



FY2007 3Q Earnings Release

KT Freetel Co., Ltd.

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I. Financial Highlights

[Summary of income statement & financial ratios]

(In million KRW)	2007-3Q	2007-2Q	QoQ	2007-3Q	2006-3Q	YoY
Service revenue	1,394,326	1,377,236	1.2%	1,394,326	1,289,143	8.2%
Service cost	1,274,475	1,285,946	-0.9%	1,274,475	1,125,051	13.3%
Operating income	119,851	91,289	31.3%	119,851	164,092	-27.0%
EBITDA	406,482	378,918	7.3%	406,482	448,120	-9.3%
Net non-operating accounts	(40,144)	(28,145)	42.6%	(40,144)	(37,939)	5.8%
Non-operating income	11,134	19,150	-41.9%	11,134	27,047	-58.8%
Non-operating expense	51,277	47,295	8.4%	51,277	64,986	-21.1%
Income before taxes	79,708	63,145	26.2%	79,708	126,154	-36.8%
Taxes	16,821	12,010	40.1%	16,821	28,046	-40.0%
Net income	62,887	51,135	23.0%	62,887	98,108	-35.9%

Financial ratios

	2007-3Q	2007-2Q	QoQ	2007-3Q	2006-3Q	YoY
Marketing cost ratio	27.7%	29.9%	-2.2%p	27.7%	20.6%	7.1%p
OP margin	8.6%	6.6%	2.0%p	8.6%	12.7%	-4.1%p
EBITDA margin	29.2%	27.5%	1.6%p	29.2%	34.8%	-5.6%p
Net income margin	4.5%	3.7%	0.8%p	4.5%	7.6%	-3.1%p
Effective income tax rate	21.1%	19.0%	2.1%p	21.1%	22.2%	-1.1%p
Net debt/equity ratio	19.2%	19.4%	-0.2%p	19.2%	12.0%	7.2%p
(If 3G license payable included)	30.9%	31.1%	-0.2%p	30.9%	25.3%	5.6%p
Total debt/equity ratio	76.1%	82.9%	-6.8%p	76.1%	85.9%	-9.8%p

Service revenue

- Increased by 1.2% QoQ due to subscribers growth
- Rising subscribers and data revenue(9.2%) contributed to 8.2% YoY growth

EBITDA margin

- Improved by 1.6%p QoQ due to decreased marketing cost
- Escalated marketing costs(45.7% YoY) mainly caused YoY EBITDA margin erosion

Taxes

- Taxes rose by 40.1% QoQ mainly due to fallen tax credits resulting from declined investment in WCDMA networks

Net income

- Improved operating income was main reason of 23% QoQ net income growth

II. Service Revenue

(In million KRW)	2007-3Q	2007-2Q	QoQ	2007-3Q	2006-3Q	YoY
Service revenue	1,394,326	1,377,236	1.2%	1,394,326	1,289,143	8.2%
Voice revenue	772,373	766,699	0.7%	772,373	743,817	3.8%
Monthly base fee	447,358	448,425	-0.2%	447,358	439,472	1.8%
Airtime charge	321,675	319,800	0.6%	321,675	301,087	6.8%
Value added service	33,761	36,946	-8.6%	33,761	43,794	-22.9%
Other voice revenue	19,162	12,586	52.2%	19,162	9,513	101.4%
(Voice discount)	(49,583)	(51,058)	-2.9%	(49,583)	(50,050)	-0.9%
Data revenue	199,168	195,274	2.0%	199,168	182,333	9.2%
Monthly base fee	58,498	58,714	-0.4%	58,498	51,332	14.0%
Messaging (SMS,MMS)	59,730	61,040	-2.1%	59,730	53,289	12.1%
Wireless data usage	52,144	48,954	6.5%	52,144	54,741	-4.7%
Contents	22,274	20,358	9.4%	22,274	18,180	22.5%
Others	6,521	6,208	5.1%	6,521	4,790	36.1%
Interconnection revenue	253,727	249,276	1.8%	253,727	217,730	16.5%
Resale revenue	134,338	130,670	2.8%	134,338	114,425	17.4%
Other revenue	34,721	35,318	-1.7%	34,721	30,837	12.6%
Subscription	21,534	25,391	-15.2%	21,534	18,433	16.8%
Other service revenue	13,187	9,927	32.8%	13,187	12,404	6.3%
Handset sales	386,346	427,617	-9.7%	386,346	370,397	4.3%
Total operating revenue	1,780,672	1,804,853	-1.3%	1,780,672	1,659,539	7.3%

Voice revenue

- Monthly base fee marginally declined QoQ as more subscribers migrated from 2G to HSDPA with lower monthly base fee
- Airtime charge steadily rose by 0.6% QoQ due to increased subscribers base
- VAS revenue dropped by 8.6% QoQ and 22.9% YoY mainly caused by decreased revenue from Caller ID service
- Other voice revenue surged by 52.2% QoQ and 101.4% YoY due to combined effects of increased roaming usage and change in accounting method for outbound roaming revenue from net to gross method effective from 3Q 2007 (increased by 7.9% QoQ and 42.8% YoY if net method were applied to outbound roaming revenue)

Data revenue

- Messaging revenue rose by 12.1% YoY owing to steadily growing usages of messaging services
- Wireless data usage revenue and contents revenue rose by 6.5% and 9.4% QoQ respectively due to increased usage of wireless data service from HSDPA subscribers
- Other data revenue rose by 5.1% QoQ mainly due to increased revenues from mobile payment and mobile ticketing

Interconnection revenue

- Interconnection revenue increased by 1.8% QoQ and 16.5% YoY due to one-time settled revenue of KRW 10.4 billion for Web-to-Phone interconnection

Resale revenue

- Resale revenue increased by 2.8% QoQ due to subscribers growth

Handset sales

- Declined by 9.7% QoQ due to decreased average selling price of handsets

III. Service Cost

(In million KRW)	2007-3Q	2007-2Q	QoQ	2007-3Q	2006-3Q	YoY
Labor expense	62,176	54,735	13.6%	62,176	60,569	2.7%
Commission	117,796	118,906	-0.9%	117,796	108,883	8.2%
Interconnection	179,765	183,907	-2.3%	179,765	180,790	-0.6%
International call	6,059	4,055	49.4%	6,059	3,939	53.8%
Contents fee	12,903	12,621	2.2%	12,903	8,589	50.2%
Rent	39,228	39,347	-0.3%	39,228	35,517	10.4%
Depreciation & Amortization	286,631	287,628	-0.3%	286,631	284,027	0.9%
Leased line expense	95,818	98,593	-2.8%	95,818	88,973	7.7%
Utility	20,593	17,165	20.0%	20,593	17,774	15.9%
Repair & Maintenance	18,495	17,308	6.9%	18,495	19,178	-3.6%
Lease expense	-	-	-	-	1,947	-100.0%
Marketing expense	386,202	411,759	-6.2%	386,202	265,025	45.7%
Bad debt expense	8,318	7,586	9.7%	8,318	21,261	-60.9%
Tax & Dues	8,706	7,105	22.5%	8,706	4,368	99.3%
USO	5,000	5,000	0.0%	5,000	5,000	0.0%
Others	26,785	20,231	32.4%	26,785	19,210	39.4%
Total service cost	1,274,475	1,285,946	-0.9%	1,274,475	1,125,051	13.3%

Labor expense

- Increased by 13.6% QoQ because of regular bonus payment for Chusok Holiday

Interconnection expense

- Declined by 2.3% QoQ mainly due to settlement of interconnection expense for KRW 2.7 billion in 2Q

International calls

- Surged by 49.4% QoQ due to reflection of settled payment for interconnection fee to overseas operators

Rent

- Rose by 10.4% YoY because of increased number of WCDMA networks

Leased line expense

- Rose by 7.7% YoY due to increased leased lines for WCDMA equipment

Utility

- Rose by 20% QoQ due to increased WCDMA base stations

Others

- Mainly due to the change in roaming account method from net based to gross based, others rose 32.4% QoQ

IV. Interconnection Revenue & Expense

In million KRW	2007-3Q	2007-2Q	QoQ	2007-3Q	2006-3Q	YoY
Interconnection revenue	253,727	249,276	1.8%	253,727	217,730	16.5%
LM	78,564	76,257	3.0%	78,564	70,113	12.1%
MM	175,163	173,019	1.2%	175,163	147,617	18.7%
Interconnection expense	179,765	183,907	-2.3%	179,765	180,790	-0.6%
LM	31,257	31,006	0.8%	31,257	28,0110	11.6%
MM	148,507	152,901	-2.9%	148,507	152,779	-2.8%
Net interconnection profit	73,962	65,369	13.1%	73,962	36,940	100.2%
LM	47,307	45,251	4.5%	47,307	42,102	12.4%
MM	26,655	20,118	32.5%	26,655	-5,162	N/A

Interconnection revenue

- Increased by 1.8% QoQ and 16.5% YoY due to Web to Phone interconnection settlement

Interconnection expense

- Dropped by 2.3% QoQ mainly due to settlement of interconnection expense for KRW 2.7 billion in 2Q

Net interconnection profit

- Increased by 13.1 QoQ mainly influenced by Web-to-Phone settlement
- Surged by 100.2% YoY due to interconnection rate adjustments occurred in 3Q 2006
(Increased by 7.3% YoY if normalized)

[Normalized interconnection revenue & expense]

In million KRW	2007-3Q	2007-2Q	QoQ	2007-3Q	2006-3Q	YoY
Interconnection revenue	253,727	249,276	1.8%	253,727	236,565	7.3%
LM	78,564	76,257	3.0%	78,564	77,636	1.2%
MM	175,163	173,019	1.2%	175,163	158,929	10.2%
Interconnection expense	179,765	183,907	-2.3%	179,765	167,620	7.2%
LM	31,257	31,006	0.8%	31,257	28,011	11.6%
MM	148,507	152,901	-2.9%	148,507	139,609	6.4%
Net interconnection profit	73,962	65,369	13.1%	73,962	68,945	7.3%
LM	47,307	45,251	4.5%	47,307	49,625	-4.7%
MM	26,655	20,118	32.5%	26,655	19,320	38.0%

V. Marketing Cost

(In million KRW)	2007-3Q	2007-2Q	QoQ	2007-3Q	2006-3Q	YoY
Acquisition cost	249,381	268,573	-7.1%	249,381	137,093	119.6%
Retention cost	107,111	108,336	-1.1%	107,111	135,051	-15.6%
Advertising	29,709	34,850	-14.7%	29,709	24,526	21.1%
Marketing cost total	386,202	411,759	-6.2%	386,202	265,025	45.7%

Marketing cost total

- Declined by 6.2% QoQ mainly due to reduced subscriber acquisition cost and advertising cost

Subscriber acquisition cost

- Decreased by 7.1% due to reduced acquisition cost per sub.

Subscriber retention cost

- Declined by 15.6% YoY because of decreased number of handset replacements (-78.1%)

Advertising cost

- Dropped by 6.2% QoQ due to decreased exposures to media related with HSDPA marketing

VI. Non-operating Income & Expense

(In million KRW)	2007-3Q	2007-2Q	QoQ	2007-3Q	2006-3Q	YoY
Interest income	5,129	5,538	-7.4%	5,129	8,242	-37.8%
Interest expense	30,807	31,989	-3.7%	30,807	35,025	-12.0%
Net interest account	(25,678)	(26,451)	-2.9%	(25,678)	(26,783)	-4.1%
Gain from FOREX	349	129	171.3%	349	310	12.8%
Loss from FOREX	174	-107	N/A	174	40	330.8%
Net FOREX account	175	235	-25.8%	175	269	-35.1%
Gain from equity method	(4,405)	4,036	N/A	(4,405)	2,599	N/A
Loss from equity method	6,765	5,022	34.7%	6,765	-	N/A
Net equity method account	(11,170)	(986)	1,032.9%	(11,170)	2,599	N/A
Other non-operating income	10,061	9,477	6.5%	10,061	15,896	-36.7%
Other non-operating expense	13,531	10,391	30.2%	13,531	29,920	-54.8%
Net others account	(3,471)	(943)	268.1%	(3,471)	(14,024)	-75.2%
Total non-operating income	11,134	19,150	-41.9%	11,134	27,047	-58.8%
Total non-operating expense	51,277	47,295	8.4%	51,277	64,986	-21.1%
Total net non-operating accounts	(40,144)	(28,145)	42.6%	(40,144)	(37,939)	5.8%

Non-operating accounts

- Aggravated by 42.6% QoQ mainly due to increased losses from both equity method and disposal of tangible fixed assets

VII. EBITDA margin & CAPEX

(In million KRW)	2007-3Q	2007-2Q	QoQ	2007-3Q	2006-3Q	YoY
D&A	286,631	287,628	-0.3%	286,631	284,027	0.9%
Operating income	119,851	91,289	31.3%	110,865	164,092	-27.0%
EBITDA	406,482	378,918	7.3%	397,496	448,120	-9.3%
EBITDA margin	29.2%	27.5%	1.6%p	28.7%	34.8%	-5.6%p
CAPEX	198,368	315,890	-37.2%	198,368	264,876	-25.1%

EBITDA margin

- Rose by 1.6%p QoQ largely due to decreased marketing cost

CAPEX

- Declined by 37.2% QoQ due to the decreased investment in HSDPA

VIII. Balance Sheet

(In million KRW)	2007-3Q	2007-2Q	2006-3Q	(In million KRW)	2007-3Q	2007-2Q	2006-3Q
Asset	7,684,547	7,898,440	8,113,846	Liabilities	3,321,552	3,579,613	3,750,327
Current asset	2,039,763	2,156,393	2,574,264	Current	1,995,451	2,261,031	1,824,289
Quick asset	1,914,876	1,962,213	2,428,139	Non-current	1,326,102	1,318,582	1,926,038
Inventory	124,887	194,179	146,124	Equity	4,362,995	4,318,828	4,363,519
Non-current asset	5,644,784	5,742,048	5,539,582	Paid-in capital	1,044,181	1,044,181	1,044,181
Investment	183,632	190,349	128,333	APIC	1,728,150	1,728,150	1,728,150
Tangible asset	4,257,978	4,327,707	4,137,900	Capital adjustment	(18,720)	3,239	3,113
Intangible asset	897,755	917,481	974,897	*AOC income/loss	7,804	4,566	3,034
Other non-CA	305,419	306,512	298,452	Retained earnings	1,601,579	1,538,692	1,585,040

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

Leverage

- Total Debt/Equity ratio and Net Debt/Equity ratio stood at 76.1% and 19.2% respectively
- Net Debt/Equity ratio improved by 0.2%p QoQ due to increased retained earnings

* Long-term payable related to WCDMA license is excluded in calculating Net Debt/Equity ratio (30.9% if included)

[Interest-bearing debt breakdown]

(In million KRW)	2007-3Q	2007-2Q	QoQ	2006-3Q	YoY
Interest-bearing debt	1,378,754	1,378,513	0.0%	1,677,609	-17.8%
Payable within one year	519,858	519,757	0.0%	299,798	73.4%
Net debt	837,675	837,772	0.0%	524,828	59.6%

Interest-bearing debt

- Interest-bearing debt comprises of KRW 520 billion of current portion of long-term debt and KRW 859 billion of long-term debt
- Long-term payable of KRW 510 billion for WCDMA license is not included in calculating interest-bearing debt
 - Current portion of long-term payable: KRW 108 billion
 - Long-term payable: KRW 402 billion

IX. Operation highlight

A. Subscriber trend

(‘000)	2007-3Q	2007-2Q	2007-1Q	2006-4Q	2006-3Q
Total number of subs.	13,583	13,512	13,156	12,914	12,773
KT resale subs.	2,916	2,945	2,807	2,704	2,640
Quarterly addition	1,715	1,829	1,625	1,290	1,181
Quarterly deactivation	1,643	1,474	1,382	1,149	1,042
Quarterly net addition	72	355	242	141	139
KTF-only (excluding resale subs.)	10,667	10,567	10,350	10,210	10,132
Quarterly addition	1,416	1,405	1,255	1,009	935
Quarterly deactivation	1,316	1,188	1,115	932	838
Quarterly net addition	100	217	140	77	96

B. Subscriber breakdown by handset type

(‘000)	2007-3Q	2007-2Q	2007-1Q	2006-4Q	2006-3Q
WCDMA	2,024	941	140		
CDMA	10,560	12,571	13,016	12,914	12,773
Total	13,583	13,512	13,156	12,914	12,773

* Including KT resale sub.

C. ARPU

(KRW)	2007-3Q	2007-2Q	2007-1Q	2006-4Q	2006-3Q
ARPU-excluding interconnect.	30,569	30,720	30,382	30,979	30,567
ARPU-including interconnect.	38,407	38,732	38,134	38,903	38,264
Data ARPU (Net basis)	6,271	6,230	6,141	6,284	6,018
Contribution to ARPU (Net)	21%	20%	20%	20%	20%
Data ARPU (Gross basis)	6,883	6,911	6,925	7,085	6,788
Contribution to ARPU (Gross)	23%	23%	23%	23%	22%

* Based on KTF only subs (excluding KT resale subs).

Appendix 1 : Income Statements

(KRW mn)	'06-3Q	'06-4Q	'07-1Q	'07-2Q	'07-3Q
Operating Revenue	1,659,539	1,644,556	1,765,324	1,804,853	1,780,672
Voice	743,817	752,221	745,716	766,699	772,373
Data	182,333	192,189	189,056	195,274	199,168
Interconnection	217,730	243,161	234,061	249,276	253,727
Resale	114,425	127,033	120,410	130,670	134,338
Others	30,837	32,329	44,177	35,318	34,721
Handset	370,397	297,623	431,904	427,617	386,346
Operating Expense	1,495,447	1,463,447	1,664,672	1,713,563	1,660,821
Labor expense	60,569	57,333	64,461	64,735	62,176
Commission paid	108,883	113,991	108,948	118,906	117,796
Interconnection	180,790	180,241	167,092	183,907	179,765
International call	3,939	3,173	3,554	4,055	6,059
CP info usage charge	8,589	10,983	11,837	12,621	12,903
Rent	35,517	36,091	35,889	39,347	39,228
D&A	284,027	284,791	283,460	287,628	286,631
Leased line cost	88,973	93,116	97,386	98,593	95,818
Utilities	17,774	15,066	14,793	17,165	20,593
Repair&Maintenance	19,178	23,442	15,426	17,308	18,495
Lease	1,947	0	0	0	0
Marketing	296,670	316,318	431,859	434,498	440,374
Bad Debt	21,261	20,874	21,701	7,588	8,318
Taxe & Dues	4,368	12,073	13,848	7,105	8,706
USO	5,000	(23)	5,000	5,000	5,000
Others	19,210	22,255	20,205	20,231	26,786
Cost of Handset sold	338,751	273,722	369,211	404,878	332,174
Operating Income	164,092	181,109	100,652	91,289	119,851
Non-Operating Gains	27,047	25,401	27,332	19,150	11,134
Interest income	8,242	8,131	8,560	5,538	6,129
Disposition of Available-for-sale securities	0	1,158	2,414	1,095	452
Gain from FOREX	310	338	21	129	349
Equity method evaluation	2,599	3,672	8,532	4,036	(4,405)
Others	15,896	12,102	7,804	8,353	9,610
Non-Operating Losses	64,986	72,525	48,657	47,295	51,277
Interest	35,025	35,115	34,621	31,989	30,807
Loss from FOREX	40	61	269	(107)	174
Donations	4,888	6,779	3,881	3,891	4,129
Equity method evaluation	0	(7,931)	128	5,022	6,765
Disposition of Tangible asset	20,262	15,998	9,250	5,750	7,519
Others	4,770	22,503	507	750	1,883
Income before Taxes	126,154	133,985	79,326	63,145	79,708
Income Tax	28,046	26,272	2,254	12,010	16,821
Net Income	98,108	107,713	77,072	51,135	62,887

Appendix 2 : Balance Sheet

(KRW mn)

	3Q-2007	2Q-2007	3Q-2006		3Q-2007	2Q-2007	3Q-2006
Assets	7,684,547	7,808,440	8,113,846	Liabilities	3,321,552	3,579,613	3,750,322
Current	2,039,763	2,156,393	2,574,264	Current	1,995,451	2,281,031	1,824,289
Quick Asset	1,914,876	1,962,213	2,428,139	Trade payable	314,894	571,576	340,331
Cash	440,138	404,354	260,698	Other payable	728,132	798,916	742,445
ST Securities	50,000	50,000	640,000	Short-term borrowings	-	-	-
Available-for-sale Securities	50,940	86,388	252,083	Advances from customer	10,535	15,119	35,469
Hold-to-maturity	-	-	33,749	Withholdings	133,395	99,384	134,184
Trade receivables	1,137,142	1,190,212	968,453	Accrued expenses	137,005	107,924	124,637
Other receivables	70,398	67,034	104,693	Current portion of LT debt	627,520	626,161	387,884
Short-term loans	7,551	7,383	10,238	Unpaid income tax	37,891	33,963	51,937
Advanced payment	23,028	26,199	19,397	Unpaid Dividends	-	-	-
Prepaid expenses	18,179	17,687	11,856	Others	6,009	6,986	7,402
Accrued income	2,526	1,521	4,386				
Deferred tax	114,964	111,428	124,577				
Others	-	8	8				
Inventory	124,887	194,179	146,124				
Non-Current	5,644,784	5,742,048	5,539,582	Non-Current	1,326,102	1,318,582	1,926,038
Investments	183,632	190,349	128,333	Bonds	858,895	858,756	1,377,811
LT financial investment	16	16	16	Long-term borrowings	-	-	-
Investment securities	32,646	27,189	25,622	Long-term payables	402,066	397,843	488,878
Equity method security	100,194	113,221	67,937	Others	65,141	61,983	59,349
Hold-to-maturity	-	-	-				
Long-term loans	32,477	31,668	18,740	Equity	4,362,995	4,318,828	4,363,511
Others	18,300	18,256	16,018	Capital Stock	1,044,181	1,044,181	1,044,181
Tangible Assets	4,257,978	4,327,707	4,137,900	APIC	1,728,150	1,728,150	1,728,150
Land	119,301	119,301	119,254	Capital Adjustment	-	18,720	3,239
Buildings	263,523	266,306	268,359	Accumulative Other Comprehensive Gain&Loss	7,804	4,566	3,034
Structure	73,873	71,897	71,804	Retained Earnings	1,601,579	1,538,892	1,585,040
Equipment & Machinery	3,537,014	3,592,912	3,417,920				
Vehicles	2,878	2,784	1,816				
Construction in progress	80,246	93,411	80,127				
Others	181,144	181,116	175,620				
Intangible Assets	897,755	917,481	974,897				
Others	305,419	306,512	298,452				
Long-term Receivables	40,646	42,277	63,311				
Guarantee deposit	219,223	215,061	208,473				
Deferred income tax	45,550	49,174	26,668				