>	453,912	-15.4%
<b>Net non-operating accounts</b>	<b>(21,251)</b>	<b>(47,124)</b>	<b>-54.9%</b>	<b>(21,251)</b>	<b>(17,418)</b>	<b>22.0%</b>
Non-operating income	27,406	25,401	7.9%	27,406	39,576	-30.8%
Non-operating expense	48,657	72,525	-32.9%	48,657	56,994	-14.6%
<b>Income before taxes</b>	<b>79,401</b>	<b>133,985</b>	<b>-40.7%</b>	<b>79,401</b>	<b>153,452</b>	<b>-48.3%</b>
Taxes	2,329	26,272	-91.1%	2,329	28,153	-91.7%
<b>Net income</b>	<b>77,072</b>	<b>107,713</b>	<b>-28.4%</b>	<b>77,072</b>	<b>125,299</b>	<b>-38.5%</b>

### Financial ratios

	2007-1Q	2006-4Q	QoQ	2007-1Q	2006-1Q	YoY
Marketing cost ratio	27.7%	21.7%	6.0%p	27.7%	21.4%	6.3%p
OP margin	7.5%	13.4%	-5.9%p	7.5%	13.5%	-5.9%p
EBITDA margin	28.8%	34.6%	-5.8%p	28.8%	35.8%	-7.0%p
Net income margin	5.8%	8.0%	-2.2%p	5.8%	9.9%	-4.1%p
Effective income tax rate	2.9%	19.6%	-16.7%p	2.9%	18.3%	-15.4%p
Net debt/equity ratio	19.4%	18.6%	0.8%p	19.4%	21.8%	-2.4%p
(If 3G license payable included)	31.1%	32.1%	-1.0%p	31.1%	35.3%	-4.2%p
Total debt/equity ratio	89.7%	87.2%	2.5%p	89.7%	88.6%	1.1%p

#### Service revenue

- Slightly dropped QoQ due to seasonal effect and lowered interconnection revenue
- Rising subscribers and bulging data revenue(6.2%) contributed to a positive YoY growth

#### EBITDA margin (including handset profit)

- Hike in marketing cost(26.2%) was a main reason for QoQ EBITDA margin erosion
- Both increased marketing cost and decreased profit from interconnection mainly caused YoY EBITDA margin erosion

#### Taxes

- Taxes fell by 91.1% QoQ due to increased tax credit from WCDMA investment

#### Net income

- Damages from operating income resulted in 28.4% QoQ drop in net income
- Weakened operating income and non-operating accounts caused 38.5% YoY net income decline

## II. Sales

(In million KRW)	2007-1Q	2006-4Q	QoQ	2007-1Q	2006-1Q	YoY
<b>Service revenue</b>	<b>1,333,420</b>	<b>1,346,933</b>	<b>-1.0%</b>	<b>1,333,420</b>	<b>1,269,666</b>	<b>5.0%</b>
<b>Voice revenue</b>	<b>745,716</b>	<b>752,221</b>	<b>-0.9%</b>	<b>745,716</b>	<b>720,878</b>	<b>3.4%</b>
Monthly base fee	447,362	445,850	0.3%	447,362	425,903	5.0%
Airtime charge	297,345	305,186	-2.6%	297,345	289,724	2.6%
Value added service	40,009	42,268	-5.3%	40,009	45,550	-12.2%
Other voice revenue	10,804	10,089	7.1%	10,804	9,381	15.2%
(Voice discount)	(49,805)	(51,173)	-2.7%	(49,805)	(49,680)	0.3%
<b>Data revenue</b>	<b>189,056</b>	<b>192,189</b>	<b>-1.6%</b>	<b>189,056</b>	<b>178,087</b>	<b>6.2%</b>
Monthly base fee	55,001	50,104	9.8%	55,001	53,769	2.3%
Messaging (SMS,MMS)	56,287	56,103	0.3%	56,287	46,394	21.3%
Wireless data usage	51,197	57,293	-10.6%	51,197	60,768	-15.7%
Contents	21,076	24,030	-12.3%	21,076	12,856	63.9%
Others	5,494	4,658	17.9%	5,494	4,300	27.8%
<b>Interconnection revenue</b>	<b>234,061</b>	<b>243,161</b>	<b>-3.7%</b>	<b>234,061</b>	<b>234,777</b>	<b>-0.3%</b>
<b>Resale revenue</b>	<b>120,410</b>	<b>127,033</b>	<b>-5.2%</b>	<b>120,410</b>	<b>111,173</b>	<b>8.3%</b>
<b>Other revenue</b>	<b>44,177</b>	<b>32,329</b>	<b>36.6%</b>	<b>44,177</b>	<b>24,752</b>	<b>78.5%</b>
Subscription	25,536	19,743	29.3%	25,536	20,885	22.3%
Other service revenue	18,641	12,586	48.1%	18,641	3,867	382.1%
<b>Handset sales</b>	<b>431,904</b>	<b>297,623</b>	<b>45.1%</b>	<b>431,904</b>	<b>294,331</b>	<b>46.7%</b>
<b>Total operating revenue</b>	<b>1,765,324</b>	<b>1,644,556</b>	<b>7.3%</b>	<b>1,765,324</b>	<b>1,563,997</b>	<b>12.9%</b>

### Voice revenue

- Monthly base fee increased by 5.0% YoY primarily due to steady subscriber growth
- Airtime charge fell by 2.6% QoQ mainly due to seasonal effect of lower usage
- VAS revenue dropped by 5.3% QoQ and 12.2% YoY mainly caused by decreased revenue from Caller ID service
- Other voice revenue rose by 7.1% QoQ and 15.2% YoY because of higher international calls and roaming incomes

### Data revenue

- Messaging revenue surged by 21.3% YoY owing to steadily growing usages of messaging services
- Wireless data usage revenue fell by 10.6% QoQ primarily because of 30% data tariff cut effective from February 2007 and seasonal effect of lower usage
- Contents revenue dropped by 12.3% QoQ due to seasonal effect

### Interconnection revenue

- Interconnection rate cut by 1.1% QoQ and seasonal effect of lower traffic caused QoQ interconnection revenue drop by 3.7%

### Resale revenue

- Resale revenue decreased by 5.2% QoQ because yearly revenue sharing adjustment (from KRW 87.09 to KRW 88.72 per minute) was reflected in 4Q 2006

### Handset sales

- Increased number of sign-ups contributed most of strong 45.1% QoQ growth

### III. Service cost

(In million KRW)	2007-1Q	2006-4Q	QoQ	2007-1Q	2006-1Q	YoY
Labor expense	64,461	57,333	12.4%	64,461	58,658	9.9%
Commission	108,948	113,991	-4.4%	108,948	101,596	7.2%
Interconnection	167,092	180,241	-7.3%	167,092	154,465	8.2%
International call	3,554	3,173	12.0%	3,554	4,835	-26.5%
Contents fee	11,837	10,983	7.8%	11,837	4,544	160.5%
Rent	35,889	36,091	-0.6%	35,889	29,190	23.0%
Depreciation & Amortization	283,460	284,791	-0.5%	283,460	283,043	0.1%
Leased line expense	97,386	93,116	4.6%	97,386	86,211	13.0%
Utility	14,793	15,066	-1.8%	14,793	13,586	8.9%
Repair & Maintenance	15,426	23,442	-34.2%	15,426	17,569	-12.2%
Lease expense	-	-	-	-	15,327	-100.0%
Marketing expense	431,799	316,318	36.5%	431,799	276,780	56.0%
Bad debt expense	21,701	20,874	4.0%	21,701	22,516	-3.6%
Tax & Dues	13,848	12,073	14.7%	13,848	11,584	19.5%
USO	5,000	(23)	N/A	5,000	5,000	0.0%
Others	20,265	22,255	-8.9%	20,265	18,841	7.6%
<b>Total service cost</b>	<b>1,295,461</b>	<b>1,189,725</b>	<b>8.9%</b>	<b>1,295,461</b>	<b>1,103,743</b>	<b>17.4%</b>
(Deducting handset profit)	62,693	23,901	162.3%	62,693	4,946	1167.5%
<b>Net service cost total</b>	<b>1,232,768</b>	<b>1,165,824</b>	<b>5.7%</b>	<b>1,232,768</b>	<b>1,098,797</b>	<b>12.2%</b>

#### Labor expense

- Increased by 12.4% QoQ due to bonus payment and natural salary increase related with promotion

#### Interconnection expense

- Both seasonally lower outgoing traffic and interconnection rate cut led to a 7.3% QoQ decrease

#### International calls

- Increased by 12% QoQ due to strong international call traffics and expanding usages of international prepaid card services

#### Rent

- Rose by 23% YoY because of increased fees for shared base stations and for general renting

#### Leased line expense

- Increased by 13% YoY due to invigorated investment in WCDMA equipment

#### Tax & Dues

- Increased by 14.7% QoQ because of KRW 5.8 Billion of fines from KCC

#### IV. Interconnection revenue & expense

In million KRW	2007-1Q	2006-4Q	QoQ	2007-1Q	2006-1Q	YoY
<b>Interconnection revenue</b>	<b>234,061</b>	<b>243,161</b>	<b>-3.7%</b>	<b>234,061</b>	<b>234,777</b>	<b>-0.3%</b>
LM	79,268	78,634	0.8%	79,268	81,489	-2.7%
MM	154,793	164,527	-5.9%	154,793	153,288	1.0%
<b>Interconnection expense</b>	<b>167,092</b>	<b>180,241</b>	<b>-7.3%</b>	<b>167,092</b>	<b>154,465</b>	<b>8.2%</b>
LM	29,369	32,607	-9.9%	29,369	27,260	7.7%
MM	137,723	147,635	-6.7%	137,723	127,205	8.3%
<b>Net interconnection profit</b>	<b>66,969</b>	<b>62,920</b>	<b>6.4%</b>	<b>66,969</b>	<b>80,312</b>	<b>-16.6%</b>
LM	49,899	46,028	8.4%	49,899	54,230	-8.0%
MM	17,070	16,892	1.1%	17,070	26,083	-34.6%

##### Interconnection revenue

- Decreased by 3.7% QoQ due to 1.1% rate cut and seasonally lower traffic

##### Interconnection expense

- Fell by 7.3% QoQ as a result of rate cut and seasonality

##### Net interconnection profit

- Improved by 6.4% QoQ as the decrease of interconnection expense outweighs the decrease of interconnection revenue
- Declined by 16.6% YoY as 1Q 2006 figures were not reflecting rate adjustments which occurred in 3Q 2006 (Increased by 3.5% YoY if normalized)

[Normalized interconnection revenue & expense]

In million KRW	2007-1Q	2006-4Q	QoQ	2007-1Q	2006-1Q	YoY
<b>Interconnection revenue</b>	<b>234,061</b>	<b>243,161</b>	<b>-3.7%</b>	<b>234,061</b>	<b>225,595</b>	<b>3.7%</b>
LM	79,268	78,634	0.8%	79,268	77,752	1.9%
MM	154,793	164,527	-5.9%	154,793	147,843	4.7%
<b>Interconnection expense</b>	<b>167,092</b>	<b>180,241</b>	<b>-7.3%</b>	<b>167,092</b>	<b>160,869</b>	<b>3.9%</b>
LM	29,369	32,607	-9.9%	29,369	27,260	7.7%
MM	137,723	147,635	-6.7%	137,723	133,610	3.1%
<b>Net interconnection profit</b>	<b>66,969</b>	<b>62,920</b>	<b>6.4%</b>	<b>66,969</b>	<b>64,725</b>	<b>3.5%</b>
LM	49,899	46,028	8.4%	49,899	50,492	-1.2%
MM	17,070	16,892	1.1%	17,070	14,233	19.9%

## V. Marketing cost

(In million KRW)	2007-1Q	2006-4Q	QoQ	2007-1Q	2006-1Q	YoY
Sales commission	319,662	209,430	52.6%	319,662	225,862	41.5%
Sales promotion	82,171	81,490	0.8%	82,171	26,244	213.1%
Advertising	29,967	25,397	18.0%	29,967	24,674	21.4%
Subtracting handset profit	62,693	23,901	162.3%	62,693	4,946	1167.5%
<b>*Net marketing cost total</b>	<b>369,107</b>	<b>292,417</b>	<b>26.2%</b>	<b>369,107</b>	<b>271,834</b>	<b>35.8%</b>
<b>Net marketing cost ratio</b>	<b>27.7%</b>	<b>21.7%</b>	<b>6.0%p</b>	<b>27.7%</b>	<b>21.4%</b>	<b>6.3%p</b>

\* Net marketing cost: excluding handset profit to align with peers

(In million KRW)	2007-1Q	2006-4Q	QoQ	2007-1Q	2006-1Q	YoY
<b>Acquisition cost</b>	<b>285,655</b>	<b>170,714</b>	<b>67.3%</b>	<b>285,655</b>	<b>139,802</b>	<b>104.3%</b>
Sales commission	235,597	130,335	80.8%	235,597	136,627	72.4%
Sales promotion	50,058	40,379	24.0%	50,058	3,175	1476.6%
Acquisition cost/subscriber (KRW)	227,678	169,231	34.5%	227,678	142,175	60.1%
*Adjusted acquisition cost/subs.(KRW)	176,540	127,957	38.0%	176,540	121,077	45.8%
<b>Retention cost</b>	<b>116,177</b>	<b>120,206</b>	<b>-3.4%</b>	<b>116,177</b>	<b>112,303</b>	<b>3.4%</b>
Sales commission	84,065	79,095	6.4%	84,065	89,235	-5.8%
Sales promotion	32,112	41,111	-21.9%	32,112	23,069	39.2%
<b>Advertising</b>	<b>29,967</b>	<b>25,397</b>	<b>18.0%</b>	<b>29,967</b>	<b>24,674</b>	<b>21.4%</b>
Subtracting handset profit	62,693	23,901	162.3%	62,693	4,946	1167.5%
<b>Net marketing cost total</b>	<b>369,107</b>	<b>292,417</b>	<b>26.2%</b>	<b>369,107</b>	<b>271,834</b>	<b>35.8%</b>

\* Adjusted acquisition cost per subscriber: excluding handset sales promotion fees from handset manufacturers

### Net marketing cost total

- Rose by 26.2% QoQ due to increased subscriber acquisition cost and advertising cost

### Subscriber acquisition cost

- Soared by 67.3% QoQ due to increased number of sign-ups (24.4%) and unit subscriber acquisition cost

### Subscriber retention cost

- Declined by 3.4% QoQ because of decreased number of handset replacements (16.4%)

### Advertising cost

- Rose by 18% QoQ due to increased exposures to media related with 'SHOW' brand launching

## VI. Non-operating Income & Expense

(In million KRW)	2007-1Q	2006-4Q	QoQ	2007-1Q	2006-1Q	YoY
Interest income	8,560	8,131	5.3%	8,560	5,402	58.5%
Interest expense	34,621	35,115	-1.4%	34,621	36,778	-5.9%
<b>Net interest account</b>	<b>(26,061)</b>	<b>(26,984)</b>	<b>-3.4%</b>	<b>(26,061)</b>	<b>(31,375)</b>	<b>-16.9%</b>
Gain from FOREX	21	338	-93.7%	21	5,017	-99.6%
Loss from FOREX	269	61	339.1%	269	499	-46.1%
<b>Net FOREX account</b>	<b>(248)</b>	<b>277</b>	<b>N/A</b>	<b>(248)</b>	<b>4,517</b>	<b>N/A</b>
Other non-operating income	18,825	16,932	11.2%	18,825	29,157	-35.4%
Other non-operating expense	13,766	37,349	-63.1%	13,766	19,717	-30.2%
<b>Net others account</b>	<b>5,059</b>	<b>(20,417)</b>	<b>N/A</b>	<b>5,059</b>	<b>9,441</b>	<b>-46.4%</b>
Total non-operating income	27,406	25,401	7.9%	27,406	39,576	-30.8%
Total non-operating expense	48,657	72,525	-32.9%	48,657	56,994	-14.6%
<b>Total net non-operating accounts</b>	<b>(21,251)</b>	<b>(47,124)</b>	<b>-54.9%</b>	<b>(21,251)</b>	<b>(17,417)</b>	<b>22.0%</b>

### Non-operating accounts

- Improved by 54.9% QoQ due to decreased interest expense and reduced disposal loss of fixed assets

## VII. EBITDA margin & CAPEX

(In million KRW)	2007-1Q	2006-4Q	QoQ	2007-1Q	2006-1Q	YoY
D&A	283,460	284,791	-0.5%	283,460	283,043	0.1%
Operating income	100,652	181,109	-44.4%	100,652	170,869	-41.1%
<b>EBITDA</b>	<b>384,112</b>	<b>465,900</b>	<b>-17.6%</b>	<b>384,112</b>	<b>453,912</b>	<b>-15.4%</b>
EBITDA margin	28.8%	34.6%	-5.8%p	28.8%	35.8%	-6.9%p
<b>CAPEX</b>	<b>333,946</b>	<b>366,972</b>	<b>-9.0%</b>	<b>333,946</b>	<b>274,960</b>	<b>21.5%</b>

### EBITDA margin

- Declined by 5.8%p QoQ mainly due to increased marketing cost

### CAPEX

- Rose by 21.5% QoQ due to active investment in HSDPA

## VIII. Balance Sheet

(In million KRW)	2007-1Q	2006-4Q	2006-1Q	(In million KRW)	2007-1Q	2006-4Q	2006-1Q
<b>Asset</b>	<b>8,094,804</b>	<b>8,068,028</b>	<b>7,893,819</b>	<b>Liabilities</b>	<b>3,827,797</b>	<b>3,757,996</b>	<b>3,707,699</b>
<b>Current asset</b>	<b>2,384,028</b>	<b>2,428,715</b>	<b>2,323,479</b>	<b>Current</b>	2,511,428	2,027,912	1,492,326
<b>Quick asset</b>	2,260,378	2,298,443	2,120,690	<b>Non-current</b>	1,316,369	1,730,084	2,215,373
<b>Inventory</b>	123,650	130,273	202,789	<b>Equity</b>	<b>4,267,007</b>	<b>4,310,032</b>	<b>4,186,120</b>
<b>Non-current asset</b>	<b>5,710,775</b>	<b>5,639,313</b>	<b>5,570,340</b>	<b>Paid-in capital</b>	1,044,181	1,044,181	1,044,181
<b>Investment</b>	185,428	469,256	442,582	<b>APIC</b>	1,728,150	1,728,150	1,731,271
<b>Tangible asset</b>	4,279,379	4,216,444	4,105,805	<b>Capital adjustment</b>	3,239	3,188	2,961
<b>Intangible asset</b>	939,024	953,612	1,021,953	<b>*AOC income/loss</b>	3,880	6,643	1,356
<b>Other non-CA</b>	306,944	301,840	310,578	<b>Retained earnings</b>	1,487,557	1,527,869	1,406,350

\*AOC income/loss: Accumulated Other Comprehensive income/loss

### Leverage

- Total Debt/Equity ratio and Net Debt/Equity ratio stood at 89.7% and 19.4% respectively
- Total Debt/Equity ratio and Net Debt/Equity ratio rose by 2.5%p and 0.8%p QoQ each due to decreased retained earnings after paying cash dividends
- Net Debt/Equity ratio improved by 2.4%p YoY owing to reduced debt and increased retained earnings

\* Long-term payable related to WCDMA license is excluded in calculating Net Debt/Equity ratio (31.0% if included)

### [ Interest-bearing debt breakdown ]

(In million KRW)	2007-1Q	2006-4Q	QoQ	2006-1Q	YoY
Interest-bearing debt	1,678,239	1,677,923	0.0%	1,715,995	-2.2%
Payable within one year	819,621	499,764	64.0%	39,001	2001.6%
<b>Net debt</b>	<b>826,253</b>	<b>802,195</b>	<b>3.0%</b>	<b>912,297</b>	<b>-9.4%</b>

### Interest-bearing debt

- Interest-bearing debt comprises of KRW 820 billion of current portion of long-term debt and KRW 859 billion of long-term debt
- Long-term payable of KRW 499 billion for WCDMA license is not included in calculating interest-bearing debt
  - Current portion of long-term payable: KRW 105 billion
  - Long-term payable: KRW 394 billion



## IX. Operation highlight

### A. Subscriber trend

(‘000)	2007-1Q	2006-4Q	2006-3Q	2006-2Q	2006-1Q
<b>Total number of subs.</b>	<b>13,156</b>	<b>12,914</b>	<b>12,773</b>	<b>12,634</b>	<b>12,539</b>
KT resale subs.	2,807	2,704	2,640	2,598	2,553
Quarterly addition	1,625	1,290	1,181	1,075	1,238
Quarterly deactivation	1,382	1,149	1,042	980	1,002
Quarterly net addition	242	141	139	95	237
<b>KTF-only (excluding resale subs.)</b>	<b>10,350</b>	<b>10,210</b>	<b>10,132</b>	<b>10,036</b>	<b>9,986</b>
Quarterly addition	1,255	1,009	935	832	983
Quarterly deactivation	1,115	932	838	782	806
Quarterly net addition	140	77	96	50	177

### B. Subscriber breakdown by handset type

(‘000)	2007-1Q	2006-4Q	2006-3Q	2006-2Q	2006-1Q
WCDMA	140				
EVDO	5,739	5,370	5,110	4,774	4,594
1X	7,024	7,200	7,277	7,354	7,440
2G	253	344	386	506	504
<b>Total</b>	<b>13,156</b>	<b>12,914</b>	<b>12,773</b>	<b>12,634</b>	<b>12,539</b>

\* Including KT resale sub.

### C. ARPU

(KRW)	2007-1Q	2006-4Q	2006-3Q	2006-2Q	2006-1Q
ARPU-excluding interconnect.	30,382	30,965	30,567	30,881	30,263
ARPU-including interconnect.	37,978	38,889	38,287	38,690	37,983
Data ARPU (Net basis)	6,141	6,282	6,018	6,172	5,983
Contribution to ARPU (Net)	20%	20%	20%	20%	20%
Data ARPU (Gross basis)	6,925	7,083	6,788	6,949	7,033
Contribution to ARPU (Gross)	23%	23%	22%	23%	23%

\* Including KT resale sub.

**# Appendix 1 : Income Statement**

KTF

(Unit : W mn)

Descriptions	'06 1Q		'06 2Q		'06 3Q		'06 4Q		'07 1Q	
	Amount		Amount		Amount		Amount		Amount	
<b>I. Total Sales</b>		<b>1,563,997</b>		<b>1,639,258</b>		<b>1,659,539</b>		<b>1,644,556</b>		<b>1,765,324</b>
<b>PCS Service</b>	<b>1,253,824</b>		<b>1,292,600</b>		<b>1,264,146</b>		<b>1,321,359</b>		<b>1,300,207</b>	
Activations	20,885		16,516		18,433		19,743		25,536	
Monthly Fee	479,672		487,050		490,804		495,955		502,364	
Airtime charge	289,724		304,308		301,087		305,186		297,345	
Value-added service	166,258		172,636		170,636		180,631		168,768	
(PCS discount)	(50,370)		(52,547)		(50,681)		(52,109)		50,003	
Interconnection	234,777		245,201		217,730		243,161		234,061	
Resale	111,173		117,669		114,425		127,033		120,410	
Fees from other services	1,705		1,767		1,710		1,759		1,726	
<b>Other Services</b>	<b>15,842</b>		<b>21,616</b>		<b>24,997</b>		<b>25,575</b>		<b>33,214</b>	
Handset rental	134		126		124		130		646	
Overseas call	6,531		6,316		5,126		4,747		5,201	
M-commerce	2,330		2,365		2,403		2,767		2,701	
International Roaming	1,841		2,373		3,485		4,347		4,669	
Other overseas service	105		88		59		150		404	
K-merce Lottery	73		71		41		15		97	
M-Ad.	1,293		807		1,251		969		1,454	
Credit card service	565		1,572		1,082		896		1,205	
MNP port-out service	11		11		13		14		18	
Professional Sports	383		225		225		343		401	
Rental Income	2,577		7,662		5,504		7,031		12,443	
Others					5,684		4,165		3,975	
<b>Handset</b>	<b>294,331</b>		<b>325,042</b>		<b>370,397</b>		<b>297,623</b>		<b>431,904</b>	
Handset	295,312		326,468		371,741		298,600		433,639	
(Handset discount)	(982)		(1,426)		(1,344)		(977)		(1,736)	
<b>II. Operating Expense</b>		<b>1,393,128</b>		<b>1,486,582</b>		<b>1,495,447</b>		<b>1,463,447</b>		<b>1,664,672</b>
Salary & Bonus	41,927		35,786		42,600		39,181		44,561	
Fees for temporary employee	155		151		197		165		178	
Out-sourcing employee	2,611		1,941		2,271		1,843		2,654	
Retirement	4,384		2,998		2,803		3,931		6,641	
Fringe benefits & others	7,319		7,728		9,091		8,811		7,549	
Rent	29,190		33,997		35,517		36,091		35,889	
Lease	15,327		15,327		1,947		-		-	
Service fee & commission	101,370		109,836		108,171		113,115		107,714	
Depreciations	257,963		257,933		258,793		259,395		257,747	
Amortizations	25,080		25,197		25,235		25,396		25,713	
Tax & dues	11,584		26,990		4,368		12,073		13,848	
Fare	1,413		1,968		2,042		1,977		1,934	
Insurance	627		219		487		149		138	
Interconnections	154,465		163,966		180,790		180,241		167,092	
Overseas call cost	4,835		4,708		3,939		3,173		3,554	
Leased line cost	86,211		87,829		88,973		93,116		97,386	
CP info usage charge	4,544		6,659		8,589		10,983		11,837	
Universal service obligations sharing	5,000		2,048		5,000		23		5,000	
Vehicles	613		627		664		641		619	
Educations	2,129		2,526		2,054		2,950		2,623	
Ordinary R&D	1,069		1,296		1,333		2,480		830	
Awards	132		145		1,552		452		256	
Entertainment	418		504		529		549		483	
Sales commission	225,862		190,370		186,434		209,430		319,662	
Sales promotions	26,244		87,354		85,710		81,495		82,171	
Advertisement	24,674		43,970		24,526		25,397		29,967	
Bad Debt	22,516		24,525		21,261		20,874		21,701	
Travel & Car fare	1,780		1,548		1,217		1,568		1,493	
Utilities	13,813		13,596		18,487		15,943		16,028	
Communications	7,268		6,748		6,581		6,588		7,047	
Repair & Maintenance	17,569		18,499		19,178		23,442		15,426	
Office supplies	2,808		2,573		2,516		2,602		4,034	
Other researchs	1,054		1,793		2,018		3,331		1,787	
Book & Printing	111		149		191		381		140	
Conference & managerial events	1,682		1,749		1,631		1,982		1,759	
Cost of Handset sold	289,385		307,426		338,751		273,722		369,211	
Others	-		-		-		-		-	



FY2007 1Q Earnings Release

KTF

(Unit : W mn)

Descriptions	'06 1Q		'06 2Q		'06 3Q		'06 4Q		'07 1Q	
	Amount		Amount		Amount		Amount		Amount	
<b>III. Operating Income</b>		<b>170,869</b>		<b>152,676</b>		<b>164,092</b>		<b>181,109</b>		<b>100,652</b>
<b>IV. Non-operating gains</b>		<b>39,576</b>		<b>24,486</b>		<b>27,047</b>		<b>22,357</b>		<b>27,406</b>
Interest	5,402		4,577		8,242		8,131		8,560	
Disposition of ST sales securities	2,649		2,859		2,626		14,938		0	
Evaluation of ST sales securities	1,414		1,092		769		(3,275)		0	
Disposition of Available-for-sale securities	8,405		0		0		(8,405)		2,414	
Evaluation of Available-for-sale securities	3,312		4,298		4,883		0		0	
Dividend	240		312		0		0		295	
Rent	0		0		0		0		0	
Equity method evaluation	70		551		2,599		629		8,532	
FX transactions	3,095		1,104		23		1,350		16	
FX translations	1,921		282		287		(1,014)		5	
Disposition of Investment	0		0		0		0		0	
Disposition of tangible asset	67		87		47		578		31	
Disposition of Intangible asset	6		0		0		102		46	
Collection of bad debt	0		0		0		0		0	
Gain from Derivatives	0		0		0		1,494		803	
Tax refund	5,483		0		0		0		75	
Others	859		2,570		1,601		2,605		1,328	
Miscellaneous gains	6,652		6,753		5,970		5,225		5,302	
<b>V. Non-operating losses</b>		<b>56,994</b>		<b>76,982</b>		<b>64,986</b>		<b>69,481</b>		<b>48,657</b>
Interest	36,778		35,271		35,025		35,115		34,621	
FX transactions	83		565		37		621		80	
FX translations	416		150		4		562		189	
Donation	4,839		5,073		4,888		6,779		3,881	
Equity method evaluation	8,865		4,722		-		10,973		128	
Disposition of ST sales securities	-		-		81		0		-	
Evaluation of ST sales securities	-		-		-		-		-	
Disposition of Inventories	-		-		-		-		-	
Evaluation of Inventories	-		-		-		-		-	
Disposition of Investment	-		-		-		-		-	
Evaluation of Invest. securities	-		-		586		-		-	
Disposition of Tangible asset	1,896		4,640		20,262		15,998		9,250	
Disposition of Intangible asset	29		10		8		19		5	
Loss from derivatives	-		477		-		938		-	
Evaluation loss from derivatives	938		-		-		938		-	
Loss sharing for overseas call	-		-		-		-		-	
Others	-		17		-		20,352		-	
Loss from disaster	-		-		-		-		-	
Selling Trade receivable-ABS	2,967		2,973		2,949		1,992		-	
Other bad debt	-		388		1,146		139		-	
Miscellaneous losses	183		22,695		-		-		502	
<b>VI. Ordinary Income</b>		<b>153,452</b>		<b>100,180</b>		<b>126,154</b>		<b>133,985</b>		<b>79,401</b>
<b>VII. Pretax Income</b>		<b>153,452</b>		<b>100,180</b>		<b>126,154</b>		<b>133,985</b>		<b>79,401</b>
<b>VIII. Tax</b>		<b>28,153</b>		<b>19,598</b>		<b>28,046</b>		<b>26,272</b>		<b>2,329</b>
<b>IX. Net Income</b>		<b>125,299</b>		<b>80,582</b>		<b>98,108</b>		<b>107,713</b>		<b>77,072</b>

## # Appendix 2 : Balance Sheet

**Balance Sheet**

	1Q-2007	4Q-2006	1Q-2006		4Q-2006	1Q-2006	1Q-2006
<b>Assets</b>	<b>8,094,804</b>	<b>8,068,028</b>	<b>7,893,819</b>	<b>Liabilities</b>	<b>3,827,797</b>	<b>3,757,996</b>	<b>3,707,699</b>
<b>Current</b>	<b>2,384,028</b>	<b>2,428,715</b>	<b>2,323,479</b>	<b>Current</b>	<b>2,511,428</b>	<b>2,027,912</b>	<b>1,492,326</b>
<b>Quick</b>	<b>2,260,378</b>	<b>2,298,443</b>	<b>2,120,690</b>	Trade payable	406,687	304,737	284,497
Cash	580,591	584,157	63,367	Other payable	870,061	832,230	733,405
ST Securities	40,000	90,000	270,000	Short-term borrowings	-	-	-
Available-for-sale Securities	231,395	201,571	470,332	Advances from customer	26,654	30,239	32,577
Hold-to-maturity	-	-	74,088	Withholdings	113,398	98,477	118,548
Trade receivables	1,177,840	1,200,645	981,138	Accrued expenses	91,720	122,645	107,728
Other receivables	55,850	75,068	102,934	Current portion of LT debt	924,781	588,880	125,075
Short-term loans	8,755	9,908	9,616	Unpaid income tax	70,618	43,904	77,379
Advanced payment	21,904	19,955	21,203	Unpaid Dividends	33	6,800	8,244
Prepaid expenses	16,220	13,496	15,121	Others	7,476	-	4,873
Accrued income	3,107	3,256	2,596				
Deferred tax	124,708	100,377	110,286				
Others	8	8	8				
<b>Inventory</b>	<b>123,650</b>	<b>130,273</b>	<b>202,789</b>				
<b>Non-Current</b>	<b>5,710,775</b>	<b>5,639,313</b>	<b>5,570,340</b>	<b>Non-Current</b>	<b>1,316,369</b>	<b>1,730,084</b>	<b>2,215,373</b>
<b>Investment</b>	<b>185,428</b>	<b>168,910</b>	<b>132,004</b>	Bonds	858,618	1,178,159	1,676,995
Long-term financial investment	16	16	16	Long-term borrowings	-	-	-
Investment securities	26,010	29,604	13,769	Long-term payables	393,666	493,877	478,868
Equity method security	114,345	86,373	69,517	Others	64,085	58,048	59,511
Long-term loans	26,303	14,966	32,387				
Others	18,755	37,952	16,316	<b>Equity</b>	<b>4,267,007</b>	<b>4,310,032</b>	<b>4,186,120</b>
<b>Tangible</b>	<b>4,279,379</b>	<b>4,216,444</b>	<b>4,105,805</b>	<b>Capital Stock</b>	<b>1,044,181</b>	<b>1,044,181</b>	<b>1,044,181</b>
Land	119,301	119,301	119,328	<b>APIC</b>	<b>1,728,150</b>	<b>1,728,150</b>	<b>1,731,271</b>
Buildings	267,572	270,126	273,648	<b>Capital Adjustment</b>	<b>3,239</b>	<b>3,188</b>	<b>2,961</b>
Structure	71,715	72,099	72,988	<b>Accumulative Other Comprehensive Gain&amp;Loss</b>	<b>3,880</b>	<b>6,643</b>	<b>1,356</b>
Equipment & Machinery	3,543,860	3,481,712	3,376,866	<b>Retained Earnings</b>	<b>1,487,557</b>	<b>1,527,869</b>	<b>1,406,350</b>
Vehicles	1,521	1,751	2,357				
Construction in progress	173,722	94,854	69,677				
Others	101,688	176,601	190,941				
<b>Intangible</b>	<b>939,024</b>	<b>953,612</b>	<b>1,021,953</b>				
<b>Others</b>	<b>306,944</b>	<b>300,346</b>	<b>310,578</b>				
Long-term Receivables	50,687	53,801	49,687				
Guarantee deposit	216,262	209,400	211,902				
Deferred income tax	39,994	37,145	48,989				