



FY2008 1Q 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)	2008-1Q	2007-4Q	QoQ	2008-1Q	2007-1Q	YoY
Service revenue	1,431,897	1,466,876	-2.4%	1,431,897	1,333,420	7.4%
Service cost	1,341,050	1,337,768	0.2%	1,341,050	1,232,768	8.8%
Operating income	90,847	129,108	-29.6%	90,847	100,652	-9.7%
EBITDA	371,294	413,724	-10.3%	371,294	384,112	-3.3%
Net non-operating accounts	(60,034)	(64,365)	-6.7%	(58,974)	(60,034)	181.5%
Non-operating income	32,595	8,581	279.8%	32,595	27,332	19.3%
Non-operating expense	92,629	72,946	27.0%	92,629	48,657	90.4%
Income before taxes	30,813	64,743	-52.4%	30,813	79,326	-61.2%
Taxes	10,282	11,693	-12.1%	10,282	2,254	356.1%
Net income	20,531	53,051	-61.3%	20,531	77,072	-73.4%

Financial ratios

	2008-1Q	2007-4Q	QoQ	2008-1Q	2007-1Q	YoY
Marketing cost ratio	32.1%	29.3%	2.8%p	32.1%	27.7%	4.5%p
OP margin	6.3%	8.8%	-2.5%p	6.3%	7.5%	-1.2%p
EBITDA margin	25.9%	28.2%	-2.3%p	25.9%	28.8%	-2.9%p
Net income margin	1.4%	3.6%	-2.2%p	1.4%	5.8%	-4.3%p
Effective income tax rate	33.4%	18.1%	15.3%p	33.4%	2.8%	30.5%p
Net debt/equity ratio	22.0%	20.5%	1.5%p	22.0%	19.4%	2.7%p
(If 3G license payable included)	31.4%	32.4%	-1.0%p	31.4%	31.1%	0.4%p
Total debt/equity ratio	73.4%	71.9%	1.5%p	73.4%	89.7%	-16.3%p

Service revenue

- Decreased 2.4% QoQ mainly due to seasonal effect of low traffic
- Rising subscribers and data revenue contributed to 7.4% YoY growth

* Due to accounting changes, KRW 16.5 billion of accrued revenue from delayed payments was reclassified from non-operating income to service revenue in 4Q 2007 (Please refer to the table at the bottom for normalized service revenue)

EBITDA margin

- Escalated marketing costs from increased subscription for 3G service resulted in EBITDA margin erosion both QoQ and YoY

Non-operating account

- Net loss from non-operating account rose by 181.5% YoY mainly caused by increased loss from equity method

Taxes

- Difference in tax accounting in treating write-off of un-collectibles and decreased pre-tax income mainly caused effective tax rate to increase by 15.3% QoQ

Net income

- Dropped by 61.3% QoQ mainly due to decreased operating income

* Normalized service revenue (in million KRW)

2006	2007-1Q	2007-2Q	2007-3Q	2007-4Q	2007	2008-1Q	QoQ	YoY
5,237,526	1,337,409	1,381,432	1,398,464	1,454,553	5,571,859	1,431,897	-1.6%	7.1%

II. Service Revenue

(In million KRW)	2008-1Q	2007-4Q	QoQ	2008-1Q	2007-1Q	YoY
Service revenue	1,431,897	1,466,876	-2.4%	1,431,897	1,333,420	7.4%
Voice revenue	787,243	793,059	-0.7%	787,243	745,176	5.6%
Monthly base fee	449,221	447,341	0.4%	449,221	447,362	0.4%
Airtime charge	337,245	345,656	-2.4%	337,245	297,345	13.4%
Value added service	33,368	34,105	-2.2%	33,368	40,009	-16.6%
Other voice revenue	20,721	19,839	4.4%	20,721	10,804	91.8%
(Voice discount)	(53,312)	(53,882)	-1.1%	(53,312)	(49,805)	7.0%
Data revenue	213,530	206,899	3.2%	213,530	189,056	12.9%
Monthly base fee	66,151	61,687	7.2%	66,151	55,001	20.3%
Messaging (SMS,MMS)	59,535	66,579	-10.6%	59,535	56,287	5.8%
Wireless data usage	58,268	54,527	6.9%	58,268	51,197	13.8%
Contents	22,645	15,545	45.7%	22,645	21,076	7.4%
Others	6,931	8,562	-19.0%	6,931	5,494	26.2%
Interconnection revenue	242,679	268,187	-9.5%	242,679	234,061	3.7%
Resale revenue	140,109	146,395	-4.3%	140,109	120,410	16.4%
Other revenue	48,336	52,336	-7.6%	48,336	44,177	9.4%
Subscription	32,537	24,927	30.5%	32,537	25,536	27.4%
Other service revenue	15,798	27,409	-42.4%	15,798	18,641	-15.2%
Handset sales	650,923	475,596	36.9%	650,923	431,904	50.7%
Total operating revenue	2,082,820	1,942,473	7.2%	2,082,820	1,765,324	18.0%

Voice revenue

- Airtime charge fell by 2.4% QoQ due to seasonally low traffic
- VAS revenue dropped by 16.6% YoY mainly caused by decreased revenue from Caller ID service
- Other voice revenue rose by 4.4% QoQ due to increased roaming usage

Data revenue

- Messaging revenue declined by 10.6% QoQ owing to SMS tariff cut effective from January 2008
- Wireless data usage revenue rose by 6.9% QoQ thanks to increased number of WCDMA subscribers
- Contents revenue climbed by 45.7% QoQ mainly because of increased platform revenue related with contents downloading

Interconnection revenue

- Interconnection declined by 9.5% QoQ reflecting seasonally lower traffic and conservative assumption of interconnection rates for 2008

Resale revenue

- Resale revenue rose by 16.4% YoY due to stable subscribers growth

Handset sales

- Surged by 36.9% QoQ due to strong inflow of new subscriptions and migrations from 2G to 3G

III. Service Cost

(In million KRW)	2008-1Q	2007-4Q	QoQ	2008-1Q	2007-1Q	YoY
Labor expense	69,436	59,689	16.3%	69,436	64,461	7.7%
Commission	117,726	120,033	-1.9%	117,726	108,948	8.1%
Interconnection	188,517	193,473	-2.6%	188,517	167,092	12.8%
International call	7,354	8,181	-10.1%	7,354	3,554	106.9%
Contents fee	8,935	17,319	-48.4%	8,935	11,837	-24.5%
Rent	40,902	43,332	-5.6%	40,902	35,889	14.0%
Depreciation & Amortization	280,447	284,616	-1.5%	280,447	283,460	-1.1%
Leased line expense	96,724	94,746	2.1%	96,724	97,386	-0.7%
Utility	17,254	17,610	-2.0%	17,254	14,793	16.6%
Repair & Maintenance	13,085	21,624	-39.5%	13,085	15,426	-15.2%
Lease expense	-	-	N/A	-	-	N/A
Marketing expense	460,307	430,281	7.0%	460,307	369,107	24.7%
Bad debt expense	20	7,861	-99.8%	20	21,701	-99.9%
Tax & Dues	9,855	8,095	21.7%	9,855	13,848	-28.8%
USO	4,700	3,000	56.7%	4,700	5,000	-6.0%
Others	25,788	27,906	-7.6%	25,788	20,265	27.3%
Total service cost	1,341,050	1,337,768	0.2%	1,341,050	1,232,768	8.8%

Labor expense

- Increased by 16.3% QoQ due to yearly increase of base salary and regular bonus payments for New Year's day

Commission

Rose by 8.1% YoY due to increased usage of outsourcing services and spectrum fee in line with expanded subscriber base

International calls

- Surged by 106.9% YoY due to increased usage of international call service and international prepaid service

Contents fee

- Dropped by 48.4% QoQ mainly due to accounting change in contents fee as one-time addition of one month fee was reflected in 4Q 2007

Depreciation & Amortization

- Declined by 1.5% QoQ due to completion of depreciation period and disposal of some 2G equipments

Repair & Maintenance

- Dropped by 15.2% YoY owing to decreased maintenance on switching facilities

Bad debt expense

- Fell by 99.8% QoQ due to improved collection rate and increased write-off of un-collectibles

Others

- Rose by 27.3% YoY due to increased cost in line with expanding usage of international roaming service

IV. Interconnection Revenue & Expense

In million KRW	2008-1Q	2007-4Q	QoQ	2008-1Q	2007-1Q	YoY
Interconnection revenue	242,679	268,187	-9.5%	242,679	234,061	3.7%
LM	73,852	79,478	-7.1%	73,852	79,268	-6.8%
MM	168,827	188,709	-10.5%	168,827	154,793	9.1%
Interconnection expense	188,517	193,473	-2.6%	188,517	167,092	12.8%
LM	36,861	33,836	8.9%	36,861	29,369	25.5%
MM	151,657	159,637	-5.0%	151,657	137,723	10.1%
Net interconnection profit	54,162	74,715	-27.5%	54,162	66,969	-19.1%
LM	36,991	45,642	-19.0%	36,991	49,899	-25.9%
MM	17,171	29,073	-40.9%	17,171	17,070	0.6%

Interconnection revenue

- Declined by 9.5% QoQ due to seasonally lower incoming call traffic and reflection of conservative interconnection rate assumption in 2008

Interconnection expense

- Dropped by 2.6% QoQ due to seasonally lower outgoing call traffic and interconnection rate adjustments

Net interconnection profit

- Fell by 27.5% QoQ because of seasonally lower call traffic and conservative interconnection rate adjustments

V. Marketing Cost

(In million KRW)	2008-1Q	2007-4Q	QoQ	2008-1Q	2007-1Q	YoY
Acquisition cost	323,744	268,792	20.4%	323,744	229,199	41.3%
Retention cost	112,482	128,286	-12.3%	112,482	109,941	2.3%
Advertising	24,081	33,203	-27.5%	24,081	29,967	-19.6%
Marketing cost total	460,307	430,281	7.0%	460,307	369,107	24.7%

Marketing cost total

- Rose by 7.0% QoQ mainly due to increase of new subscription and 3G subscribers

Subscriber acquisition cost

- Climbed by 20.4% QoQ due to strong inflow of sign-ups and 3G migration

Subscriber retention cost

- Declined by 12.3% QoQ mainly due to change in accounting for realizing ongoing commission paid to dealers from payment basis to accrual basis in 4Q 2007 (Additional amount recognized in 4Q: KRW 20.3 billion)

Advertising cost

- Dropped by 27.5% QoQ due to decreased exposures to media advertisement related with WCDMA marketing

VI. Non-operating Income & Expense

(In million KRW)	2008-1Q	2007-4Q	QoQ	2008-1Q	2007-1Q	YoY
Interest income	4,670	3,299	41.6%	4,670	8,560	-45.4%
Interest expense	27,659	29,841	-7.3%	27,659	34,621	-20.1%
Net interest account	(22,989)	(26,542)	-13.4%	(22,989)	(26,061)	-11.8%
Gain from FOREX	313	(41)	N/A	313	21	1368.1%
Loss from FOREX	10,668	540	1875.9%	10,668	269	3859.6%
Net FOREX account	(10,355)	(580)	1684.0%	(10,355)	(248)	4074.0%
Gain from equity method	297	(559)	N/A	297	8,532	-96.5%
Loss from equity method	37,449	13,788	171.6%	37,449	128	29225.5%
Net equity method account	(37,152)	(14,347)	159.0%	(37,152)	8,404	N/A
Other non-operating income	27,314	5,882	364.4%	27,314	10,218	167.3%
Other non-operating expense	16,852	28,777	-41.4%	16,852	13,638	23.6%
Net others account	10,462	(22,895)	N/A	10,462	(3,420)	N/A
Total non-operating income	32,595	8,581	279.8%	32,595	27,332	19.3%
Total non-operating expense	92,629	72,946	27.0%	92,629	48,657	90.4%
Total net non-operating accounts	(60,034)	(64,365)	-6.7%	(60,034)	(21,325)	181.5%

Non-operating accounts

- Deteriorated by 181.5% YoY mainly due to increased losses from equity method accounts and disposal of tangible fixed assets
- Although US dollar denominated debt(US\$ 245,000,000) raised in 1Q 2008 has resulted in increased loss from FOREX, the loss was hedged through profits from derivative transaction(SWAP) as reflected in other non-operating income

VII. EBITDA margin & CAPEX

(In million KRW)	2008-1Q	2007-4Q	QoQ	2008-1Q	2007-1Q	YoY
D&A	280,447	284,616	-1.5%	280,447	283,460	-1.1%
Operating income	90,847	129,108	-29.6%	90,847	100,652	-9.7%
EBITDA	371,294	413,724	-10.3%	371,294	384,112	-3.3%
EBITDA margin	25.9%	28.2%	-2.3%p	25.9%	28.8%	-2.9%p
CAPEX	283,768	261,637	8.5%	283,768	333,946	-15.0%

EBITDA Margin

- Dropped by 2.3%p QoQ largely due to increased marketing cost

CAPEX

- Declined by 15.0% YoY due to the decreased investment in WCDMA

VIII. Balance Sheet

(In million KRW)	2008-1Q	2007-4Q	2007-1Q	(In million KRW)	2008-1Q	2007-4Q	2007-1Q
Asset	7,555,582	7,460,705	8,094,804	Liabilities	3,197,945	3,121,265	3,827,797
Current asset	1,773,988	1,758,450	2,384,378	Current	2,105,025	1,798,821	2,511,428
Quick asset	1,597,540	1,635,214	2,260,378	Non-current	1,092,919	1,322,444	1,316,369
Inventory	176,448	123,236	123,650	Equity	4,357,637	4,339,440	4,267,007
Non-current asset	5,781,594	5,702,255	5,710,775	Paid-in capital	1,044,181	1,044,181	1,044,181
Investment	331,963	267,729	185,428	APIC	1,728,150	1,728,150	1,728,150
Tangible asset	4,256,664	4,242,514	4,279,379	Capital adjustment	(647)	2,010	3,239
Intangible asset	851,588	875,302	939,024	*AOC income/loss	(359)	4,050	3,880
Other non-CA	341,378	316,710	306,944	Retained earnings	1,586,312	1,560,559	1,487,557

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

Leverage

- Total Debt/Equity ratio and Net Debt/Equity ratio stood at 73.4% and 22.0% respectively
- Net Debt/Equity ratio rose by 1.5%p QoQ due to decreased balance of Cash & Cash equivalents

* Long-term payable related to WCDMA license is excluded in calculating Net Debt/Equity ratio (31.4% if included)

[Interest-bearing debt breakdown]

(In million KRW)	2008-1Q	2007-4Q	QoQ	2007-1Q	YoY
Interest-bearing debt	1,100,634	1,178,980	-6.6%	1,678,239	-34.4%
Payable within one year	359,778	319,944	12.5%	819,621	-56.1%
Net debt	958,856	891,156	7.6%	826,253	16.0%

Interest-bearing debt

- Interest-bearing debt comprised of KRW 360 billion of current portion of long-term debt, KRW 671 billion of long-term debt and KRW 69 billion of long-term borrowings
- Long-term payable of KRW 411 billion for WCDMA license is not included in calculating interest-bearing debt
 - Current portion of long-term payable: KRW 124 billion
 - Long-term payable: KRW 286 billion

IX. Operation highlight

A. Subscriber trend

(‘000)	2008-1Q	2007-4Q	2007-3Q	2007-2Q	2007-1Q
Total number of subs.	13,940	13,721	13,583	13,512	13,156
KT resale subs.	2,939	2,927	2,916	2,945	2,807
Quarterly addition	2,343	1,838	1,715	1,829	1,625
Quarterly deactivation	2,124	1,701	1,643	1,474	1,382
Quarterly net addition	219	137	72	355	242
KTF-only (excluding resale subs.)	11,002	10,794	10,667	10,567	10,350
Quarterly addition	1,880	1,466	1,416	1,405	1,255
Quarterly deactivation	1,672	1,339	1,316	1,188	1,115
Quarterly net addition	208	126	100	217	140

B. Subscriber breakdown by handset type

(‘000)	2008-1Q	2007-4Q	2007-3Q	2007-2Q	2007-1Q
WCDMA	4,840	3,205	2,024	941	140
CDMA	9,100	10,516	10,560	12,571	13,016
Total	13,940	13,721	13,583	13,512	13,156

* Including KT resale sub.

C. ARPU

(KRW)	2008-1Q	2007-4Q	2007-3Q	2007-2Q	2007-1Q
ARPU-excluding interconnect.	31,044	31,064	30,569	30,720	30,382
ARPU-including interconnect.	38,684	39,220	38,577	38,732	38,134
Data ARPU (Net basis)	6,620	6,435	6,271	6,230	6,141
Contribution to ARPU (Net)	21%	21%	21%	20%	20%
Data ARPU (Gross basis)	7,200	7,274	6,883	6,911	6,925
Contribution to ARPU (Gross)	23%	23%	23%	23%	23%

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

Appendix 1 : Income Statement

(KRW mn)	FY 2006	'07-1Q	'07-2Q	'07-3Q	'07-4Q	FY 2007	'08-1Q
Operating Revenue	4,943,354	1,765,324	1,804,853	1,780,672	1,942,473	7,293,321	2,082,820
Voice	2,236,737	745,716	766,699	772,373	793,059	3,077,847	787,243
Data	559,755	189,056	195,274	199,168	206,899	790,397	213,530
Interconnection	706,092	234,061	249,276	253,727	268,187	1,005,251	242,679
Resale	359,127	120,410	130,670	134,338	146,395	531,813	140,109
Others	88,580	44,177	35,318	34,721	52,336	166,551	48,336
Handset	993,062	431,904	427,617	386,346	475,596	1,721,462	650,923
Operating Expense	4,445,476	1,664,672	1,713,563	1,660,821	1,813,364	6,852,421	1,991,973
Labor expense	169,177	64,461	54,735	62,176	59,689	241,062	69,436
Commission paid	333,118	108,948	118,906	117,796	120,033	465,683	117,726
Interconnection	524,997	167,092	183,907	179,765	193,473	724,237	188,517
International call	11,819	3,554	4,055	6,059	8,181	21,849	7,354
CP info usage charge	26,231	11,837	12,621	12,903	17,319	54,681	8,935
Rent	105,604	35,889	39,347	39,228	43,332	157,796	40,902
D&A	851,948	283,460	287,628	286,631	284,616	1,142,335	280,447
Leased line cost	269,918	97,386	98,593	95,818	94,746	386,542	96,724
Utilities	46,027	14,793	17,165	20,593	17,610	70,161	17,254
Repair&Maintenance	61,118	15,426	17,308	18,495	21,624	72,853	13,085
Lease	17,274	0	0	0	0	0	0
Marketing	934,681	431,859	434,498	440,374	511,278	1,818,009	593,275
Bad Debt	66,660	21,701	7,586	8,318	7,861	45,467	20
Taxe & Dues	43,431	13,848	7,105	8,706	8,095	37,755	9,855
USO	2,929	5,000	5,000	5,000	3,000	18,000	4,700
Others	60,642	20,205	20,231	26,785	27,906	95,128	25,788
Cost of Handset sold	919,899	369,211	404,878	332,174	394,599	1,500,862	517,956
Operating Income	497,878	100,652	91,289	119,851	129,108	440,900	90,847
Non-Operating Gains	76,933	27,332	19,150	11,134	8,581	66,196	32,595
Interest income	20,950	8,560	5,538	5,129	3,299	22,526	4,670
Disposition of Available-for-sale	1,170	2,414	1,095	452	578	4,538	2,517
Gain from FOREX	2,033	21	129	349	(41)	459	313
Equity method evaluation	6,821	8,532	4,036	(4,405)	(559)	7,603	297
Others	45,959	7,804	8,353	9,610	5,304	31,071	24,797
Non-Operating Losses	214,492	48,657	47,295	51,277	72,946	220,175	92,629
Interest	105,411	34,621	31,989	30,807	29,841	127,258	27,659
Loss from FOREX	815	269	(107)	174	540	877	10,668
Donations	16,740	3,881	3,891	4,129	4,222	16,123	3,731
Equity method evaluation	(3,208)	128	5,022	6,765	13,788	25,702	37,449
Disposition of Tangible asset	40,901	9,250	5,750	7,519	21,479	43,998	2,821
Others	53,833	507	750	1,883	3,077	6,217	10,300
Income before Taxes	360,319	79,326	63,145	79,708	64,743	286,922	30,813
Income Tax	73,915	2,254	12,010	16,821	11,693	42,777	10,282
Net Income	286,403	77,072	51,135	62,887	53,051	244,144	20,531

Appendix 2 : Balance Sheet

	1Q-2008	4Q-2007	1Q-2007		1Q-2008	4Q-2007	1Q-2007
(KRW mn)							
Assets	7,555,582	7,460,705	8,094,804	Liabilities	3,197,945	3,121,265	3,827,797
Current	1,773,988	1,758,450	2,384,028	Current	2,105,025	1,798,821	2,511,428
Quick Asset	1,597,540	1,635,214	2,260,378	Trade payable	544,322	393,932	406,687
Cash	140,922	284,854	580,591	Other payable	747,817	631,875	870,061
ST Securities	450	-	40,000	Short-term borrowings	-	-	-
Available-for-sale Securities	406	2,970	231,395	Advances from customer	13,995	7,202	26,654
Hold-to-maturity	-	-	-	Withholdings	115,638	122,110	113,398
Trade receivables	1,252,657	1,150,574	1,177,840	Accrued expenses	169,805	167,728	91,720
Other receivables	39,377	34,256	55,850	Current portion of LT debt	484,055	428,864	924,781
Short-term loans	3,689	3,559	8,755	Unpaid income tax	22,234	41,633	70,618
Advanced payment	24,218	22,738	21,904	Unpaid Dividends	-	-	33
Prepaid expenses	16,294	15,107	16,220	Others	7,160	5,477	7,476
Accrued income	201	706	3,107				
Deferred tax	119,326	120,450	124,708				
Others	-	-	8				
Inventory	176,448	123,236	123,650				
Non-Current	5,781,594	5,702,255	5,710,775	Non-Current	1,092,919	1,322,444	1,316,369
Investment	331,963	267,729	185,428	Bonds	671,437	859,037	858,618
LT financial investment	13	16	16	Long-term borrowings	69,419	-	-
Investment securities	19,246	25,458	26,010	Long-term payables	286,254	406,288	393,666
Equity method security	248,639	189,368	114,345	Others	65,809	57,119	64,085
Hold-to-maturity	-	-	-				
Long-term loans	39,494	34,209	26,303				
Others	24,572	18,678	18,755				
Tangible Asset	4,256,664	4,242,514	4,279,379	Equity	4,357,637	4,339,440	4,267,007
Land	119,032	119,032	119,301				
Buildings	262,294	265,159	267,572	Capital Stock	1,044,181	1,044,181	1,044,181
Structure	73,760	74,753	71,715	APIC	1,728,150	1,728,150	1,728,150
Equipment & Machinery	3,508,606	3,490,304	3,543,860	Capital Adjustment	(647)	2,010	3,239
Vehicles	2,719	2,939	1,521	Accumulative Other	(359)	4,540	3,880
Construction in progress	100,398	82,876	173,722	Comprehensive Gain&Loss			
Others	189,855	207,450	101,688	Retained Earnings	1,586,312	1,560,559	1,487,557
Intangible Asset	851,588	875,302	939,024				
Others	341,378	316,710	306,944				
Long-term Receivables	52,577	42,512	50,687				
Guarantee deposit	217,367	223,032	216,262				
Deferred income tax	67,511	47,331	39,994				
Others	3,924	3,835	-				