



FY 2001 1st Quarter Earnings Release
Handout

May 7, 2001



Contents

- Performance
- Recent Issues

Income Statement

KT Freetel Co. LTD

(Unit: KRW mn)

Description	1Q 2000 Amount	1Q 2001 Amount	Change	4Q 2000 Amount	1Q 2001 Amount	Change
I. Sales	715,557	754,138	5%	744,078	754,138	1%
1. PCS service sales	441,973	554,750	26%	556,433	554,750	0%
2. Merchandise sales	268,789	182,221	-32%	174,748	182,221	4%
3. Overseas call sales	54	2,305	4160%	2,918	2,305	-21%
4. M-commerce sales		333			333	
5. Others	4,740	14,529	207%	9,979	14,529	46%
II. Cost of Sales	384,769	445,060	16%	448,440	445,060	-1%
1. PCS service cost of sales	120,995	261,727	116%	275,573	261,727	-5%
2. Merchandise cost of sales	263,774	183,333	-30%	172,867	183,333	6%
III. Gross Profit	330,788	309,079	-7%	295,637	309,079	5%
IV. SG & A	309,161	190,074	-39%	190,147	190,074	0%
sales commission	209,406	75,881	-64%	98,410	75,881	-23%
sales rebate	5,371	5,044	-6%	7,211	5,044	-30%
sales promotion	29,423	14,252	-52%	20,203	14,252	-29%
advertising	15,536	14,981	-4%	18,617	14,981	-20%
V. Operating Income	21,627	119,005	450%	105,490	119,005	13%
VI. Non-operating Income	17,457	15,537	-11%	13,400	15,537	16%
VII. Non-operating Expenses	31,064	49,356	59%	50,545	49,356	-2%
1. Interest expense	23,272	32,695	40%	23,954	32,695	36%
2. Loss on disposal of marketable sec.	42	0	-100%	2,421	0	-100%
3. Loss on valuation of marketable sec.	570		-100%	440	0	-100%
4. Loss on valuation of inventory	0		-100%	107	0	-100%
5. forex transaction loss	13	353	2711%	617	353	-43%
6. forex translation loss	0	13,296		17,053	13,296	-22%
7. Donation	7	278	3877%	787	278	-65%
VIII. Ordinary Income	8,021	85,186	962%	68,345	85,186	25%
XI. Income before taxes	8,021	85,186	962%	68,344	85,186	25%
XII. Taxes	2,457	26,226	967%	21,656	26,226	21%
XIII. Net Income	5,563	58,960	960%	46,688	58,960	26%

• Sales

- recorded KRW 754bn in 1Q 2001.
- increased by KRW 10bn compared to 4Q 2000.
- It is led by increase in airtime charge , monthly subscription fee and merchandise sales.

• Operating Income

- recorded KRW 119bn in 1Q 2001
- increased by KRW 13.5bn compared to 4Q 2000.
- It results from decrease in marketing costs.

• Marketing Costs

- decreased by KRW 34bn compared to 4Q 2000 even there were more new additions in 1Q 2001.

• Net Income

- recorded KRW58.9bn in 1Q 2001.
- While Marketing costs were reduced during 1Q F/X loss deteriorated the net income.

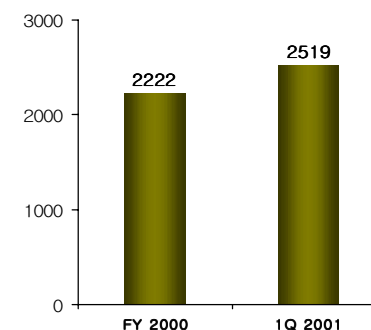
Balance Sheet



• Asset	• KRW 4.249 trillion
• Debt	• KRW 3.083 trillion
• Short-Term	KRW 1.751 trillion
• Long-Term	KRW 1.332 trillion
• Interest-Bearing Debt	• KRW 2.3 trillion
• Short-Term	KRW 1.0 trillion
• Long-Term	KRW 1.3 trillion
• Net Debt	• KRW 1.92 trillion
• \$-denominated Debt	• KRW 264 billion
• Short-Term	
1) BW-Qualcomm	KRW 114 billion
2) Loan-KDB	KRW 15.6 billion
3) Loan-ABN AMRO	KRW 29.5 billion
• Long-Term	
1) Loan-KDB	KRW 31 billion
2) Loan-ABN AMRO	KRW 73.8 billion
• Shareholder's Equity	• KRW 1.16 trillion

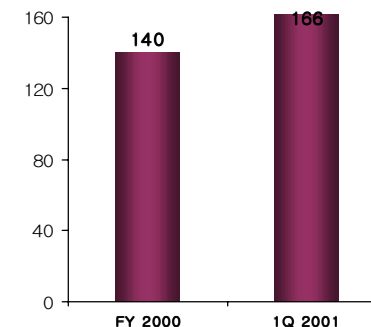
Tangible Asset

Unit: KRW bn



Net Debt to Equity

Unit: %

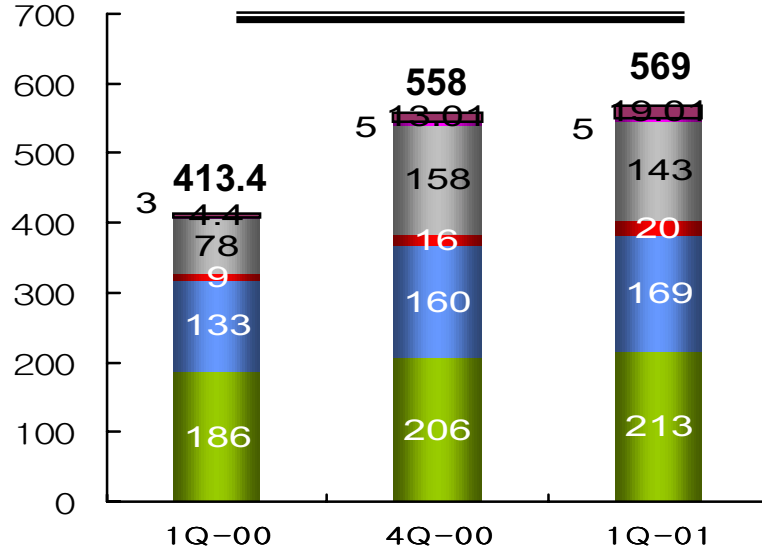


Revenue Breakdown

* Handset sales are excluded.

(Unit: KRW bn)

Service Revenues



Monthly Subscription Fee

- increased by 4% due to the enhanced subscriber base

Airtime Charge

- increased by 6% even though several days short in 1Q with only 1% of increase in the average subscribers base.

Value-Added Service

- increased by **23%** mainly due to wireless data service

Interconnection

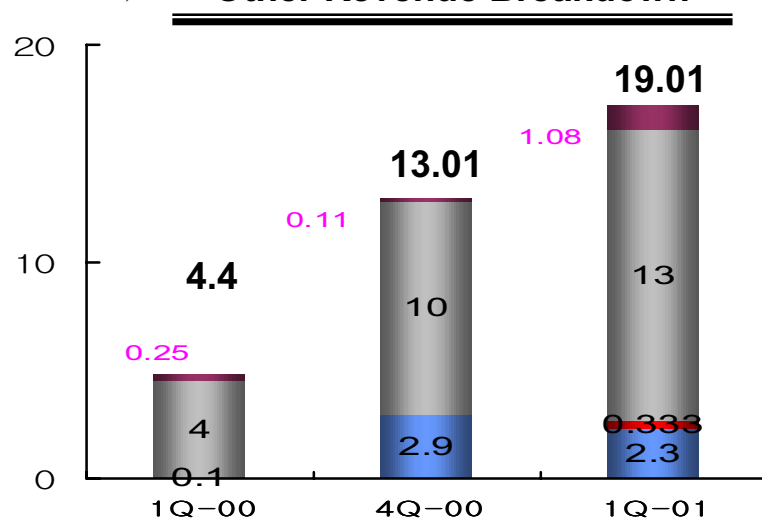
- decreased by 9% because of change in intercon. rate from 77won/min to 69won/min in 2001.

Other Revenue

* Activation fees are excluded.

(Unit: KRW bn)

Other Revenue Breakdown



KT Resale

- increased by 36% in revenues while the average resale subscribers increased by 21% during 1Q.
- The quality of resale subscribers is getting better.

M-Commerce

- started to generate revenues for the first time in 1Q 2001.
- such as payment settlement for transaction or internet shopping, will grow bigger and bigger as time goes by.

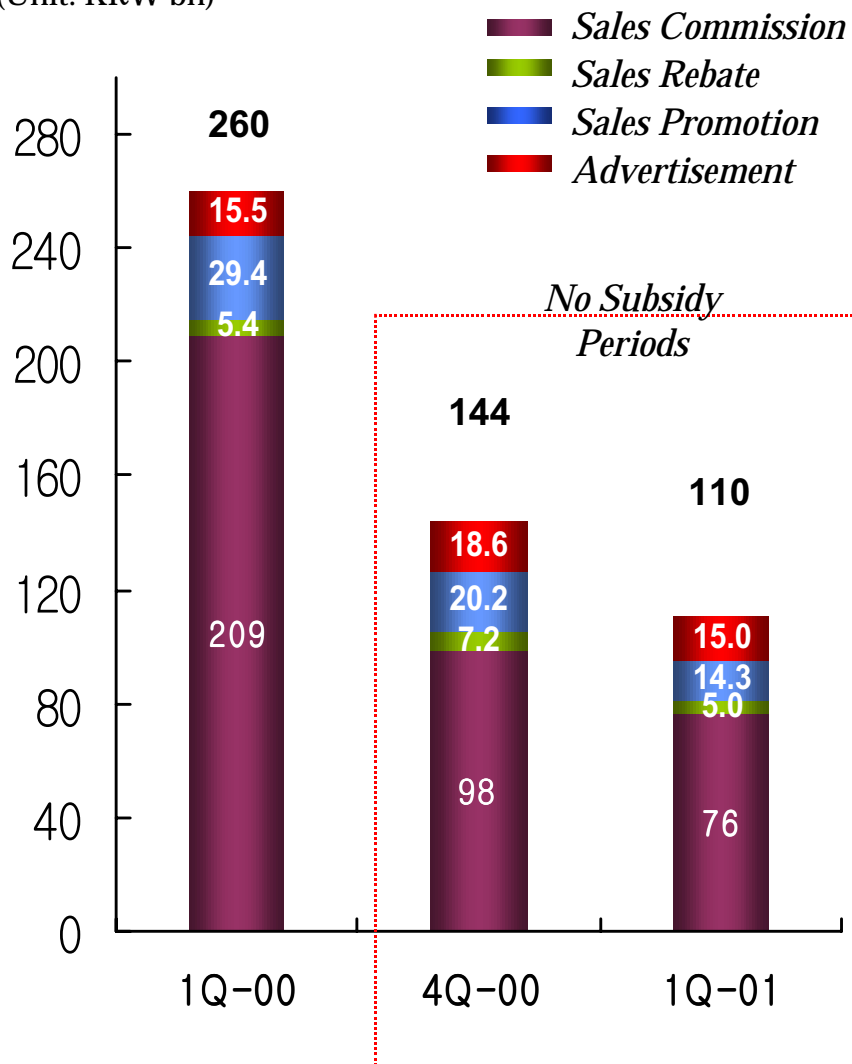
Overseas Operation+Phone Rental+Roaming Phone Rental

- The big increase in 1Q is mainly due to increase in overseas operation.

Marketing Cost Breakdown



(Unit: KRW bn)



- Sales Commission (▼ 23%)

- Sales commission reduced significantly down to KRW 76bn due to ban on handset subsidy .
- Sales commission includes handset subsidy, dealer commission(22,000won per new addition & 7.7% of airtime charge over 3 yrs) and others.
- Despite the bigger subscriber base in 1Q compared to 4Q the acquisition cost decreased meeting the expectation in the market.

- Sales Rebates(▼ 30%)

- Sales rebate consists of commissions for secondhand handsets and so on.

- Sales Promotion (▼ 29%)

- Sales promotion costs for acquisition of new additions and retention of incumbent subscribers decreased by 29% down to KRW 14.5bn in response of constraint on SKT&STI combined market share.

- Advertisement(▼ 20%)

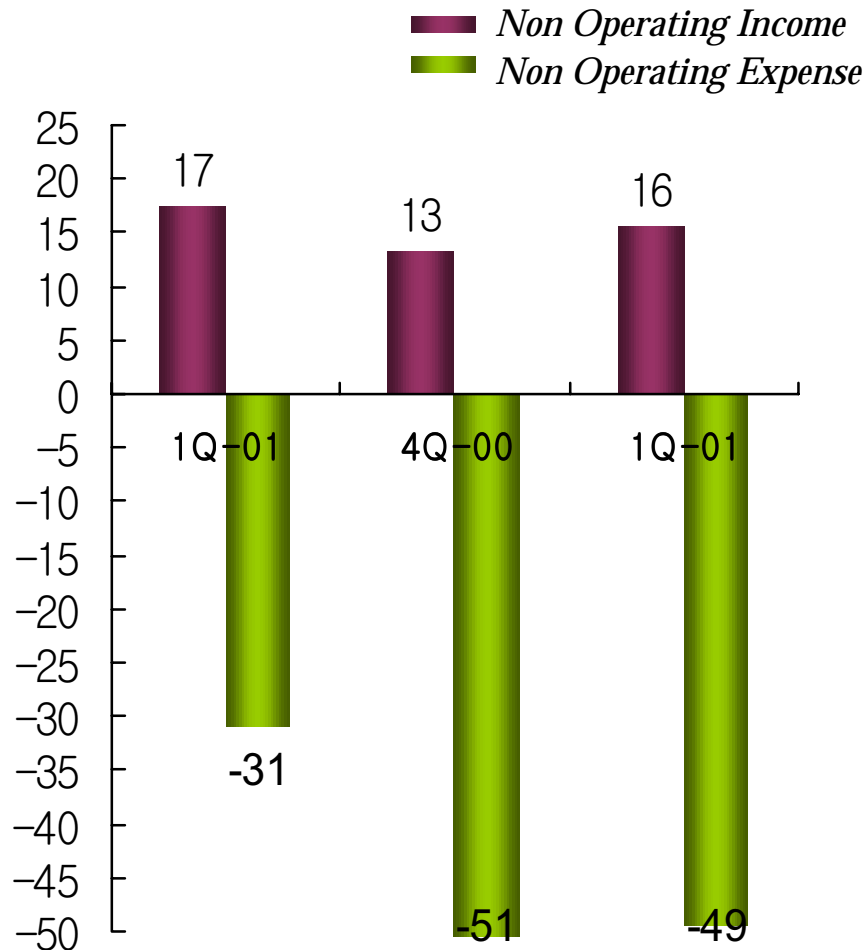
- decreased by KRW 3.6bn compared to 4Q 2000.

<i>New Additions</i> (Unit: '000)		
1Q 00: 931	4Q 00: 781	1Q 01: 800

Non Operating Income/Expense



(Unit: KRW bn)



- Non Operating Income

- Interest income recorded KRW 1.9bn in 1Q 2001 which is similar with KRW1.9bn in 4Q 2000.
- Disposal of marketable sec. translated into KRW1.4bn.
- Miscellaneous income increased by KW2bn.

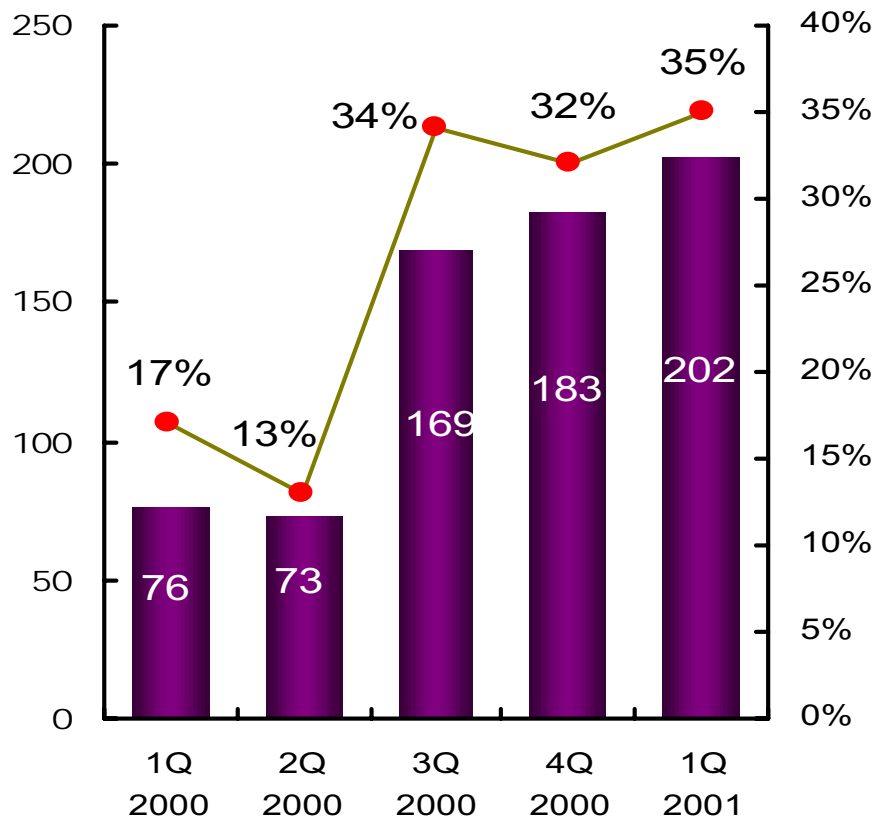
- Non Operating Expense

- Interest expense recorded KRW 33bn in 1Q 2001 increasing 36% compared to 4Q 2000.
- FX translation loss of KRW13bn deteriorated the bottom line in 1Q 2001.
- Loss on disposal of PP&E decreased by KRW 4.8 down.

Profitability



(Unit: KRW bn)



■ EBITDA —●— EBITDA Margin

Note)

EBITDA margin is based on total sales excluding handset sales.

EBITDA=Operating Income+D&A

• EBITDA

- EBITDA increased by 9% up to KRW 202 bn compared to 4Q 2000.
- EBIT increased by 13% up to KRW 119 bn compared to 4Q 2000 mainly caused by the reduction in marketing costs.
- D&A increased by 8% up to KRW 83 bn due to rollout of CDMA1X.

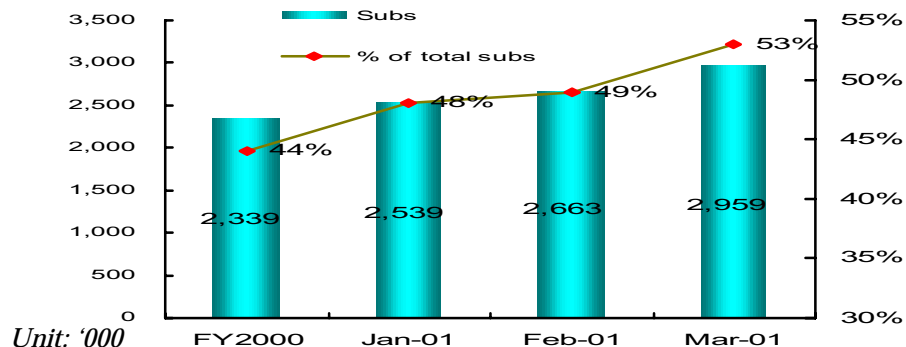
• EBITDA Margin

- EBITDA margin has been improved quarter on quarter.

• Cost Effective Marketing Strategy

- Market is getting accustomed to handset costs with no subsidies.
- Installment plan for handset is successful.
- Churn rate is closely related to subsidy level.
- Operators favors service-oriented marketing rather than price-oriented marketing as market gets saturated.

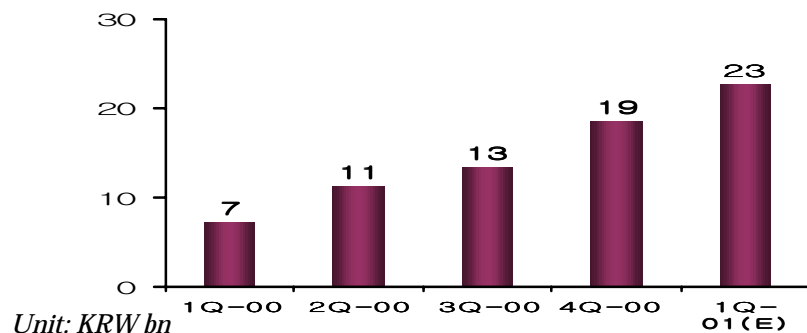
Wireless Data Performance



• Subscriber Growth

- Even though KTF cut off the bad-debt subscribers wireless data users increased up to 53% of total subscribers.
- Non human applications will trigger the substantial growth in the future.

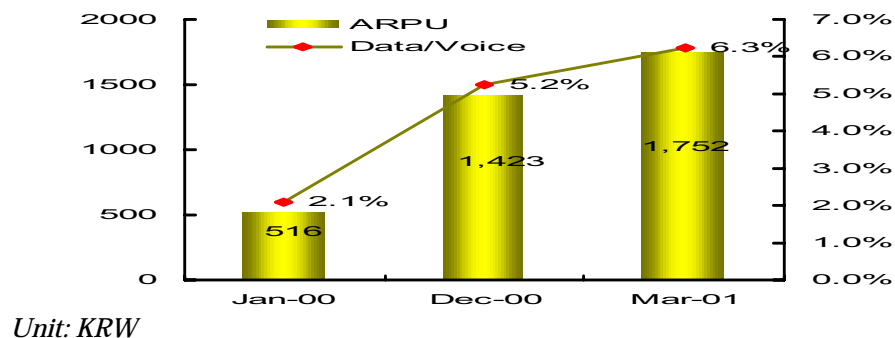
Note) It includes MaginN, Handynet and Na subs.



• Data Revenue Growth

- KTF data performance grows bigger and bigger reshaping revenue structure.
- It results from competitive contents, innovative marketing product, younger subscriber base and so forth.

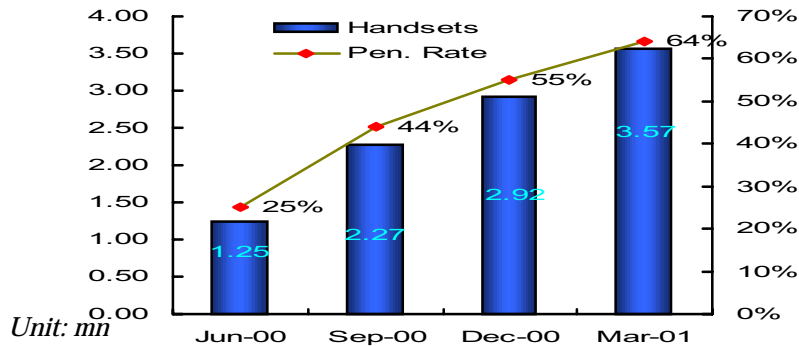
Note) It includes MaginN, Handynet sales and Na contribution.



• ARPU Growth

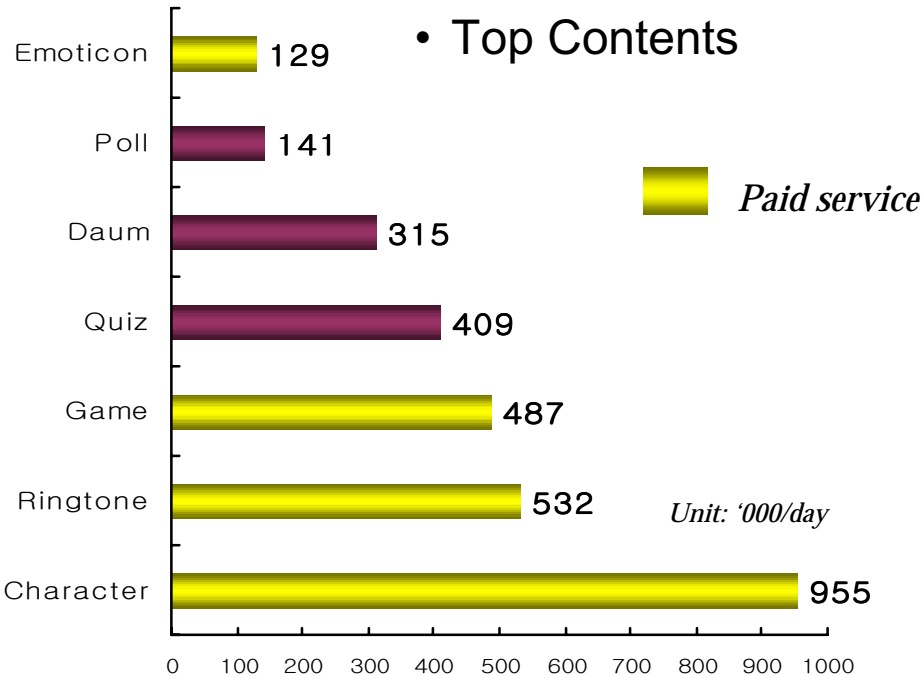
- ARPU increased by 23% compared to Dec. 2000 due to rise in youth-oriented contents and young subscriber base.
- Data ARPU over voice ARPU exceeded 6% as of March. We expect 10% for data ARPU over voice ARPU will be accomplished as of Dec. 2001.

Wireless Data Performance



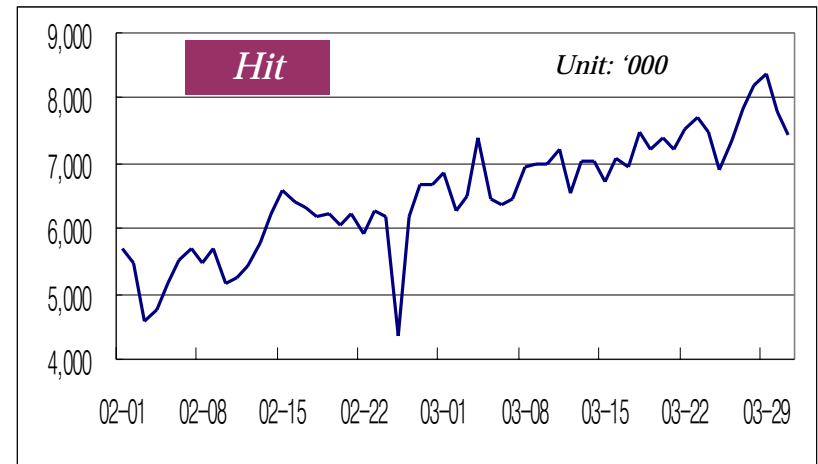
• Browser-Enabled Handsets Pen. Rate

- It proves KTF subscribers are more internet-friendly than any other competitor.
- This trend remained intact in 3Q and 4Q 2000. It is expected that KTF will also lead the CDMA1X market undoubtedly because early adopters constitutes main customer base of KTF.



• Hit Trends

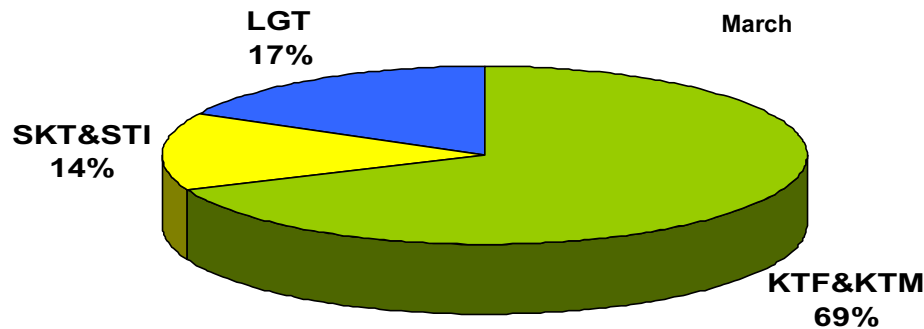
- Access to contents increases by 23.5% per day



Subscribers & Market Share

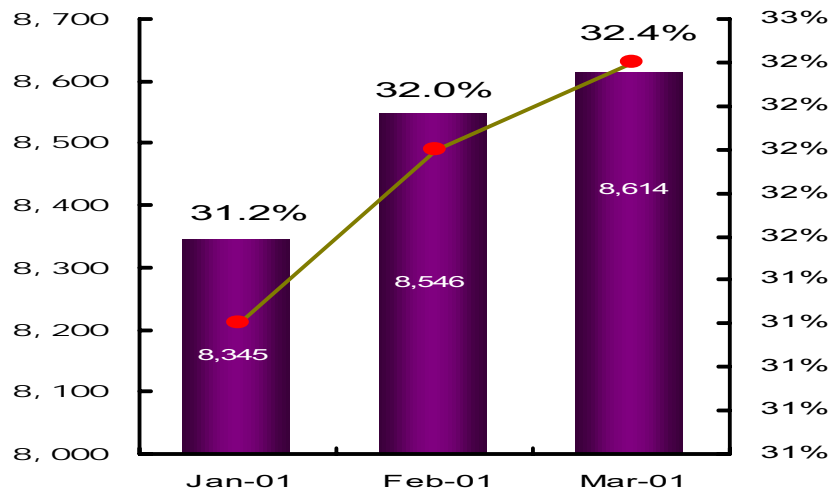


Current Market Share in New Additions



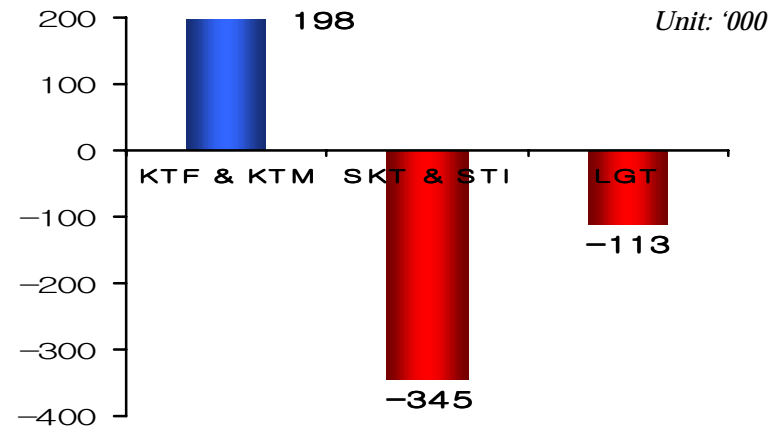
Market Share Trend

Unit: mn



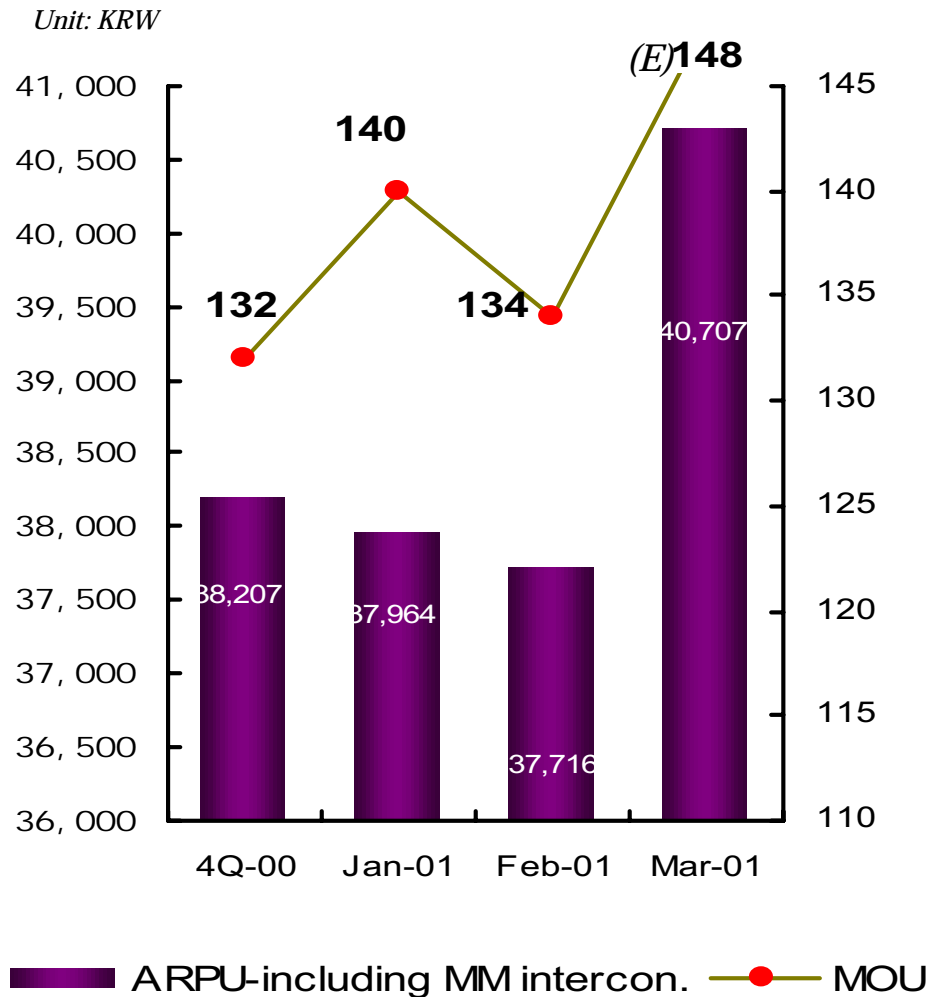
■ Subscribers (KTF+KTM) —●— Market Share

Change in Subscriber Numbers During 1Q



- Despite an overall market contraction, KTF recorded positive growth in both subscriber numbers and market share in the 1st Quarter.
- In spite of cutting off non-paying subscribers and substantially reducing marketing cost, KTF and KTM.Com increased their market share and profitability.
- Especially around 69% of new additions belongs to KTF and KTM.Com recently.

ARPU & MOU



• ARPU

- ARPU increased 20% up to KRW 40,707 in March compared to 4Q 2000.
- It results from data revenue, bundled tariff plan, m-commerce and various products targeting each segment.
- Also, cutting off the low-quality subscribers improved subscriber's quality.

• MOU

- ARPU increased 6.5% up to KRW 40,707 in March compared to 4Q 2000.
- It results from data revenue, bundled tariff plan, m-commerce and various products targeting each segment.
- Also, cutting off the low-quality subscribers improved subscriber's quality.

Success in Segmentation Marketing

Characteristics

Youth

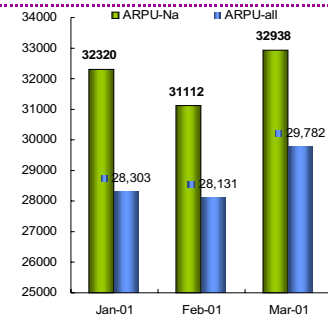
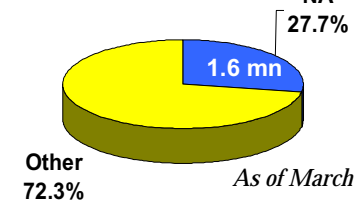


May 2000

- Voice & Data Bundled Tariff Plan /High Basic Fee
- Online&Offline Service; Free Benefits
- Heavy Data Users and High ARPU Generator
- Low Churn Rate: 2.1% in March

Performance

Portion of NA in Total Subs



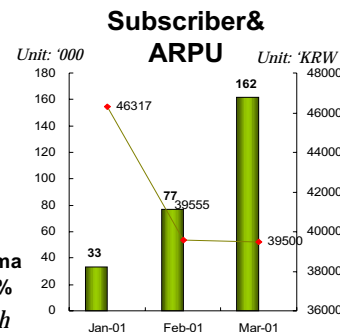
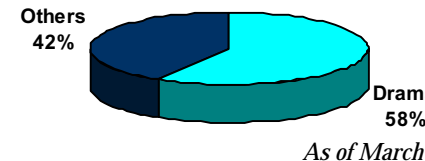
Woman



Dec. 2000

- Brand for Taking a Initiative in Low-Penetrated Market
- Specially Designed Tariff Plan for Housewives and Woman
- Online&Offline Service; Discount Benefits
- High ARPU Generator with a Luxurious Drama Phone

Portion of Drama Subscription among New Female Additions

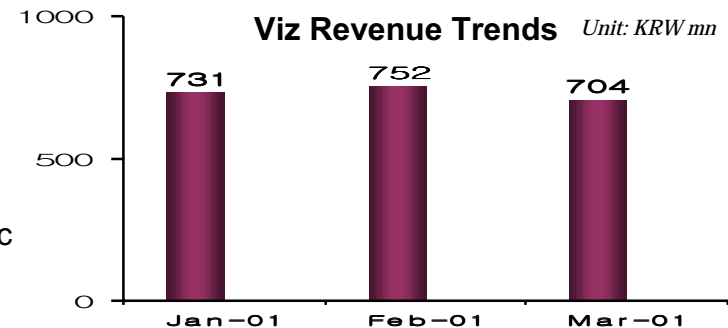


B2B



Jan. 2001

- Mobile Office: Wireless Modem Etc
- Mobile Track: Logistics, Location Service
- Wireless Telemetry: Security Service, Fire Alarm Service Etc
- Mobile Commerce: n-check, n-zone, n-board Etc



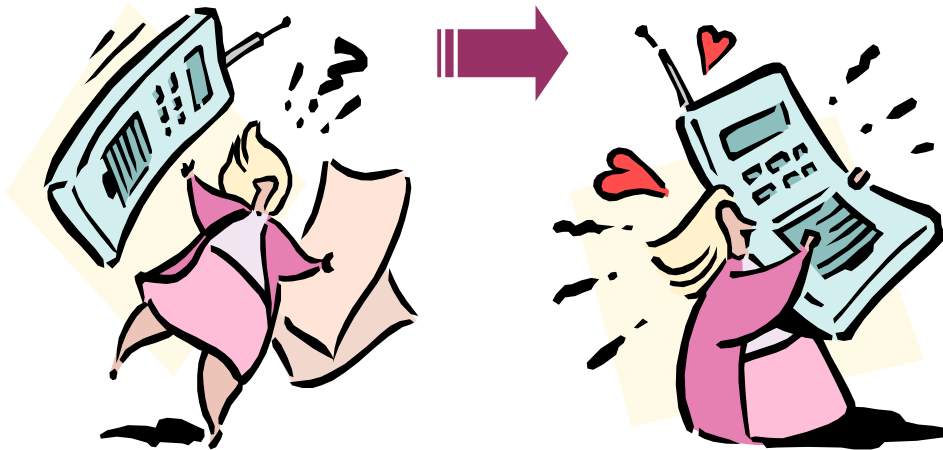


Contents

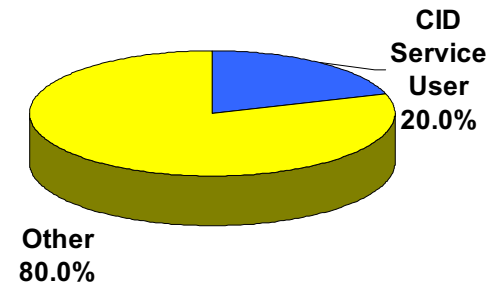
- Performance
- Recent Issues

Caller ID Service

- Now that government allows the caller ID service we expect that it will impact on the airtime revenues positively. The reason is that only callers pay for the airtimes in Korea unlike overseas tariff plan charging the both parties for the airtimes.
- The missed calls can be responded right away due to the new convenient service.



Expected % of Subscription



Service Fee

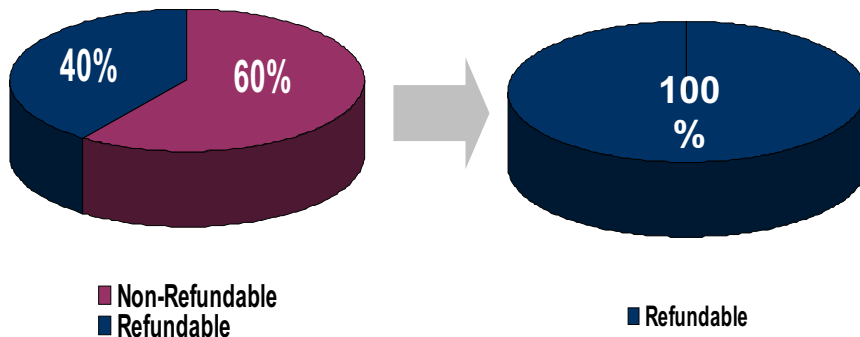
Service Fee: KRW 2,000-2,500

New Tax System

- Government changed the tax law favorably for telecommunication companies.
- Pursuant to new tax system, non refundable telephone tax was transformed into refundable value-added tax effective September.

Composition of Refundable and Non-Refundable Tax

Sept.01



Impact

- **Income Statement**
 - Decrease in CoS, Depre.,SG&A
 - Increase in Net Income
- **Balance Sheet**
 - Decrease in Capex
- **Cashflow**
 - We expect approximately it will incur additional KRW 100bn cash inflow during a year.



— Leader in CDMA1X Market —

Coverage

Seoul, Outskirts &
Major Cities



Capital Expenditure

- FY2000: 81 bn
- FY2001: 395 bn



Contents

- Multimedia Contents
-VOD, MOD, AOD
- High-volume Contents



Handsets

- Mass production from 2H 01
- 4Gray LCD: KRW 400,000
- Full Color Display:
KRW 600,000-800,000

Technology

- Fully Backward Compatibility
- Max. Speed: 144 Kbps
- Capacity; 1.7 times of 95B

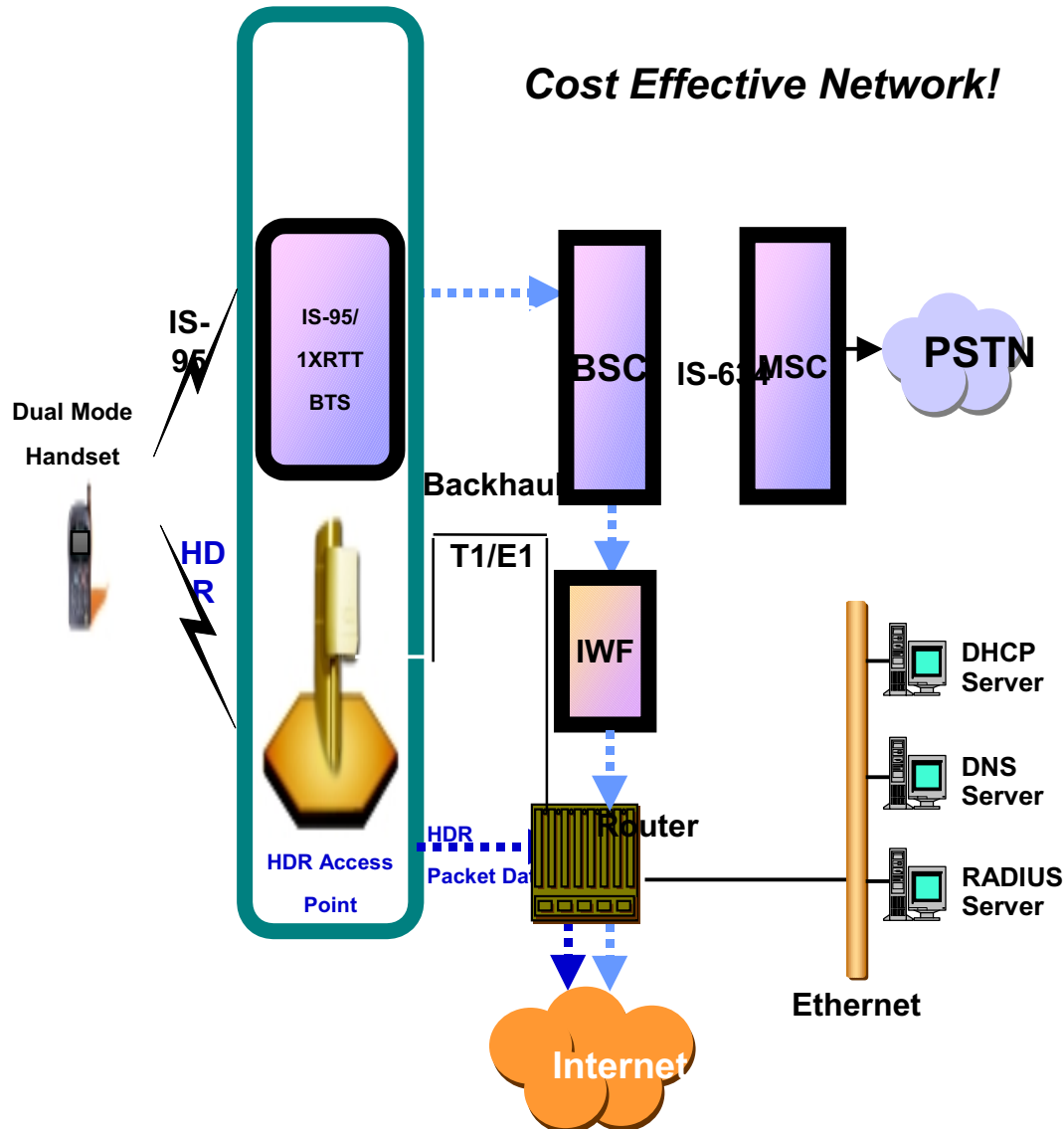


Tariff Plans

- Text: 6.5 won per Packet
- Multimedia: 2.5 won per
Packet



High Data Rate

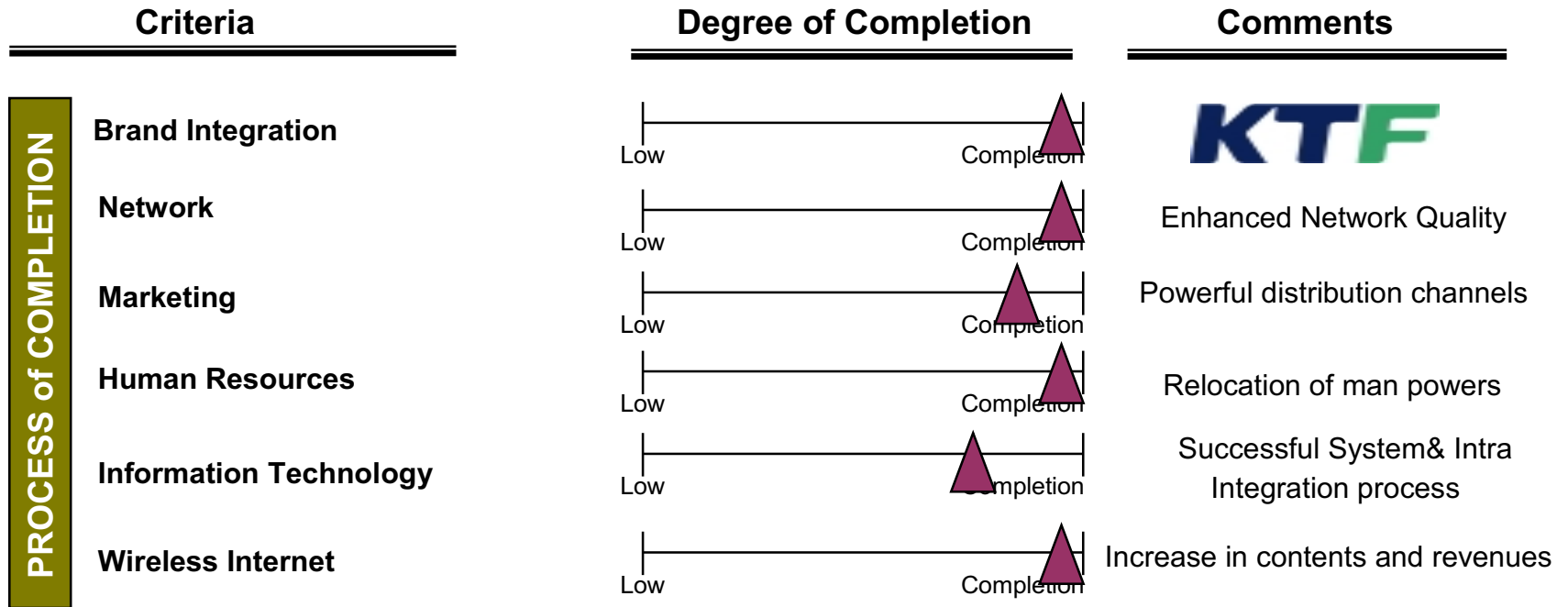


Initiative in Fast Data Transmission Market

- First Rollout on 1Q 2002 in Korea
- Maximum Speed: ~2.4Mbps
- Seamless Deployment in CDMA Network
- No Site Costs
 - Same cell sites, towers and antennas can be used.
- HDR sites can selectively be deployed into IS-95 networks



Completion of Merger



SYNERGY

=

STRATEGIC (3.3 Trillion)

OPERTATIONAL (1.9 Trillion)

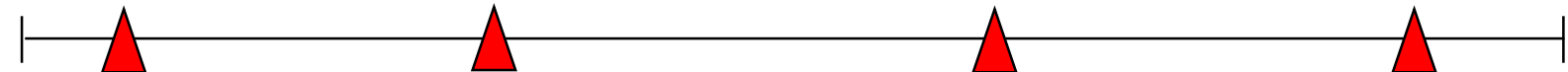
FINANCIAL(8Obillion)

Jan 12 2001

March 7 2001

March 7-26 2001

May 2001



Board Meeting for
a Merger
(merger ratio 1:0.2523)

Shareholder's Meeting for
a Merger

Execution of Put Option
(Buyback Cost: KRW29bn)

Merger Date