



FY2009 1Q Earnings Release

KT Freetel Co., Ltd.

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I. Financial Highlights

Summary of income statement & financial ratios]

	(In million KRW)	2009-1Q	2008-4Q	QoQ	2009-1Q	2008-1Q	YoY
Service revenue		1,470,993	1,534,226	-4.1%	1,470,993	1,431,897	2.7%
Service cost		1,227,593	1,326,545	-7.5%	1,227,593	1,341,051	-8.5%
Operating income		243,400	207,681	17.2%	243,400	90,847	167.9%
EBITDA		503,725	496,041	1.5%	503,725	371,294	35.7%
Net non-operating accounts		(61,184)	(82,202)	-25.6%	(61,184)	(60,034)	1.9%
	Non-operating income	65,830	64,855	1.5%	65,830	32,595	102.0%
	Non-operating expense	127,014	147,057	-13.6%	127,014	92,629	37.1%
Income before taxes		182,216	125,479	45.2%	182,216	30,813	491.4%
	Taxes	54,748	23,572	132.3%	54,748	10,282	432.5%
Net income		127,468	101,907	25.1%	127,468	20,531	520.9%

Financial ratios

	2009-1Q	2008-4Q	QoQ	2009-1Q	2008-1Q	YoY
Marketing cost ratio	25.5%	25.7%	-0.3%p	25.5%	32.1%	-6.7%p
OP margin	16.5%	13.5%	3.0%p	16.5%	6.3%	10.2%p
EBITDA margin	34.2%	32.3%	1.9%p	34.2%	25.9%	8.3%p
Net income margin	8.7%	6.6%	2.0%p	8.7%	1.4%	7.2%p
Effective income tax rate	30.0%	18.8%	11.3%p	30.0%	33.4%	-3.3%p
Net debt/equity ratio	32.4%	34.2%	-1.8%p	32.4%	22.0%	10.4%p
(If 3G license payable included)	39.1%	43.9%	-4.8%p	39.1%	31.4%	7.7%p
Total debt/equity ratio	83.1%	84.5%	-1.4%p	83.1%	73.4%	9.7%p

Service revenue

- Fell by 4.1% QoQ due to reduced call traffic affected by New Year's Holiday and less number of business days
- Rising subscribers contributed to 2.7% YoY growth

Service cost

- Dropped by 7.5% QoQ mainly due to diminished marketing cost and depreciation expense

EBITDA margin

- EBITDA margin improved by 8.3%p YoY mainly due to reduced marketing cost

Non-operating account

- Net loss from non-operating account fell by 25.6% QoQ mainly because of decreased losses from disposal of PP&E

Taxes

- Effective tax rate rose by 11.2%p QoQ due to the decrease of deferred tax assets caused by reduced investment and tax credit

II. Service Revenue

(In million KRW)	2009-1Q	2008-4Q	QoQ	2009-1Q	2008-1Q	YoY
Service revenue	1,470,993	1,534,226	-4.1%	1,470,993	1,431,897	2.7%
Voice revenue	826,326	845,419	-2.3%	826,326	787,243	5.0%
Monthly base fee	496,020	486,124	2.0%	496,020	449,221	10.4%
Airtime charge	352,663	378,581	-6.8%	352,663	337,245	4.6%
Value added service	33,839	31,250	8.3%	33,839	33,368	1.4%
Other voice revenue	27,138	28,450	-4.6%	27,138	20,721	31.0%
(Voice discount)	(83,333)	(78,986)	5.5%	(83,333)	(53,312)	56.3%
Data revenue	240,425	235,353	2.2%	240,425	213,530	12.6%
Monthly base fee	77,837	72,745	7.0%	77,837	66,151	17.7%
Messaging (SMS,MMS)	68,790	70,367	-2.2%	68,790	59,535	15.5%
Wireless data usage	64,993	63,465	2.4%	64,993	58,268	11.5%
Contents	20,215	21,329	-5.2%	20,215	22,645	-10.7%
Others	8,591	7,448	15.3%	8,591	6,931	23.9%
Interconnection revenue	243,912	280,307	-13.0%	243,912	242,679	0.5%
Resale revenue	119,855	134,120	-10.6%	119,855	140,109	-14.5%
Other revenue	40,475	39,027	3.7%	40,475	48,336	-16.3%
Subscription	20,901	19,322	8.2%	20,901	32,537	-35.8%
Other service revenue	19,574	19,705	-0.7%	19,574	15,798	23.9%
Handset sales	548,884	416,015	31.9%	548,884	650,923	-15.7%
Total operating revenue	2,019,877	1,950,241	3.6%	2,019,877	2,082,820	-3.0%

Voice revenue

- Monthly base fee rose by 2.0% QoQ due to increased subscribers
- Airtime charge fell by 6.8% QoQ due to seasonally low call traffic influenced by 'New Year's Day' and less number of business days in February
- Other voice revenue grew by 31.0% YoY due to increased roaming usage

Data revenue

- Messaging revenue dropped by 2.2% QoQ because of seasonally low messaging usage
- Wireless data usage revenue rose by 2.4% YoY thanks to increased number of flat data plan subscribers
- Contents revenue fell by 5.2% QoQ mainly because of decreased platform revenue related with contents downloading

Interconnection revenue

- Interconnection revenue dropped by 13.0% QoQ because accumulated effect (KRW 24.6 billion) of renewed interconnection rate was reflected in 4Q 2008

Resale revenue

- Resale revenue fell by 10.6% QoQ due to decreased number of resale subscribers

Handset sales

- Jumped by 31.9% QoQ due to increased number of subscriptions

III. Service Cost

(In million KRW)	2009-1Q	2008-4Q	QoQ	2009-1Q	2008-1Q	YoY
Labor expense	65,734	59,481	10.5%	65,734	69,436	-5.3%
Commission	112,984	129,402	-12.7%	112,984	117,726	-4.0%
Interconnection	183,668	209,538	-12.3%	183,668	188,517	-2.6%
International call	7,927	7,036	12.7%	7,927	7,354	7.8%
Contents fee	9,174	8,746	4.9%	9,174	8,935	2.7%
Rent	36,045	34,919	3.2%	36,045	40,902	-11.9%
Depreciation & Amortization	260,325	288,360	-9.7%	260,325	280,447	-7.2%
Leased line expense	93,694	97,630	-4.0%	93,694	96,724	-3.1%
Utility	15,764	15,847	-0.5%	15,764	17,254	-8.6%
Repair & Maintenance	11,204	21,675	-48.3%	11,204	13,085	-14.4%
Marketing expense	374,747	394,696	-5.1%	374,747	460,307	-18.6%
Bad debt expense	19,505	22,670	-14.0%	19,505	20	99261.1%
Tax & Dues	5,495	7,245	-24.2%	5,495	9,855	-44.2%
USO	68	-5,324	N/A	68	4,700	-98.5%
Others	31,259	34,623	-9.7%	31,259	25,788	21.2%
Total service cost	1,227,593	1,326,545	-7.5%	1,227,593	1,341,051	-8.5%

Labor expense

- Went up by 10.5%QoQ due to yearly increase of base salary and regular bonus payments for New Year's Day

Repair & Maintenance

- Fell by 48.3% QoQ due to decreased investment in network equipment

Bad debt expense

- Declined by 14.0% QoQ due to temporary increase of receivables subject to conservative bad debt accounting policy in 4Q 2008

Others

- Rose by 21.2% YoY due to increased cost related with expanding usage of international roaming service

IV. Interconnection Revenue & Expense

In million KRW	2009-1Q	2008-4Q	QoQ	2009-1Q	2008-1Q	YoY
Interconnection revenue	243,912	280,307	-10.0%	243,912	242,679	0.5%
LM	68,853	86,151	-20.1%	68,853	73,852	-6.8%
MM	175,060	194,156	-9.8%	175,060	168,827	3.7%
Interconnection expense	183,668	209,538	-12.3%	183,668	188,517	-2.6%
LM	32,788	33,887	-3.2%	32,788	36,861	-11.0%
MM	150,880	175,651	-14.1%	150,880	151,657	-0.5%
Net interconnection profit	60,245	70,768	-14.9%	60,245	54,162	11.2%
LM	36,065	52,263	-31.0%	36,065	36,991	-2.5%
MM	24,180	18,505	30.7%	24,180	17,171	40.8%

Interconnection revenue

- Fell by 10.0% QoQ due to reflection of accumulated effect (KRW 24.6 bil.) of renewed interconnection rate in 4Q 2008 and seasonally low traffic

Interconnection expense

- Dropped by 12.3% QoQ due to seasonally low traffic

Net interconnection profit

- Declined by 14.9% QoQ mainly due to reflection of accumulated effect (KRW 24.2 bil.) of renewed interconnection rate in 4Q 2008

V. Marketing Cost

(In million KRW)	2009-1Q	2008-4Q	QoQ	2009-1Q	2008-1Q	YoY
Acquisition cost	221,663	232,072	-4.5%	221,663	323,744	-31.5%
Retention cost	135,382	140,785	-3.8%	135,382	112,482	20.4%
Advertising	17,702	21,839	-18.9%	17,702	24,081	-26.5%
Marketing cost total	374,747	394,696	-5.1%	374,747	460,307	-18.6%

Marketing cost total

- Fell by 5.1% QoQ mainly due to decreased acquisition cost

Subscriber acquisition cost

- Dropped by 4.5% QoQ due to reduced acquisition cost per subscriber

Subscriber retention cost

- Declined by 3.8% QoQ due to decreased retention cost per subscriber

Advertising cost

- Fell by 18.9% QoQ due to decreased exposures to media advertisement related with WCDMA marketing

VI. Non-operating Income & Expense

(In million KRW)	2009-1Q	2008-4Q	QoQ	2009-1Q	2008-1Q	YoY
Interest income	12,828	10,021	28.0%	12,828	4,670	174.7%
Interest expense	32,419	47,750	-32.1%	32,419	27,659	17.2%
Net interest account	(19,591)	(37,729)	-48.1%	(19,591)	(22,989)	-14.8%
Gain from FOREX	754	2,654	-71.6%	754	313	140.6%
Loss from FOREX	46,894	45,363	3.4%	46,894	10,668	339.6%
Net FOREX account	(46,140)	(42,709)	8.0%	(46,140)	(10,355)	345.6%
Gain from equity method	550	85	546.3%	550	297	85.1%
Loss from equity method	30,409	18,208	67.0%	30,409	37,449	-18.8%
Net equity method account	(29,859)	(18,123)	64.8%	(29,859)	(37,152)	-19.6%
Other non-operating income	51,698	52,095	-0.8%	51,698	27,314	89.3%
Other non-operating expense	17,292	35,736	-51.6%	17,292	16,852	2.6%
Net others account	34,406	16,359	110.3%	34,406	10,462	228.9%
Total non-operating income	65,830	64,855	1.5%	65,830	32,595	102.0%
Total non-operating expense	127,014	147,057	-13.6%	127,014	92,629	37.1%
Total net non-operating accounts	(61,184)	(82,202)	-25.6%	(61,184)	(60,034)	1.9%

Non-operating accounts

- Net loss fell by 25.6% QoQ largely due to decreased losses from disposal of PP&E
- Although foreign currency denominated debts resulted in increased FOREX loss YoY, the loss was entirely hedged through profits from derivative transaction(SWAP) as reflected in other non-operating income

VII. EBITDA margin & CAPEX

(In million KRW)	2009-1Q	2008-4Q	QoQ	2009-1Q	2008-1Q	YoY
D&A	260,325	288,360	-9.7%	260,325	280,447	-7.2%
Operating income	243,400	207,681	17.2%	243,400	90,847	167.9%
EBITDA	503,725	496,041	1.5%	503,725	371,294	35.7%
EBITDA margin	34.2%	32.3%	1.9%p	34.2%	25.9%	8.3%p
CAPEX	152,359	221,708	-31.3%	152,359	283,768	-46.3%

EBITDA Margin

- Improved by 1.9%p QoQ largely due to decreased marketing cost

CAPEX

- Dropped by 46.3% YoY due to reduced investment in WCDMA

VIII. Balance Sheet

(In million KRW)	2009-1Q	2008-4Q	2008-1Q	(In million KRW)	2009-1Q	2008-4Q	2008-1Q
Asset	8,212,752	8,056,122	7,555,582	Liabilities	3,726,873	3,690,273	3,197,945
Current asset	2,462,817	2,199,857	1,773,988	Current	2,379,348	2,031,871	2,105,025
Quick asset	2,236,077	1,989,491	1,597,540	Non-current	1,347,525	1,658,403	1,092,919
Inventory	226,740	210,366	176,448				
Non-current asset	5,749,934	5,856,266	5,781,594	Equity	4,485,878	4,365,849	4,357,637
Investment	449,396	396,903	331,963	Paid-in capital	1,044,181	1,044,181	1,044,181
Tangible asset	4,066,329	4,165,339	4,256,664	APIC	1,728,150	1,728,150	1,728,150
Intangible asset	753,505	780,242	851,588	Capital adjustment	243	153	(647)
Other non-CA	480,704	513,781	341,378	*AOC income/loss	(17,574)	(10,046)	(359)
				Retained earnings	1,730,879	1,603,411	1,586,312

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

Leverage

- Total Debt/Equity ratio and Net Debt/Equity ratio stood at 83.1% and 32.4% respectively
- Net Debt/Equity ratio improved by 1.8%p QoQ due to increased retained earnings

* Long-term payable related to WCDMA license is excluded in calculating Net Debt/Equity ratio (39.1% if included)

[Interest-bearing debt breakdown]

(In million KRW)	2009-1Q	2008-4Q	QoQ	2008-1Q	YoY
Interest-bearing debt	1,974,721	1,888,700	4.6%	1,100,634	79.4%
Payable within one year	884,901	627,604	41.0%	359,778	146.0%
Net debt	1,454,465	1,491,976	-2.5%	958,856	51.7%

Interest-bearing debt

- Interest-bearing debt comprised of KRW 400 billion of short-term borrowings, KRW 430 billion of current portion of long-term debt, KRW 55 billion of current portion of long-term borrowings, KRW 1.007 trillion of long-term debt and KRW 83 billion of long-term borrowings
- Long-term payable of KRW 299 billion for WCDMA license is not included in calculating interest-bearing debt
 - Current portion of long-term payable: KRW 143 billion
 - Long-term payable: KRW 156 billion

IX. Operation highlight

A. Subscriber trend

(‘000)	2009-1Q	2008-4Q	2008-3Q	2008-2Q	2008-1Q
Total number of subs.	14,547	14,365	14,259	14,165	13,940
KT resale subs.	2,800	2,834	2,860	2,906	2,939
Quarterly addition	1,623	1,463	1,788	2,350	2,343
Quarterly deactivation	1,440	1,356	1,695	2,125	2,124
Quarterly net addition	182	107	93	225	219
KTF-only (excluding resale subs.)	11,747	11,531	11,398	11,259	11,002
Quarterly addition	1,307	1,163	1,448	1,939	1,880
Quarterly deactivation	1,092	1,030	1,309	1,681	1,672
Quarterly net addition	216	133	139	258	208

B. Subscriber breakdown by handset type

(‘000)	2009-1Q	2008-4Q	2008-3Q	2008-2Q	2008-1Q
WCDMA	9,232	8,266	7,408	6,316	4,840
CDMA	5,315	6,099	6,851	7,849	9,100
Total	14,547	14,365	14,259	14,165	13,940

* Including KT resale sub.

C. ARPU

(KRW)	2009-1Q	2008-4Q	2008-3Q	2008-2Q	2008-1Q
ARPU-excluding interconnect.	31,024	31,963	31,893	32,012	31,044
ARPU-including interconnect.	38,118	39,721	39,630	39,945	38,323
Data ARPU (Net basis)	6,993	6,957	7,036	6,901	6,620
Contribution to ARPU (Net)	23%	22%	22%	22%	21%
Data ARPU (Gross basis)	7,599	7,630	7,757	7,521	7,200
Contribution to ARPU (Gross)	24%	24%	24%	23%	23%

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

Appendix 1 : Income Statement

(KRW mn)	Fy 2007	'08-1Q	'08-2Q	'08-3Q	'08-4Q	Fy 2008	'09-1Q
Operating Revenue	7,293,321	2,082,820	2,292,249	2,020,910	1,950,241	8,346,220	2,019,877
Voice	3,077,847	787,243	825,935	830,940	845,419	3,289,537	826,326
Data	790,397	213,530	227,149	235,363	235,353	911,395	240,425
Interconnection	1,005,251	242,679	258,971	250,472	280,307	1,032,429	243,912
Resale	531,813	140,109	147,272	137,907	134,120	559,407	119,855
Others	166,551	48,336	57,183	46,922	39,027	191,468	40,475
Handset	1,721,462	650,923	775,739	519,306	416,015	2,361,983	548,884
Operating Expense	6,852,421	1,991,973	2,306,139	1,851,167	1,742,559	7,891,839	1,776,477
Labor expense	241,062	69,436	57,452	63,953	59,481	250,322	65,734
Commission paid	465,683	117,726	125,841	124,359	129,402	497,328	112,984
Interconnection	724,237	188,517	215,843	210,646	209,538	824,545	183,668
International call	21,849	7,354	8,027	5,744	7,036	28,161	7,927
CP info usage charge	54,681	8,935	13,299	10,877	8,746	41,857	9,174
Rent	157,796	40,902	43,627	42,904	34,919	162,352	36,045
D&A	1,142,335	280,447	278,020	271,052	288,360	1,117,879	260,325
Leased line cost	386,542	96,724	89,279	91,664	97,630	375,298	93,694
Utilities	70,161	17,254	16,793	19,775	15,847	69,669	15,764
Repair&Maintenance	72,853	13,085	16,496	16,493	21,675	67,749	11,204
Lease	0	0	0	0	0	0	0
Marketing	1,818,009	593,275	756,621	521,888	515,225	2,387,009	482,742
Bad Debt	45,467	20	6,330	16,195	22,670	45,214	19,505
Taxe & Dues	37,755	9,855	6,781	5,819	7,245	29,700	5,495
USO	18,000	4,700	5,000	5,000	(5,324)	9,376	68
Others	95,128	25,788	31,557	31,589	34,623	123,558	31,259
Cost of Handset sold	1,500,862	517,956	635,172	413,208	295,485	1,861,822	440,889
Operating Income	440,900	90,847	(13,890)	169,743	207,681	454,381	243,400
Non-Operating Gains	66,196	32,595	27,265	76,756	64,855	201,470	65,830
Interest income	22,526	4,670	7,224	2,687	10,021	24,602	12,828
Disposition of Available-for-sale	4,538	2,517	0	539	246	3,302	683
Gain from FOREX	459	313	2,345	2,418	2,654	7,730	754
Equity method evaluation	7,603	297	1,974	208	85	2,565	550
Others	31,071	24,797	15,722	70,904	51,849	163,272	51,015
Non-Operating Losses	220,175	92,629	82,557	147,254	147,057	469,496	127,014
Interest	127,258	27,659	25,546	31,634	47,750	132,589	32,419
Loss from FOREX	877	10,668	17,481	67,171	45,363	140,683	46,894
Donations	16,123	3,731	3,758	3,828	3,860	15,177	3,963
Equity method evaluation	25,702	37,449	20,848	31,132	18,208	107,636	30,409
Disposition of Tangible asset	43,998	2,821	3,320	12,530	25,373	44,045	12,556
Others	6,217	10,300	11,604	960	6,503	29,367	772
Income before Taxes	286,922	30,813	(69,182)	99,245	125,479	186,355	182,216
Income Tax	42,777	10,282	(37,719)	25,641	23,572	21,776	54,748
Net Income	244,144	20,531	(31,463)	73,604	101,907	164,579	127,468

Appendix 2 : Balance Sheet

(KRW mn)

	1Q-2009	4Q-2008	1Q-2008		1Q-2009	4Q-2008	1Q-2008
Assets	8,212,752	8,056,122	7,555,582	Liabilities	3,726,873	3,690,273	3,197,945
Current	2,462,817	2,199,857	1,773,988	Current	2,379,348	2,031,871	2,105,025
Quick Asset	2,236,077	1,989,491	1,597,540	Trade payable	423,905	249,765	544,322
Cash	480,210	316,425	140,922	Other payable	536,355	612,078	747,817
ST Securities	-	-	450	Short-term borrowings	400,000	-	-
Available-for-sale Securities	40,045	80,299	406	Advances from customer	7,758	8,828	13,995
Hold-to-maturity	-	-	-	Withholdings	157,223	147,236	115,638
Trade receivables	1,454,753	1,355,344	1,252,657	Accrued expenses	149,456	188,143	169,805
Other receivables	47,975	41,805	39,377	Current portion of LT debt	628,298	756,327	484,055
Short-term loans	3,326	2,339	3,689	Unpaid income tax	70,485	63,265	22,234
Advanced payment	22,353	25,100	24,218	Unpaid Dividends	-	-	-
Prepaid expenses	37,771	23,824	16,294	Others	5,869	6,229	7,160
Accrued income	2,226	1,650	201				
Deferred tax	147,417	142,705	119,326				
Others	-	-	-				
Inventory	226,740	210,366	176,448				
Non-Current	5,749,934	5,856,266	5,781,594	Non-Current	1,347,525	1,658,403	1,092,919
Investment	449,396	396,903	331,963	Bonds	1,007,193	1,173,071	671,437
LT financial investment	10	10	13	Long-term borrowings	82,626	88,025	69,419
Investment securities	13,970	13,468	19,246	Long-term payables	155,475	295,732	286,254
Equity method security	210,176	189,234	248,639	Others	102,231	101,575	65,809
Hold-to-maturity	-	-	-				
Long-term loans	53,096	56,784	39,494				
Others	172,144	137,407	24,572				
Tangible Asset	4,066,329	4,165,339	4,256,664	Equity	4,485,878	4,365,849	4,357,637
Land	118,717	118,742	119,032	Capital Stock	1,044,181	1,044,181	1,044,181
Buildings	331,826	335,660	262,294	APIC	1,728,150	1,728,150	1,728,150
Structure	73,533	75,358	73,760	Capital Adjustment	243	153	(647)
Equipment & Machinery	3,305,306	3,374,692	3,508,606	Accumulative Other	(17,574)	(10,046)	(359)
Vehicles	1,619	1,885	2,719	Comprehensive Gain&Loss			
Construction in progress	35,570	48,752	100,398	Retained Earnings	1,730,879	1,603,411	1,586,312
Others	199,758	210,251	189,855				
Intangible Asset	753,505	780,242	851,588				
Others	480,704	513,781	341,378				
Long-term Receivables	203,940	211,533	52,577				
Guarantee deposit	202,524	206,060	217,367				
Deferred income tax	70,357	92,322	67,511				
Others	3,884	3,866	3,924				