



FY2007 4Q Earnings Release

KT Freetel Co., Ltd.

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- 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.
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I. Financial Highlights

Summary of income statement & financial ratios

(In million KRW)	2007-4Q	2007-3Q	QoQ	2007	2006	YoY
Service revenue	1,466,876	1,394,326	5.2%	5,571,859	5,219,958	6.7%
Service cost	1,337,768	1,274,475	5.0%	5,130,959	4,551,212	12.7%
Operating income	129,108	119,851	7.7%	440,900	668,747	-34.1%
EBITDA	413,724	406,482	1.8%	1,583,236	1,803,738	-12.2%
Net non-operating accounts	(64,365)	(40,144)	60.3%	(153,979)	(154,977)	-0.6%
Non-operating income	8,581	11,134	-22.9%	66,196	116,509	-43.2%
Non-operating expense	72,946	51,277	42.3%	220,175	271,486	-18.9%
Income before taxes	64,743	79,708	-18.8%	286,922	513,770	-44.2%
Taxes	11,693	16,821	-30.5%	42,777	102,068	-58.1%
Net income	53,051	62,887	-15.6%	244,144	411,702	-40.7%

Financial ratios

	2007-4Q	2007-3Q	QoQ	2007	2006	YoY
Marketing cost ratio	29.3%	27.7%	1.6%p	28.7%	21.7%	7.0%p
OP margin	8.8%	8.6%	0.2%p	7.9%	12.8%	-4.9%p
EBITDA margin	28.2%	29.2%	-0.9%p	28.4%	34.6%	-6.1%p
Net income margin	3.6%	4.5%	-0.9%p	4.4%	7.9%	-3.5%p
Effective income tax rate	18.1%	21.1%	-3.0%p	14.9%	19.9%	-5.0%p
Net debt/equity ratio	20.5%	19.2%	1.3%p	20.5%	18.6%	1.9%p
(If 3G license payable included)	32.4%	30.9%	1.5%p	32.4%	32.1%	0.3%p
Total debt/equity ratio	71.9%	76.1%	-4.2%p	71.9%	87.2%	-15.3%p

Service revenue

- Increased by 5.2% QoQ due to subscribers growth and ARPU growth
Also, due to accounting changes, KRW 16.4 billion of accrued revenue from delayed payments was reclassified from non-operating income to service revenue (Please refer to the table at the bottom for normalized service revenue)
- Rising subscribers and data revenue (7.1%) contributed to 6.7% YoY growth

EBITDA margin

- Slightly declined QoQ due to increases of service revenue and marketing cost influenced by accounting changes
- Escalated marketing costs (40.9% YoY) mainly led to YoY EBITDA margin erosion

Taxes

- Effective tax rate for 2007 stood at 14.9% due to tax credits provided for WCDMA investments and decreased income before taxes compared to that of 2006

Net income

- Dropped by 40.7% YoY mainly due to decreased operating income

* Normalized service revenue (in million KRW)

2006-1Q	2006-2Q	2006-3Q	2006-4Q	2006	2007-1Q	2007-2Q	2007-3Q	2007-4Q	2007	QoQ	YoY
1,274,195	1,318,778	1,293,409	1,351,144	5,237,526	1,337,409	1,381,432	1,398,464	1,454,553	5,571,859	4.0%	6.4%

II. Service Revenue

(In million KRW)	2007-4Q	2007-3Q	QoQ	2007	2006	YoY
Service revenue	1,466,876	1,394,326	5.2%	5,571,859	5,219,958	6.7%
Voice revenue	793,059	772,373	2.7%	3,077,847	2,957,615	4.1%
Monthly base fee	447,341	447,358	0.0%	1,790,487	1,745,486	2.6%
Airtime charge	345,656	321,675	7.5%	1,284,476	1,200,306	7.0%
Value added service	34,105	33,761	1.0%	144,820	176,424	-17.9%
Other voice revenue	19,839	19,162	3.5%	62,391	38,590	61.7%
(Voice discount)	(53,882)	(49,583)	8.7%	(204,328)	(203,191)	0.6%
Data revenue	206,889	199,168	3.9%	790,397	737,842	7.1%
Monthly base fee	61,687	58,498	5.5%	233,900	207,995	12.5%
Messaging (SMS,MMS)	66,579	59,730	11.5%	243,636	210,751	15.6%
Wireless data usage	54,527	52,144	4.6%	206,823	230,287	-10.2%
Contents	15,545	22,274	-30.2%	79,253	70,184	12.9%
Others	8,562	6,521	31.3%	26,785	18,626	43.8%
Interconnection revenue	268,187	253,727	5.7%	1,005,251	940,869	6.8%
Resale revenue	146,395	134,338	9.0%	531,813	470,300	13.1%
Other revenue	52,336	34,721	50.7%	166,551	113,332	47.0%
Subscription	24,927	21,534	15.8%	97,387	75,576	28.9%
Other service revenue	27,409	13,187	107.8%	69,164	37,755	83.2%
Handset sales	475,596	386,346	23.1%	1,721,462	1,287,392	33.7%
Total operating revenue	1,942,473	1,780,672	9.1%	7,293,321	6,507,350	12.1%

Voice revenue

- Monthly base fee steadied QoQ as more subscribers migrated from 2G to 3G with lower monthly base fee
- Airtime charge rose by 7.5% QoQ due to increased subscribers base and call traffic
- VAS revenue dropped by 17.9% YoY mainly caused by decreased revenue from Caller ID service
- Other voice revenue surged by 61.7% YoY due to increased roaming usage

Data revenue

- Messaging revenue increased by 15.6% YoY owing to gradually growing usages of messaging services
- Wireless data usage revenue rose by 4.6% QoQ thanks to increased WCDMA subscribers, but declined by 10.2% YoY mainly driven by 30% data tariff cut effective from February 2007
- Other data revenue rose by 43.8% YoY mainly due to increased revenues from mobile payment and mobile ticketing

Interconnection revenue

- Interconnection grew by 5.7% QoQ due to increased subscribers and incoming call traffic

Resale revenue

- Resale revenue rose by 13.1% YoY due to subscribers growth and increased portion of 3G subscribers

Handset sales

- Surged by 33.7% due to increased new subscriptions and migrations from 2G to 3G

III. Service Cost

(In million KRW)	2007-4Q	2007-3Q	QoQ	2007	2006	YoY
Labor expense	59,689	62,176	-4.0%	241,062	227,835	5.8%
Commission	120,033	117,796	1.9%	465,683	434,714	7.1%
Interconnection	193,473	179,765	7.6%	724,237	679,462	6.6%
International call	8,181	6,059	35.0%	21,849	16,655	31.2%
Contents fee	17,319	12,903	34.2%	54,681	30,775	77.7%
Rent	43,332	39,228	10.5%	157,796	134,794	17.1%
Depreciation & Amortization	284,616	286,631	-0.7%	1,142,335	1,134,991	0.6%
Leased line expense	94,746	95,818	-1.1%	386,542	356,129	8.5%
Utility	17,610	20,593	-14.5%	70,161	59,613	17.7%
Repair & Maintenance	21,624	18,495	16.9%	72,853	78,687	-7.4%
Lease expense	-	-	-	-	32,601	N/A
Marketing expense	430,281	386,202	11.4%	1,597,349	1,211,461	40.9%
Bad debt expense	7,861	8,318	-5.5%	45,467	89,176	-49.0%
Tax & Dues	8,095	8,706	-7.0%	37,755	55,105	-31.4%
USO	3,000	5,000	-40.0%	18,000	7,929	127.0%
Others	27,906	26,785	4.2%	95,188	79,483	19.8%
Total service cost	1,337,768	1,274,475	5.0%	5,130,959	4,551,212	12.7%

Labor expense

- Decreased by 4.0% QoQ because of regular bonus payment for Chusok Holiday in 3Q

Commission

- Rose by 7.1% YoY mainly due to increased usage of outsourcing services related with 3G brand launching

Interconnection expense

- Increased by 6.6% YoY due to rising subscribers base and outgoing call traffic

International calls

- Surged by 31.2% YoY due to increased usage of international call service and international prepaid service

Rent

- Grew by 17.1% YoY due to addition of WCDMA networks

Leased line expense

- Rose by 8.5% YoY due to increased number of leased lines for WCDMA equipment

Utility

- Climbed by 17.7% YoY due to increased WCDMA equipment

Others

- Rose by 19.8% YoY due to increased cost in line with expanding usage of international roaming service

IV. Interconnection Revenue & Expense

In million KRW	2007-4Q	2007-3Q	QoQ	2007	2006	YoY
Interconnection revenue	268,187	253,727	5.7%	1,005,251	940,869	6.8%
LM	79,478	78,564	1.2%	313,568	309,666	1.3%
MM	188,709	175,163	7.7%	691,684	631,202	9.6%
Interconnection expense	193,473	179,765	7.6%	724,237	679,462	6.6%
LM	33,836	31,257	8.3%	125,468	115,318	8.8%
MM	159,637	148,507	7.5%	598,768	564,145	6.1%
Net interconnection profit	74,715	73,962	1.0%	281,015	261,407	7.5%
LM	45,642	47,307	-3.5%	188,099	194,349	-3.2%
MM	29,073	26,655	9.1%	92,916	67,058	38.6%

Interconnection revenue

- Rose by 6.8% YoY due to increased subscribers base and incoming call traffic

Interconnection expense

- Went up by 6.6% YoY due to increased outgoing call traffic backed by subscribers growth

Net interconnection profit

- Rose by 7.5% YoY owing to increased incoming call traffic and net gain from Web-to-Phone settlement reflected in 3Q

V. Marketing Cost

(In million KRW)	2007-4Q	2007-3Q	QoQ	2007	2006	YoY
Acquisition cost	268,792	249,381	7.8%	1,015,945	514,466	97.4%
Retention cost	128,286	107,111	19.8%	453,676	500,119	-9.3%
Advertising	33,203	29,709	11.8%	127,729	118,567	7.7%
Marketing cost total	430,281	386,202	11.4%	1,597,349	1,133,353	40.9%

Marketing cost total

- Rose by 40.9% YoY mainly due to increase of new subscription and 3G subscribers

Subscriber acquisition cost

- Surged by 97.4% YoY due to substantial increase of sign-ups and 3G migration

Subscriber retention cost

- Climbed by 19.8% QoQ mainly due to change in accounting for realizing ongoing commission paid to dealers from payment basis to accrual basis (Additional amount recognized in 4Q: KRW 19.3 billion)

Advertising cost

- Rose by 7.7% YoY due to increased exposures to media advertisement related with WCDMA marketing

VI. Non-operating Income & Expense

(In million KRW)	2007-4Q	2007-3Q	QoQ	2007	2006	YoY
Interest income	3,299	5,129	-35.7%	22,526	26,352	-14.5%
Interest expense	29,841	30,807	-3.1%	127,258	142,189	-10.5%
Net interest account	(26,542)	(25,678)	3.4%	(104,732)	(115,837)	-9.6%
Gain from FOREX	(41)	349	N/A	459	7,049	-93.5%
Loss from FOREX	540	174	209.5%	877	1,315	-33.3%
Net FOREX account	(580)	175	N/A	(418)	5,735	N/A
Gain from equity method	(559)	(4,405)	-87.3%	7,603	6,891	10.3%
Loss from equity method	13,788	6,765	103.8%	25,702	5,657	354.3%
Net equity method account	(14,347)	(11,170)	28.4%	(18,099)	1,234	N/A
Other non-operating income	5,882	10,061	-41.5%	35,608	76,217	-53.2%
Other non-operating expense	28,777	13,531	112.7%	66,338	122,325	-45.8%
Net others account	(22,895)	(3,471)	559.6%	(30,730)	(46,108)	-33.4%
Total non-operating income	8,581	11,134	-22.9%	66,196	116,509	-43.2%
Total non-operating expense	72,946	51,277	42.3%	220,175	271,486	-18.9%
Total net non-operating accounts	(64,365)	(40,144)	60.3%	(153,979)	(154,977)	-0.6%

Non-operating accounts

- Deteriorated by 60.3% QoQ mainly due to increased losses from equity method accounts and disposal of tangible fixed assets

VII. EBITDA margin & CAPEX

(In million KRW)	2007-4Q	2007-3Q	QoQ	2007	2006	YoY
D&A	284,616	286,631	-0.7%	1,142,335	1,134,991	0.6%
Operating income	129,018	119,851	7.7%	440,900	668,747	-34.1%
EBITDA	413,724	406,482	1.8%	1,583,236	1,803,738	-12.2%
EBITDA margin	28.2%	29.2%	-1.0%p	28.4%	34.6%	-6.1%p
CAPEX	261,637	198,368	31.9%	1,109,841	1,216,372	-8.8%

EBITDA margin

- Dropped by 6.1%p YoY largely due to increased marketing cost

CAPEX

- Declined by 8.8% YoY due to the decreased investment in WCDMA

VIII. Balance Sheet

(In million KRW)	2007-4Q	2007-3Q	2006-4Q	(In million KRW)	2007-4Q	2007-3Q	2006-4Q
Asset	7,460,705	7,684,547	8,068,028	Liabilities	3,121,265	3,321,552	3,757,996
Current asset	1,758,450	2,039,763	2,428,715	Current	1,798,821	1,995,451	2,027,912
Quick asset	1,635,214	1,914,876	2,298,443	Non-current	1,322,444	1,326,102	1,730,084
Inventory	123,236	124,887	130,273	Equity	4,339,440	4,362,995	4,310,032
Non-current asset	5,702,255	5,644,784	5,639,312	Paid-in capital	1,044,181	1,044,181	1,044,181
Investment	267,729	183,632	168,910	APIC	1,728,150	1,728,150	1,728,150
Tangible asset	4,242,514	4,257,978	4,216,444	Capital adjustment	2,010	(18,720)	3,188
Intangible asset	875,302	897,755	953,612	*AOC income/loss	4,540	7,804	6,643
Other non-CA	316,710	305,419	300,346	Retained earnings	1,560,559	1,601,579	1,527,869

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

Leverage

- Total Debt/Equity ratio and Net Debt/Equity ratio stood at 71.9% and 20.5% respectively
- Net Debt/Equity ratio rose by 1.3%p QoQ due to decreased retained earnings related with share buyback and cancellation in 4Q

* Long-term payable related to WCDMA license is excluded in calculating Net Debt/Equity ratio (32.4% if included)

[Interest-bearing debt breakdown]

(In million KRW)	2007-4Q	2007-3Q	QoQ	2006-4Q	YoY
Interest-bearing debt	1,178,980	1,378,754	-14.5%	1,677,923	-29.7%
Payable within one year	319,944	519,858	-38.5%	499,764	-36.0%
Net debt	891,156	837,675	6.4%	802,195	11.1%

Interest-bearing debt

- Interest-bearing debt comprised of KRW 320 billion of current portion of long-term debt and KRW 859 billion of long-term debt
- Long-term payable of KRW 515 billion for WCDMA license is not included in calculating interest-bearing debt
 - Current portion of long-term payable: KRW 109 billion
 - Long-term payable: KRW 406 billion

IX. Operation highlight

A. Subscriber trend

(‘000)	2007-4Q	2007-3Q	2007-2Q	2007-1Q	2006-4Q
Total number of subs.	13,721	13,583	13,512	13,156	12,914
KT resale subs.	2,927	2,916	2,945	2,807	2,704
Quarterly addition	1,838	1,715	1,829	1,625	1,290
Quarterly deactivation	1,701	1,643	1,474	1,382	1,149
Quarterly net addition	137	72	355	242	141
KTF-only (excluding resale subs.)	10,794	10,667	10,567	10,350	10,210
Quarterly addition	1,466	1,416	1,405	1,255	1,009
Quarterly deactivation	1,339	1,316	1,188	1,115	932
Quarterly net addition	126	100	217	140	77

B. Subscriber breakdown by handset type

(‘000)	2007-4Q	2007-3Q	2007-2Q	2007-1Q	2006-4Q
WCDMA	3,205	2,024	941	140	
CDMA	10,516	10,560	12,571	13,016	12,914
Total	13,721	13,583	13,512	13,156	12,914

* Including KT resale sub.

C. ARPU

(KRW)	2007-4Q	2007-3Q	2007-2Q	2007-1Q	2006-4Q
ARPU-excluding interconnect.	31,064	30,569	30,720	30,382	30,979
ARPU-including interconnect.	39,220	38,577	38,732	38,134	38,903
Data ARPU (Net basis)	6,435	6,271	6,230	6,141	6,282
Contribution to ARPU (Net)	21%	21%	20%	20%	20%
Data ARPU (Gross basis)	7,274	6,883	6,911	6,925	7,085
Contribution to ARPU (Gross)	23%	23%	23%	23%	23%

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

Appendix 1 : Income Statements

(KRW mn)	'06-4Q	Fy 2006	'07-1Q	'07-2Q	'07-3Q	'07-4Q	Fy 2007
Operating Revenue	1,644,556	6,507,350	1,765,324	1,804,853	1,780,672	1,942,473	7,293,321
Voice	752,221	2,957,615	745,716	766,699	772,373	793,059	3,077,847
Data	192,189	737,842	189,056	195,274	199,168	206,899	790,397
Interconnection	243,161	940,869	234,061	249,276	253,727	268,187	1,005,251
Resale	127,033	470,300	120,410	130,670	134,338	146,395	531,813
Others	32,329	113,332	44,177	35,318	34,721	52,336	166,551
Handset	297,623	1,287,392	431,904	427,617	386,346	475,596	1,721,462
Operating Expense	1,463,447	5,838,604	1,664,672	1,713,563	1,660,821	1,813,364	6,852,421
Labor expense	57,333	227,835	64,461	54,735	62,176	59,689	241,062
Commission paid	113,991	434,714	108,948	118,906	117,796	120,033	465,683
Interconnection	180,241	679,462	167,092	183,907	179,765	193,473	724,237
International call	3,173	16,655	3,554	4,055	6,059	8,181	21,849
CP info usage charge	10,983	30,775	11,837	12,621	12,903	17,319	54,681
Rent	36,091	134,794	35,889	39,347	39,228	43,332	157,796
D&A	284,791	1,134,991	283,460	287,628	286,631	284,616	1,142,335
Leased line cost	93,116	356,129	97,386	98,593	95,818	94,746	386,542
Utilities	15,066	59,613	14,793	17,165	20,593	17,610	70,161
Repair&Maintenance	23,442	78,687	15,426	17,308	18,495	21,624	72,853
Lease	0	32,601	0	0	0	0	0
Marketing	316,318	1,211,461	431,859	434,498	440,374	511,278	1,818,009
Bad Debt	20,874	89,176	21,701	7,586	8,318	7,861	45,467
Taxe & Dues	12,073	55,015	13,848	7,105	8,706	8,095	37,755
USO	(23)	7,929	5,000	5,000	5,000	3,000	18,000
Others	22,255	79,483	20,205	20,231	26,785	27,906	95,128
Cost of Handset sold	273,722	1,209,284	369,211	404,878	332,174	394,599	1,500,862
Operating Income	181,109	668,747	100,652	91,289	119,851	129,108	440,900
Non-Operating Gains	25,401	116,509	27,332	19,150	11,134	8,581	66,196
Interest income	8,131	26,352	8,560	5,538	5,129	3,299	22,526
Disposition of Available-for-sale securities	1,158	9,576	2,414	1,095	452	578	4,538
Gain from FOREX	338	7,049	21	129	349	(41)	459
Equity method evaluation	3,672	6,891	8,532	4,036	(4,405)	(559)	7,603
Others	12,102	66,641	7,804	8,353	9,610	5,304	31,071
Non-Operating Losses	72,525	271,486	48,657	47,295	51,277	72,946	220,175
Interest	35,115	142,189	34,621	31,989	30,807	29,841	127,258
Loss from FOREX	61	1,315	269	(107)	174	540	877
Donations	6,779	21,579	3,881	3,891	4,129	4,222	16,123
Equity method evaluation	(7,931)	5,657	128	5,022	6,765	13,788	25,702
Disposition of Tangible asset	15,998	42,797	9,250	5,750	7,519	21,479	43,998
Others	22,503	57,949	507	750	1,883	3,077	6,217
Income before Taxes	133,985	513,770	79,326	63,145	79,708	64,743	286,922
Income Tax	26,272	102,068	2,254	12,010	16,821	11,693	42,777
Net Income	107,713	411,702	77,072	51,135	62,887	53,051	244,144

Appendix 2 : Balance Sheet

(KRW mn)

	4Q-2007	3Q-2007	4Q-2006		4Q-2007	3Q-2007	4Q-2006
Assets	7,460,705	7,684,547	8,068,028	Liabilities	3,121,265	3,321,552	3,757,996
Current	1,758,450	2,039,763	2,428,715	Current	1,798,821	1,995,451	2,027,912
Quick Asset	1,635,214	1,914,876	2,298,443	Trade payable	393,932	314,964	304,737
Cash	284,854	440,138	584,157	Other payable	631,875	728,132	832,230
ST Securities	-	50,000	90,000	Short-term borrowings	-	-	-
Available-for-sale Securities	2,970	50,940	201,571	Advances from customer	7,202	10,535	30,239
Hold-to-maturity	-	-	-	Withholdings	122,110	133,395	98,477
Trade receivables	1,150,574	1,137,142	1,200,645	Accrued expenses	167,728	137,005	122,645
Other receivables	34,256	70,398	75,068	Current portion of LT debt	428,864	627,520	588,880
Short-term loans	3,559	7,561	9,908	Unpaid income tax	41,633	37,891	43,904
Advanced payment	22,738	23,028	19,955	Unpaid Dividends	-	-	6,800
Prepaid expenses	15,107	18,179	13,496	Others	5,477	6,009	-
Accrued income	706	2,526	3,256				
Deferred tax	120,450	114,964	100,377				
Others	-	-	8				
Inventory	123,236	124,887	130,273				
Non-Current	5,702,255	5,644,784	5,639,312	Non-Current	1,322,444	1,326,102	1,730,084
Investment	267,729	183,632	168,910	Bonds	859,037	858,895	1,178,159
LT financial investment	16	16	16	Long-term borrowings	-	-	-
Investment securities	25,458	32,646	29,604	Long-term payables	406,288	402,066	493,877
Equity method security	189,368	100,194	86,373	Others	57,119	65,141	58,048
Hold-to-maturity	-	-	-				
Long-term loans	34,209	32,477	14,966				
Others	18,678	18,300	37,951				
Tangible Asset	4,242,514	4,257,978	4,216,444	Equity	4,339,440	4,362,995	4,310,032
Land	119,032	119,301	119,301	Capital Stock	1,044,181	1,044,181	1,044,181
Buildings	265,159	263,523	270,126	APIC	1,728,150	1,728,150	1,728,150
Structure	74,753	73,873	72,099	Capital Adjustment	2,010	(18,720)	3,188
Equipment & Machinery	3,490,304	3,537,014	3,481,712	Accumulative Other Comprehensive Gain&Loss	4,540	7,804	6,643
Vehicles	2,939	2,878	1,751	Retained Earnings	1,560,559	1,601,579	1,527,869
Construction in progress	82,876	80,246	94,854				
Others	207,450	181,144	176,601				
Intangible Asset	875,302	897,755	953,612				
Others	316,710	305,419	300,346				
Long-term Receivables	42,512	40,646	53,801				
Guarantee deposit	223,032	219,223	209,400				
Deferred income tax	47,331	45,550	37,145				
Others	3,835	-	-				