

A black and white photograph of several sharpened pencils, with one pencil in sharp focus in the foreground and others blurred in the background.

FY 2001 1H Earnings Release Material

August 7, 2001



Contents

- Financial Performance
- Operational Performance
- Recent Issues

Income Statement



KTF+KTM simple summation

(Unit: KRW mn)

Description	1H 2001 Amount	1H 2000 Amount	Change	2Q 2001 Amount	1Q 2001 Amount	Change
I. Sales	2,543,829	2,224,620	14%	1,404,607	1,139,222	23%
1. PCS	1,876,011	1,597,154	17%	1,013,418	862,593	17%
PCS	1,367,976	1,174,951	16%	742,061	625,915	19%
Interconnection	460,415	409,841	12%	240,038	220,377	9%
Resales	47,620	12,362	285%	31,319	16,301	92%
2. Others	13,698	12,231	12%	9,053	4,645	95%
3. Handset	654,120	615,235	6%	382,136	271,984	40%
II. Cost of Sales	1,520,780	1,288,924	18%	822,937	697,843	18%
1. PCS and Other service cost	867,876	667,010	30%	443,060	424,816	4%
2. Cost of Handset sold	652,904	621,914	5%	379,877	273,027	39%
III. Gross Profit	1,023,049	935,696	9%	581,670	441,379	32%
IV. Selling & GA	729,212	1,054,168	-31%	435,530	293,682	48%
1. Marketing cost	471,614	888,739	-47%	305,466	166,148	84%
2. Other expenses	257,598	165,429	56%	130,064	127,534	2%
V. Operating Income	293,837	118,472	-	146,140	147,697	-1%
VI. Non-operating Income	67,233	58,548	15%	38,467	28,766	34%
1. Interest income	12,010	6,051	98%	8,508	3,502	143%
2. Other gains	55,223	52,497	5%	29,959	25,264	19%
V. Non-operating Expenses	196,148	151,533	29%	106,520	89,628	19%
1. Interest expense	145,182	86,751	67%	78,712	66,470	18%
2. Other losses	50,966	64,782	-21%	27,808	23,158	20%
VI. Ordinary Income	164,922	211,457	-	78,087	86,835	-10%
VII. Extra-ordinary items	0	0	-	0	0	-
VIII. Income before taxes	164,922	211,457	-	78,087	86,835	-10%
IX. Taxes	48,732	64,580	-	22,036	26,696	-17%
X. Net Income	116,190	146,877	-	56,051	60,139	-7%

I H-01

1Q

2Q

Subscriber

8,614

9,694

Sub. Net add

198

1,080

EBITDA

292bn

295bn

Net Income

60bn

56bn

Subscriber and EBITDA increased at the same time though marketing cost increased by 142 bn in 2Q.

Net profit remains intact !

Why?

Continuous growth of MOU with ARPU

Rapid growth of Wireless data usage

Balance Sheet



KTF as of June 30, 2001

(Unit : KRW mn)

Assets	6,750,119	Liabilities	5,137,001
Current	1,652,667	Short-term	3,088,159
		Long-term	2,048,842
Quick Asset	1,599,359		
Inventories	53,308		
		Shareholders' equity	1,613,118
Non-current	5,097,452		
		Capital Stock	911,033
Investment	728,057	Capital Surplus	1,042,197
Tangible Asset	4,359,538	Retained Earnings	309,139
Intangible Asset	9,857	Capital Adjustment	30,973

Interest-Bearing Debt

3,869 bn (Current portion 1,851bn)

Net Debt

3,785 bn

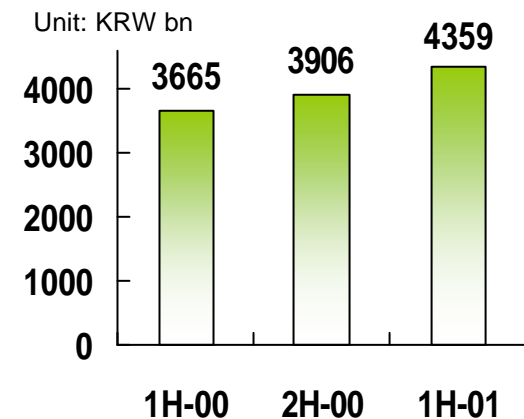
Foreign Currency Debt

184bn(\$141bn) + 246bn(JPY23.6bn)

Merger effect on BS

Assets	2,517 bn
Liabilities	2,122bn
Common stock	198bn
Treasury stock	(29bn)
APIC	226bn

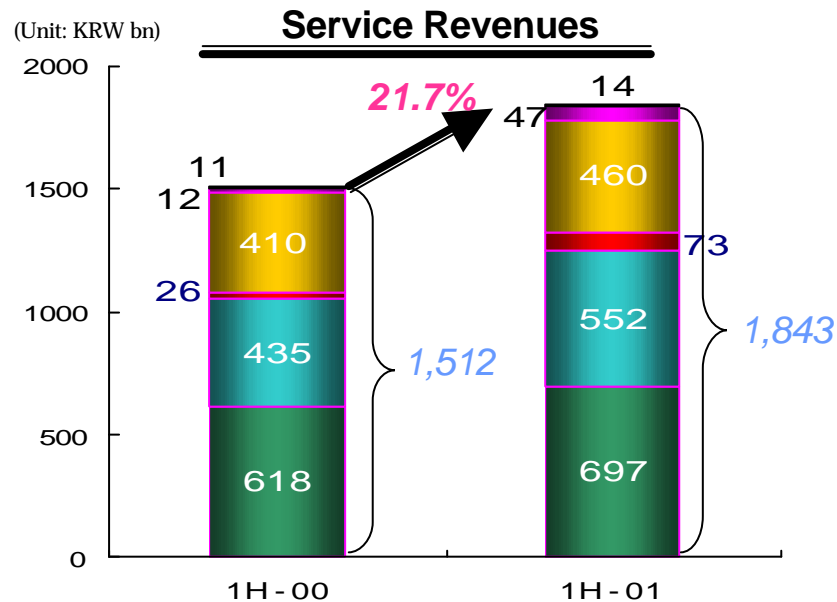
Tangible Assets (net)



* Figures are sum of
KT Freetel and KT M.com

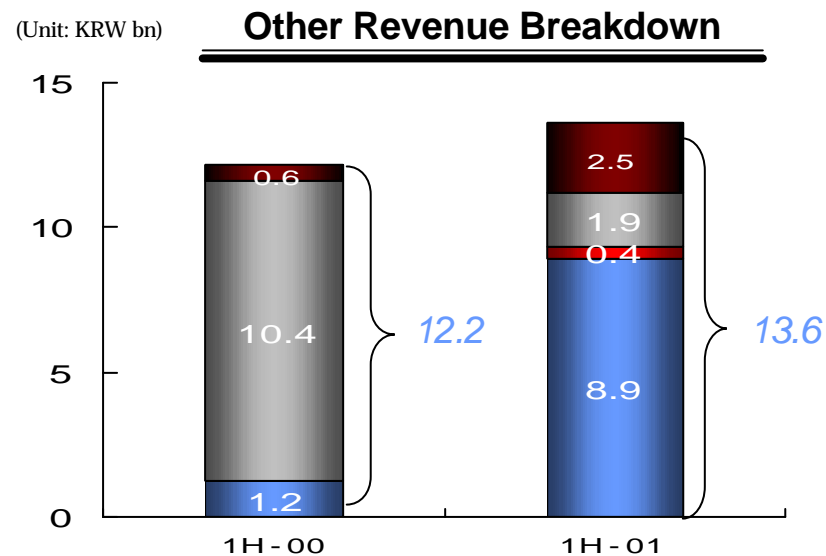
Revenue Growth

* Handset sales are excluded.



- Monthly Fees**
 - increased by 13% due to increased subscriber base.
- Airtime Charges**
 - despite a 5% price cut in April 2000, increased by 27% due to **continuous MOU and ARPU growth**
- Value-Added Service**
 - almost **tripled** mainly due to wireless data service
- Interconnection**
 - increased by 12%
- KT Resale**
- Other Services**

* Activation fees and discount amount are excluded.

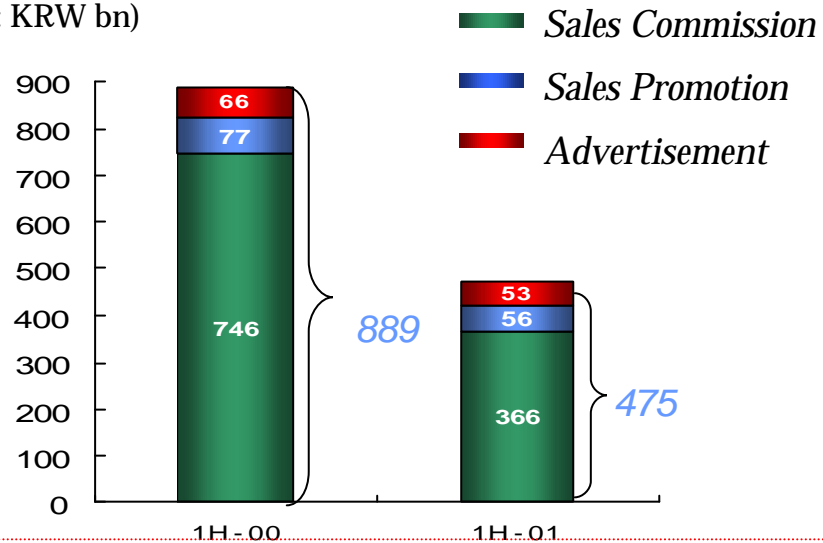


- Overseas call**
 - increased by 640% in revenues while the corresponding international interconnection costs amounted to only 1.3bn
- M-Commerce**
 - generated revenues for the first time in 1Q 2001
 - related revenues, such as payment settlement for transaction or internet shopping, will increase with time
- Phone Rental**
- Others (Tech. export and etc.)**

Marketing Cost



(Unit: KRW bn)

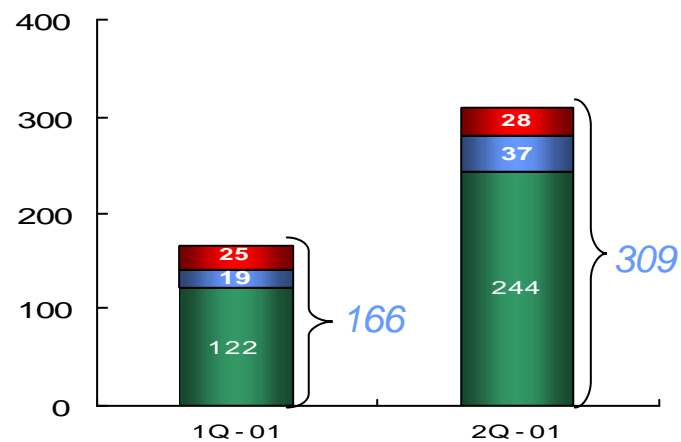


**Ban on
handset subsidy**

**Strengthened brand
power after merger**



**47% decrease in
marketing costs**



**FTC regulation
on
SKT's market share**

**Attractive
price bundle
like 'Na' and 'Drama'**



**Marketing costs doubled
but net addition
increased 5.5 times**

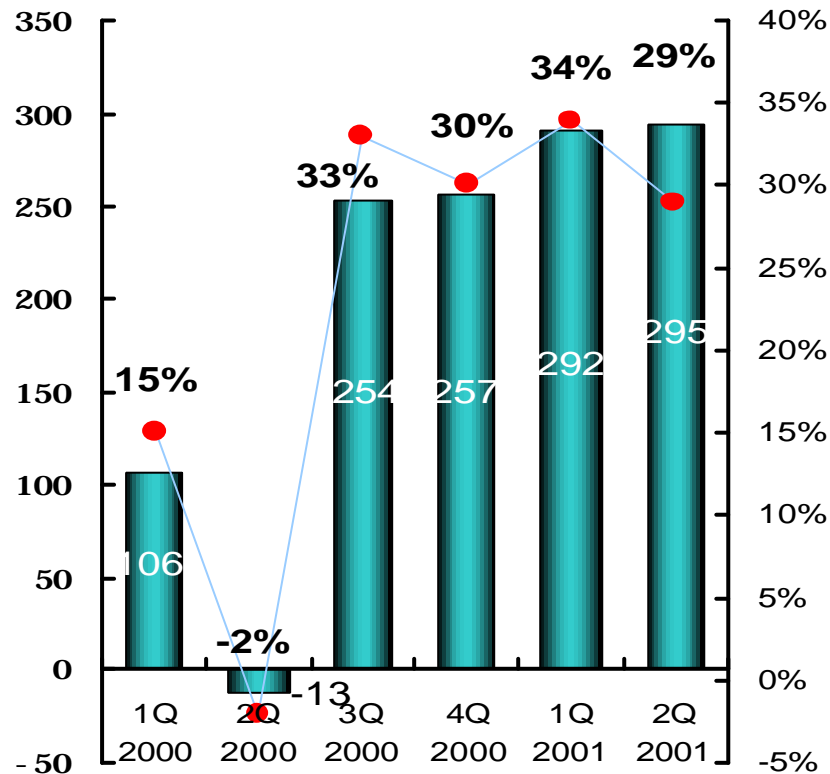
Subscriber Net Additions (Unit: '000)

1H 00: 652 1Q 01: 198 **2Q 01: 1,080**

Profitability (EBITDA)



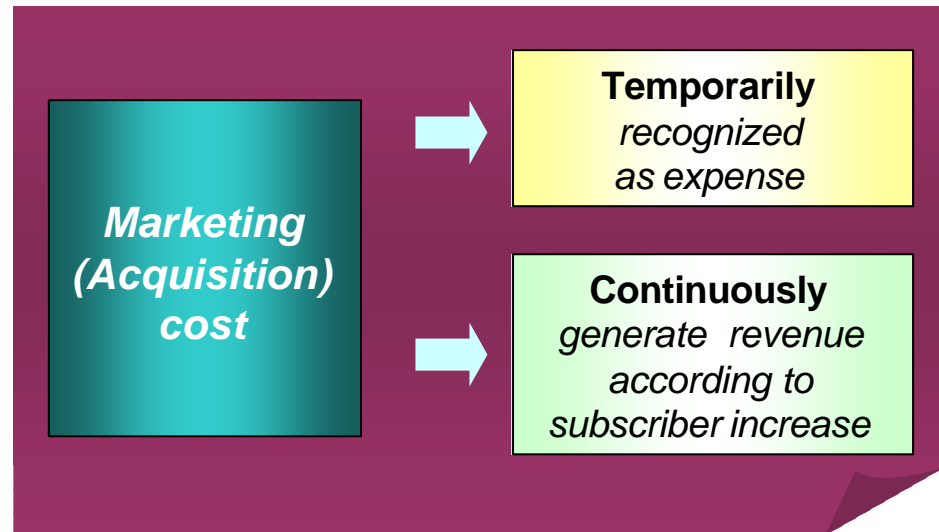
(Unit: KRW bn)



■ EBITDA ● EBITDA Margin

Note) EBITDA = Operating income + D&A - Difference between Handset sales and cost

EBITDA margin = EBITDA / (PCS sales + Other sales)



2H-01 target is profitability

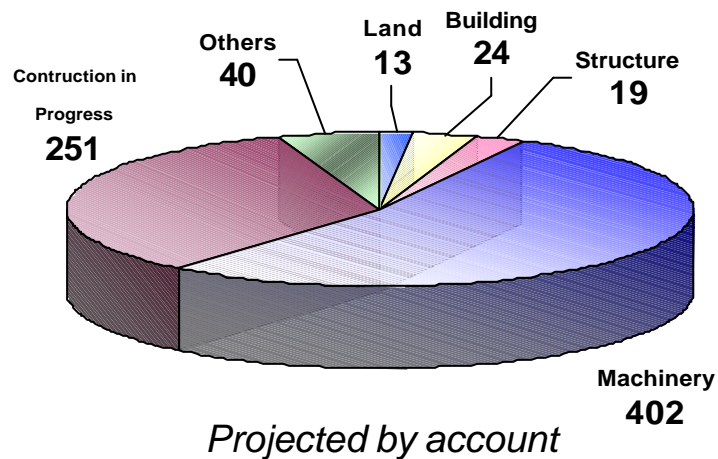
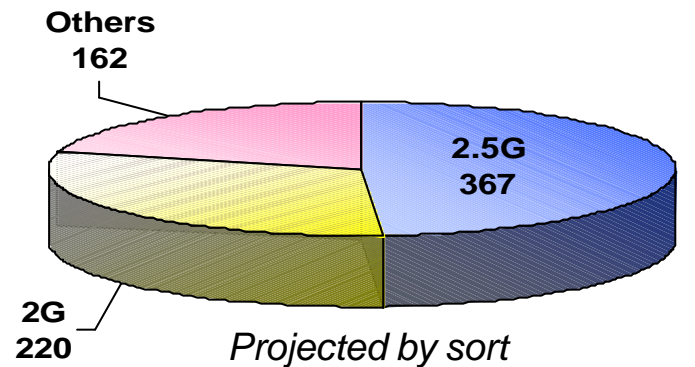
2H 01 EBITDA margin to exceed that of 1Q 01

Capital Expenditure



1H-01 Capex Result

Unit : KRW bn



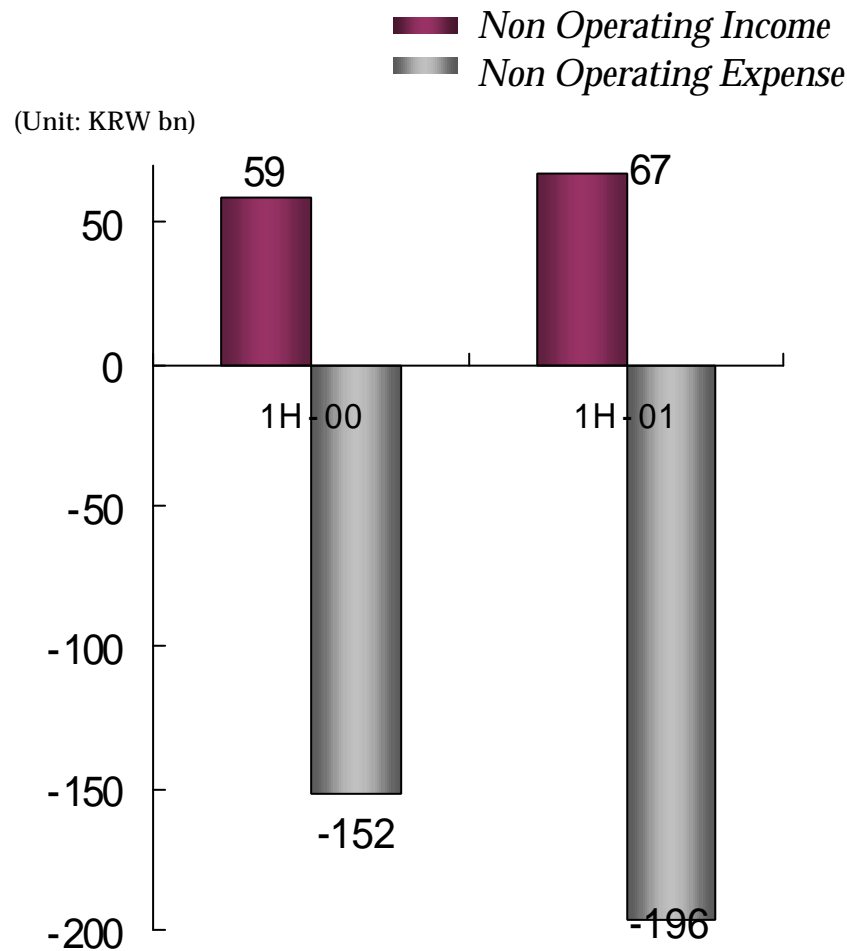
*Due to rapid increase of subscribers and traffic volume in 2Q,
Network Capex was spent earlier in 1H-01*

Capex Plan for this year

Unit : KRW bn

Capex	Y 2001
2G	417
2.5G	493
Network sub total	910
R/D	17
Multimedia	39
BIZ	13
IT	60
Marketing	61
Others sub total	190
Total	1,100

Non Operating Income/Expense



- Non Operating Income

- Interest income was KRW 12.0bn in 1H-01 a significant increase over that of KRW 6.1bn in 1H 2000.
Accumulated cash was used to repay debt.
- Rent income was KRW 4.0bn.

- Non Operating Expense

- Interest expense was KRW 145bn in 1H 2001 increasing 67% compared to 1H 2000.
- Greater interest expense is attributable to KTM' s high interest rate(around 10%) in 2000.
we are scheduled to write-off or roll-over old debts (about 700bn) with current interest rate (around 7%) in 2H-01.
- Net FX translation gain/loss was KRW 6.6bn in 1H-01.



Contents

- Financial Performance
- Operational Performance
- Recent Issues

Subscribers & Market Share

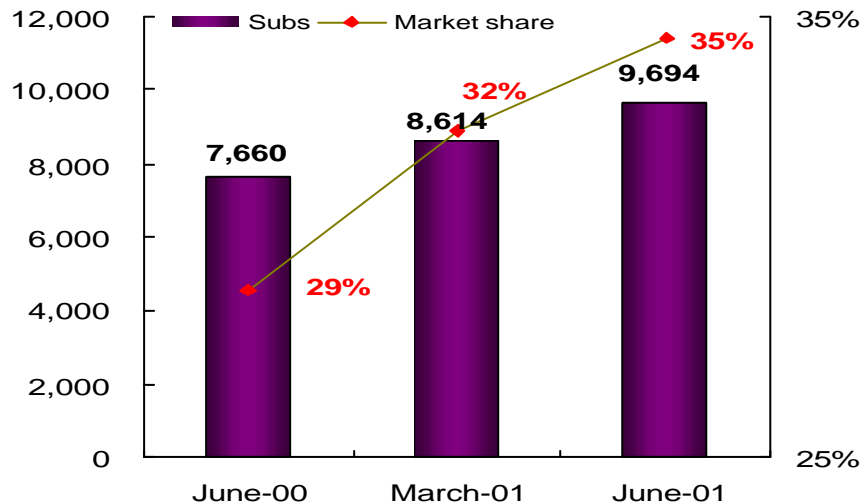


Market Share in New Additions during 1H 01

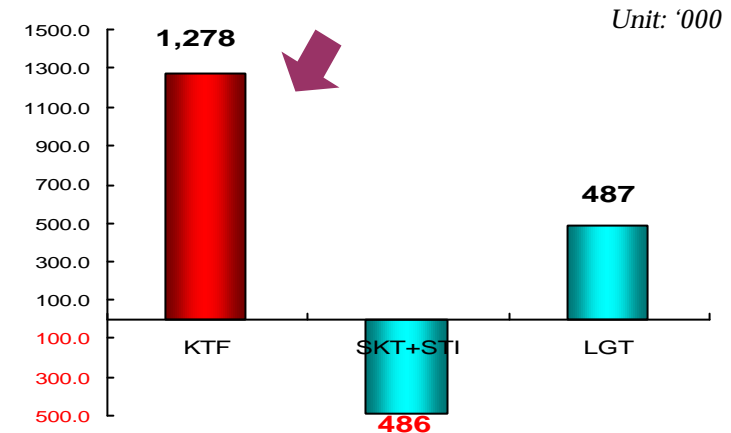


Market Share Trend

Unit: '000



Net Additions during 1H 01



● Significant Subscriber Growth

- Compared to 1H 00 KTF gained incremental **5.7%** market share securing gross subs of **2.2mn**.

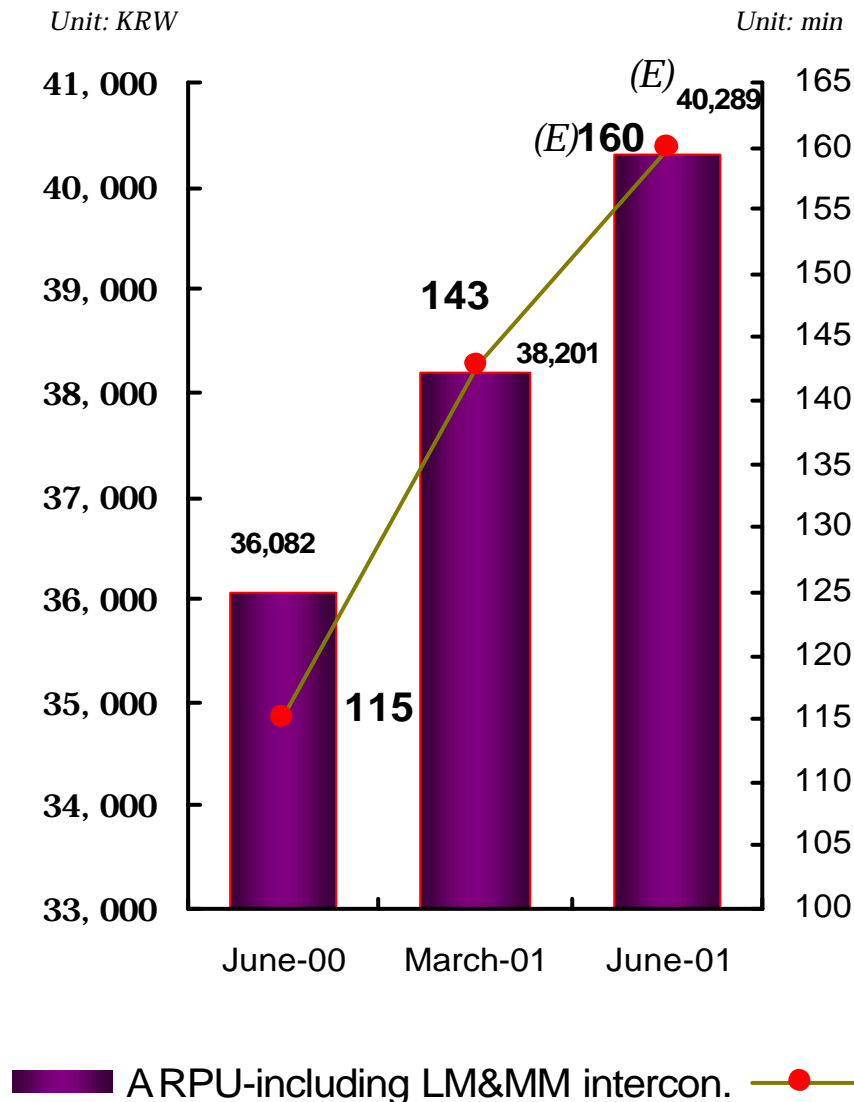
● Enhanced Subscriber Quality

- Besides increase in subscriber number, quality of subs is improving.

● Biggest beneficiary from cap on SKT & STI combined market share

- KTF boasted 1.3 mn net additions during 1H while LGT gained 0.5mn.

ARPU & MOU



● **ARPU- ▲ 12% compared to June 2000**

- ARPU increased **12%** up to KRW 40,289 in June 2001 compared to June 2000.
- Contributing factors were: 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 - ▲ 39% compared to June 2000**

- ARPU increased **39%** up to 160(E) in June 2001 compared to June 2000.
- contributing factors were: data take-up, bundled tariff plan, improved subscribers' quality, etc.
- Data MOU comprises **16%(25mn)** of total MOU in May.

● ***Both ARPU and subscriber #'s are improving at the same time.***

Wireless Data Users

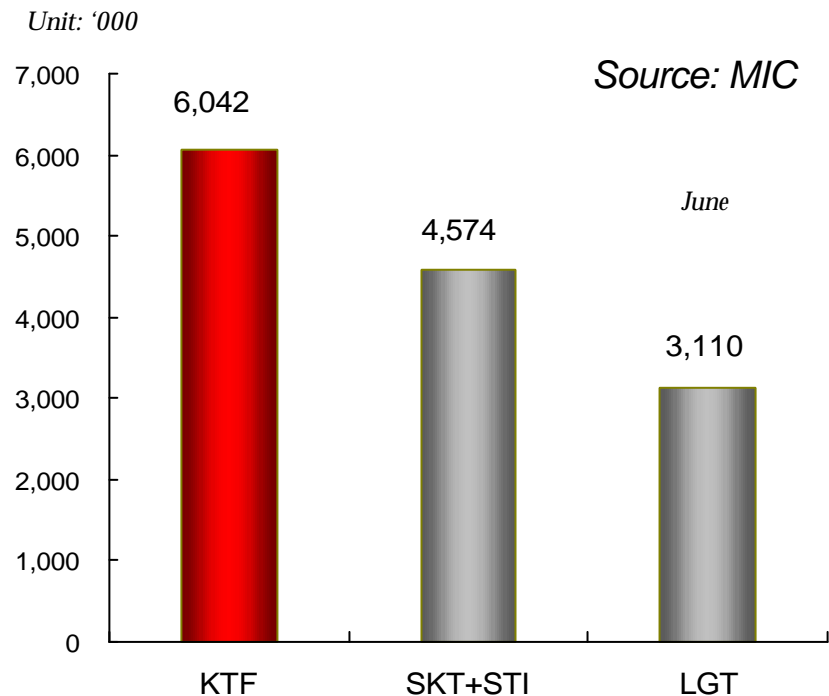
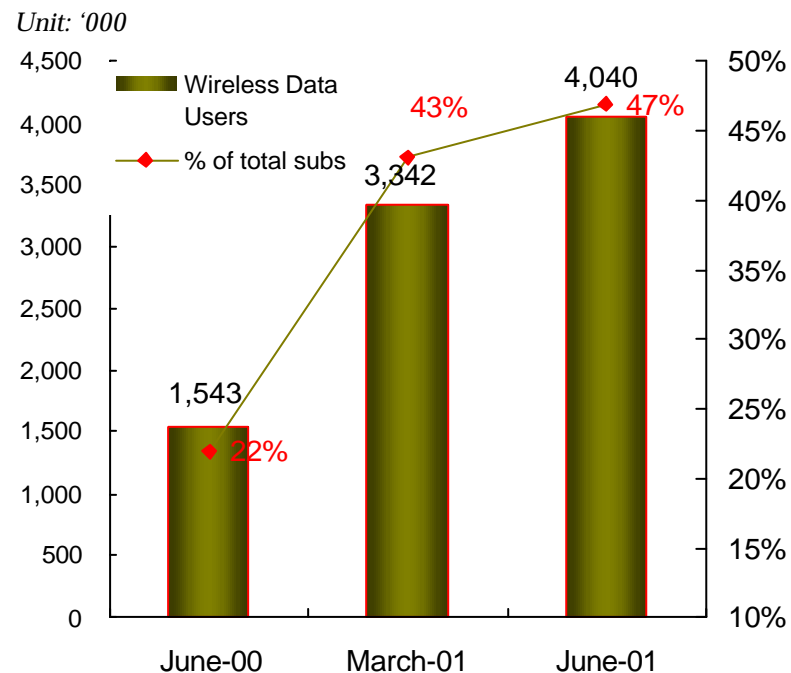


Rapid Growth in Data Users ▲ 2.5 mn users compared to June 00

Monthly KTF wireless data users are actual wireless data users. Competitors consider all WAP phone holders as wireless data users. If we apply competitors' calculation, KTF wireless data users in June would number 6.042 mn, not 4.040 mn.

1 in Deployed Browser-Enabled Handset Units

The highest internet-capable handset deployment is mainly due to a greater young subscriber base who are internet-friendly and savvy data users, compared to competitors.



Wireless Data ARPU



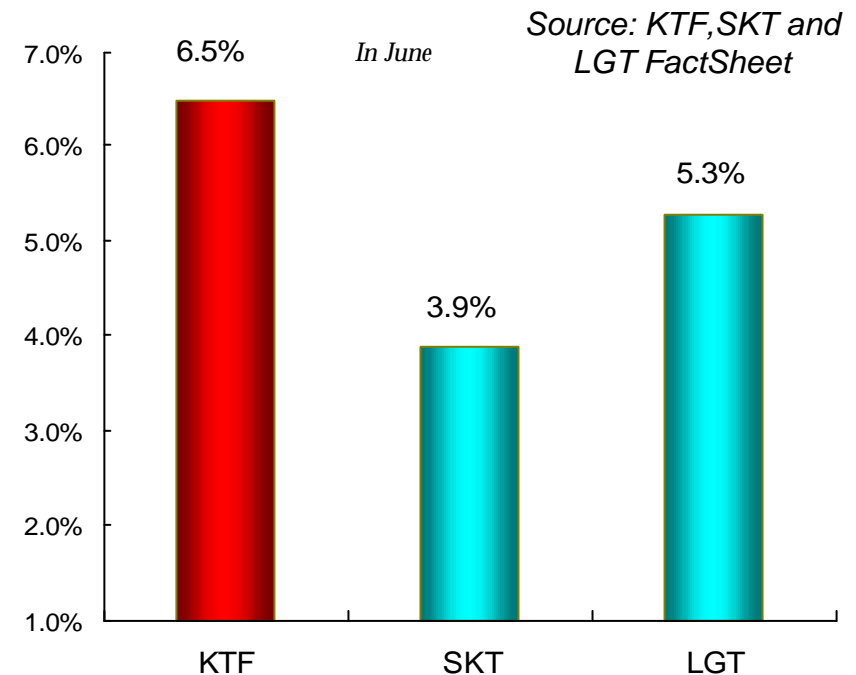
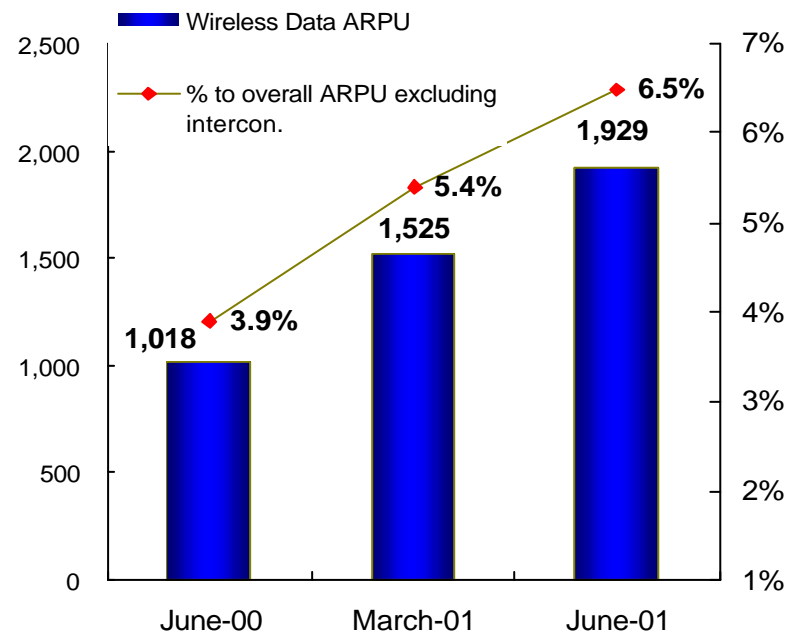
Rapid Growth in Data ARPU ▲ 90% compared to June 00

Data ARPU growth is faster than voice ARPU growth of 13%. This rapid take-up is mainly due to various content and package price plans. 1X multimedia content will boost the data ARPU significantly.

1 in Wireless Data ARPU Contribution to Overall ARPU

The highest wireless data contribution to overall ARPU-excl. Interconn. compared to competitors'. We are targeting 10% data contribution at the end of this year.

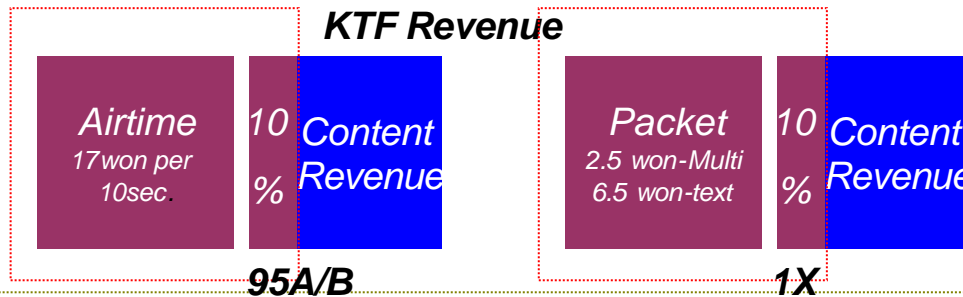
Unit: KRW



Contents



Revenue Sharing Scheme: Airtime and Packet-> KTF, Content Revenue-> KTF:CP=10%:90%

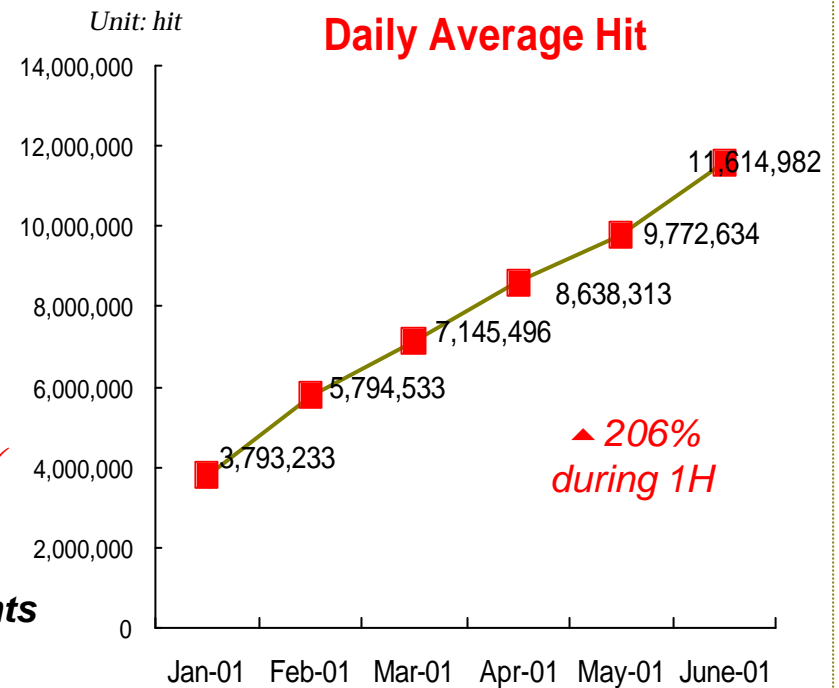
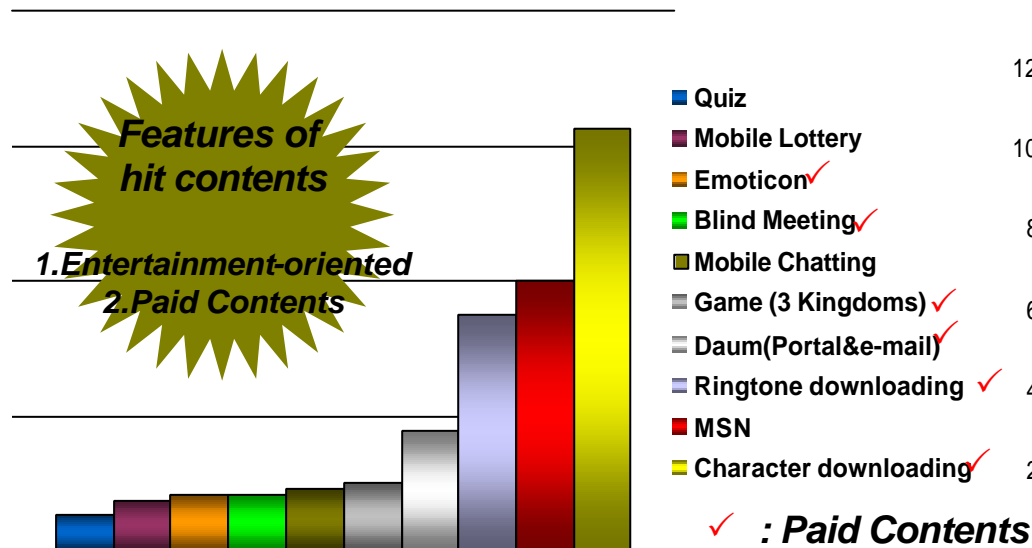


Content Usage Charge

: 5-1200won

Example) Game download: 500won, Ringtone download: 200-270won, Character download: 120-220won etc.

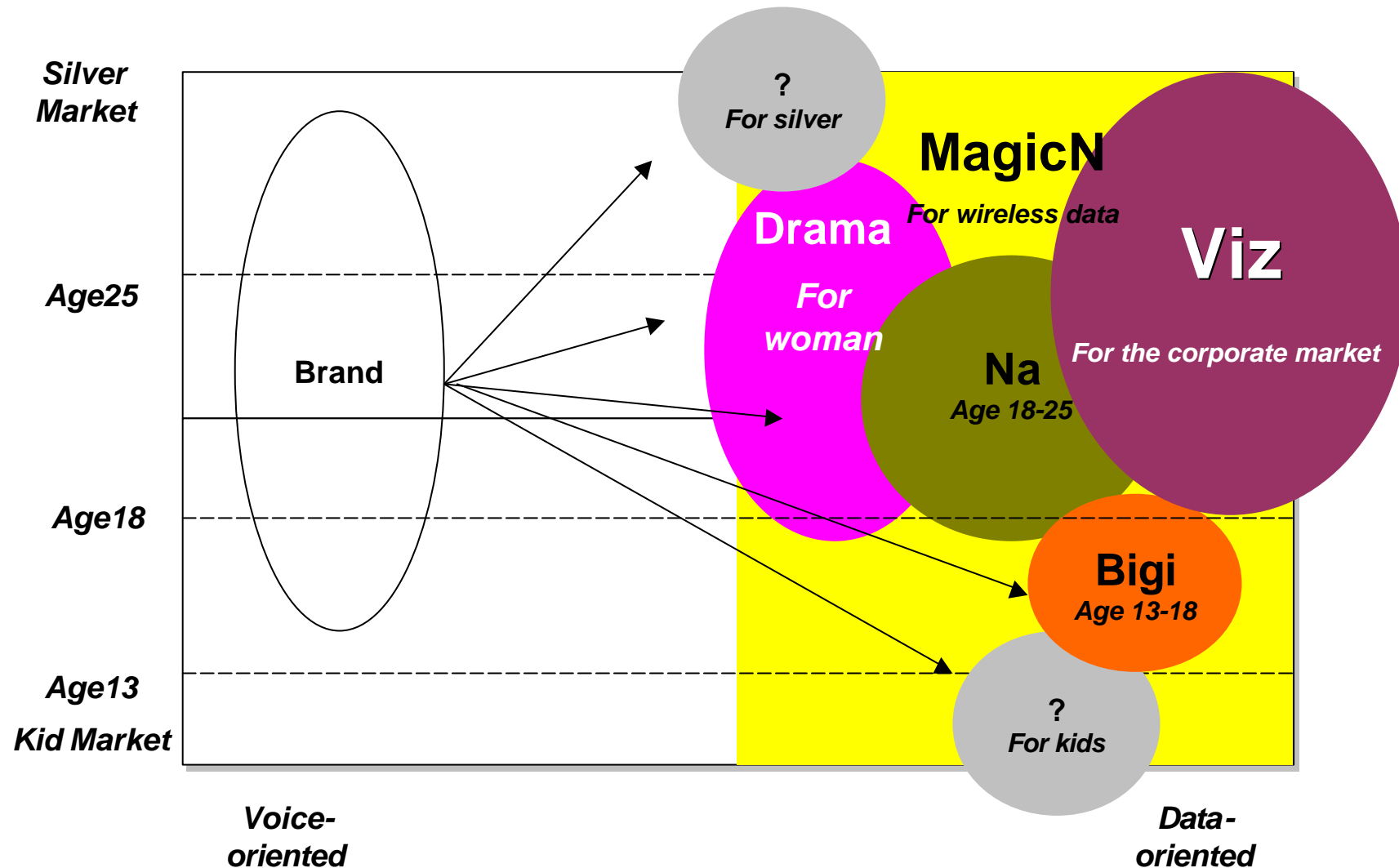
Top Contents



Innovative Segmented Marketing Brands



Segmented marketing brands generate high ARPU and growth to KTF.



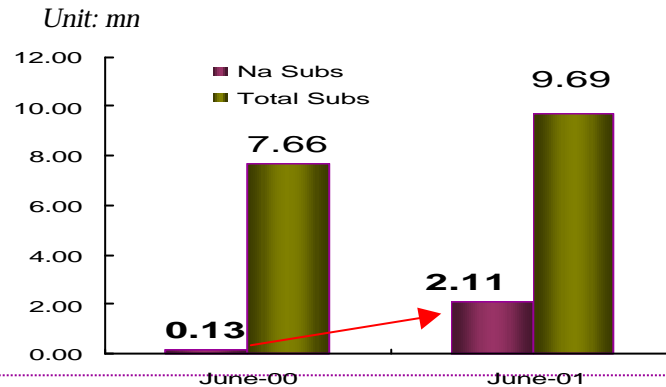
Success in Segmented Marketing



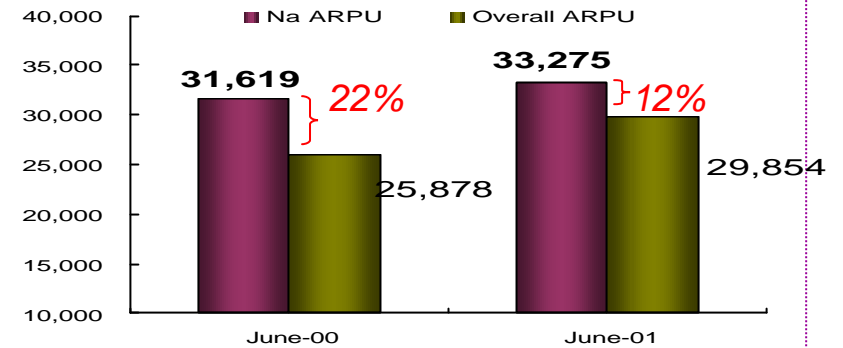
For 18-25yrs



May 2000



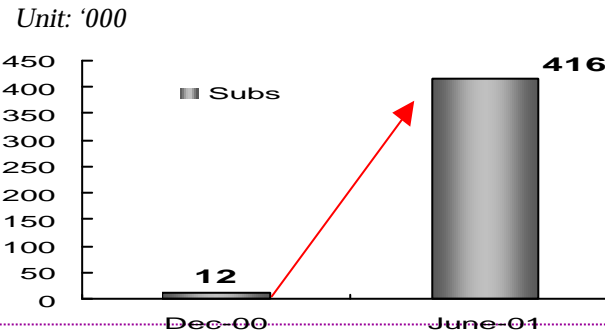
Unit: KRW



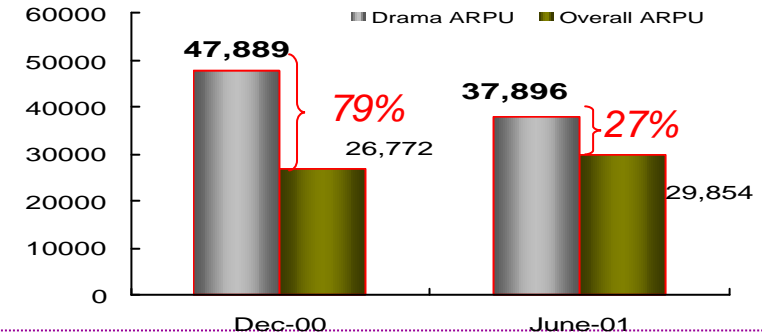
For Women



Dec. 2000



Unit: KRW



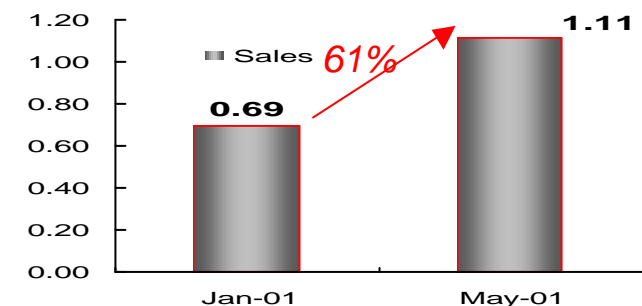
For B2B



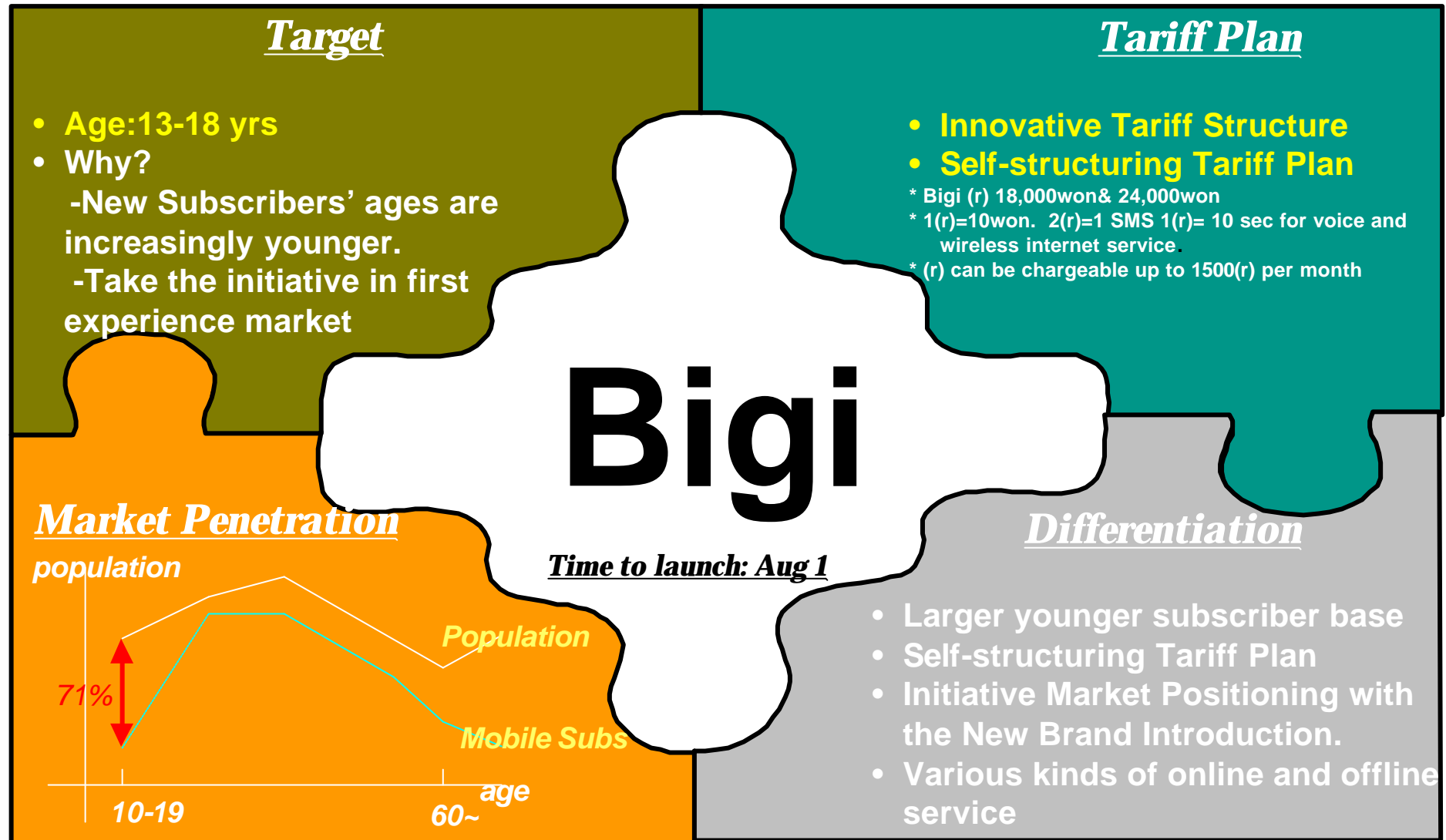
Jan. 2001

- 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

Unit: KRW bn



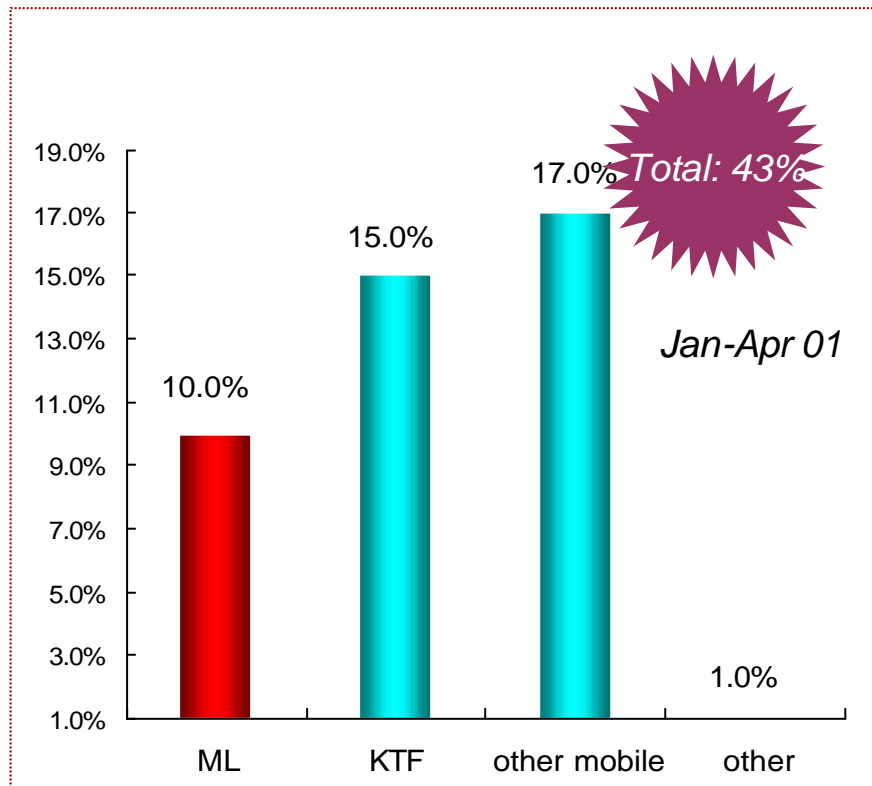
New Brand for First Experience Market - Bigi



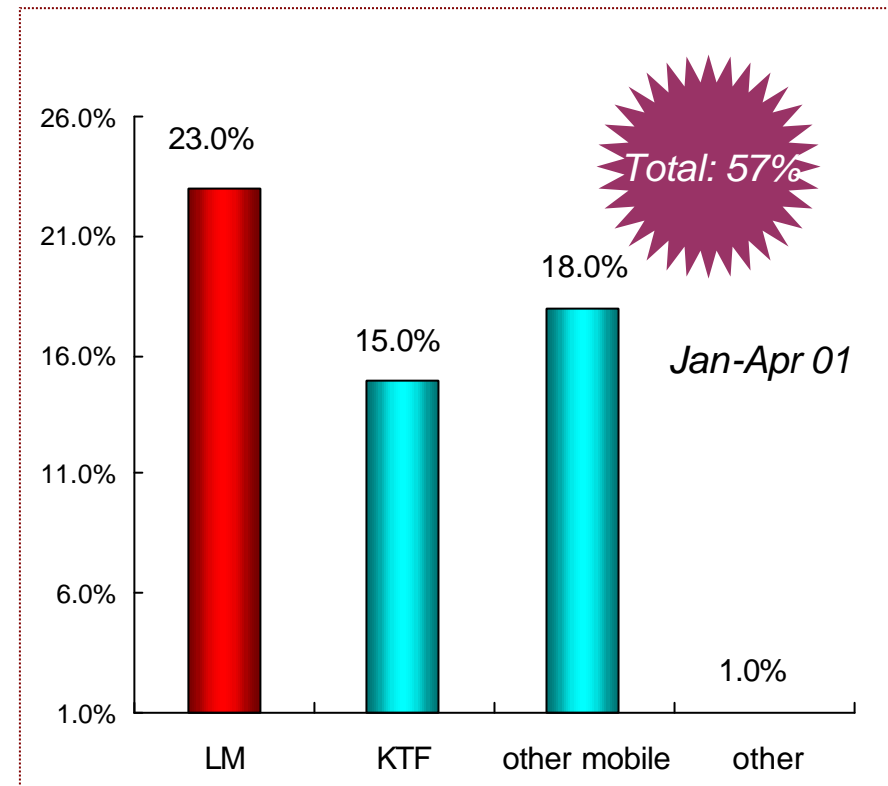
Call Traffic Analysis



Outgoing



Incoming



1H Interconnection Costs

- LM: 37 bn
- MM: 181 bn

1H Interconnection Revenue

- LM: 198 bn
- MM: 165 bn



Contents

- Financial Performance
- Operational Performance
- Recent Issues

CDMA1X Service



Coverage	FY2001: 19 Major Cities	•Coverage: over 70% of population
Capex	FY2001: 493bn	•Keep the investment flexible in accordance with demand in the market
Efficiency	1.7 times higher capacity in voice and data traffic .	•Replace the investment on 95B by rollout of 95C network with higher efficiency.
Handsets	12 models	•Mass production in 2H by handset makers - Reduction in color handset costs as a result
Contents	Around 100 multimedia contents	•High-volume multimedia contents will generate significant data ARPU.

•39,149 : 2.5 G ARPU in June (VAS ARPU: 5,994won) *31% higher than overall ARPU in June

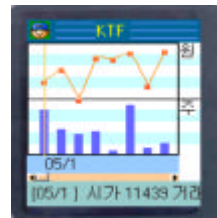
-2.5G VAS ARPU comprises 15% of total 2.5G ARPU. 2.5G VAS ARPU is higher than overall VAS ARPU by 155%.

-Even without color multimedia contents, the current level of 2.5G ARPU is impressive. We believe that the 2.5G ARPU will increase tremendously with the actual introduction of color multimedia contents on the color display 2.5G handset. This will reflect the true ARPU for 2.5G service.

KTF Strategy

- **Younger subscriber base**-They are savvy data users and early adopters. They are more willing to change color LCD handsets more than older generations despite the elimination of subsidies.
- **Various multimedia contents**- We will secure both the quality of contents and quantity of contents. We are open to every CPs and will trigger the competition among CPs to improve the quality of contents.
- **BREW-enabled handset**- BREW will enable customers to enjoy high volume contents.
- **Efficient network rollout**-We could shorten BEP and maximize service with efficient rollout.

BREW



Real-time
Stock
Quotes



Real-time
Chat with
wire-line
Internet



Real-time
on-line
game

Online Service



Game Download

Various Kind of
downloadable games

Volume of Games:
10kbyte-100kbyte

BREW(binary runtime environment for wireless) Advantages

1. **Ability to upgrade applications over the air**
2. **Ability to accommodate C++language and Java language** : various types of applications available.
3. **Driving force by Qualcomm: convenience to distribute platform** : Royalty for handset makers and service development kit for CPs-> Free of charge cf)JAVA:\$2 per handset
4. **Fast processing speed due to the binary type**: 20-400times faster than processing speed on Java platform. As a result, battery life lasts longer. Cf)Java: script type
5. **Availability of higher volume contents**: BREW needs 100k while Java takes 500K of flash memory. Also, BREW uses 80k of RAM while Java uses 300k.

M-Commerce



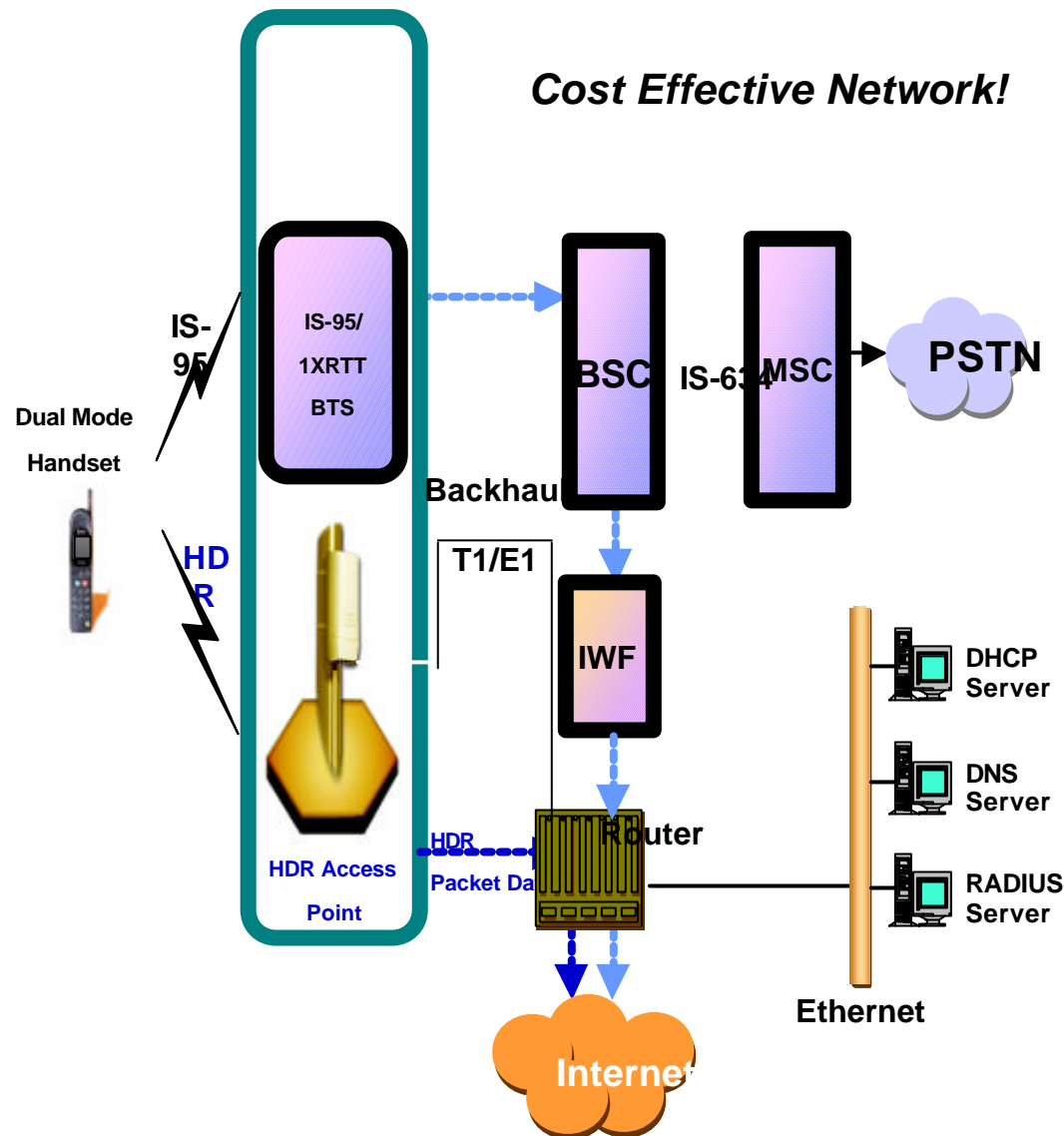
MagicN M-Commerce Enhancement and Revenue take-up

1. **Stock Service Enhancement:** Real-time Stock Information Service -> daily hit increase by 50%
2. **My Portfolio Service :** Flat rate(1000won)
3. **Movie Day for Booking Service Promotion:** daily booking service increase by 500%(1000 users)
4. **Bar-Code Movie Ticket Service for the first time in Korea:** big jump in service usage by 300%
(0.18mn hits per day)
5. **Mobile Banking Service in alliance with 16 Domestic Major Banks:** account transfer, loan service and so on (daily users:5000 users)
6. **Small money-Settlement :** Gross Sales: 4 bn, additional profit for KTF: 0.2 bn in June
7. **Wireless PKI standard is developed.**

Further Enhancement through alliances with Financial Institutions

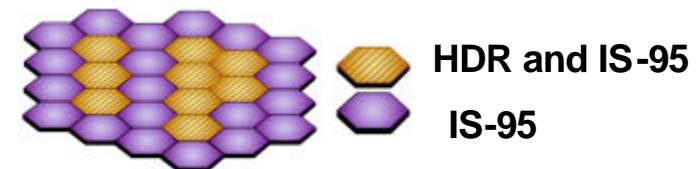
1. **Wireless Remittance, Settlement and Transfer Services for the first time in Korea in alliance with H&C bank, KorAm bank, Daum using phone number on August:** additional increase of MOU and revenues are expected.
2. **Allied Card Business:** in alliance with Kookmin Card, BC Card, Samsung Card, LG Card and so forth
-Additional revenue of 7 bn won will incur if 1mn users are secured.
3. **UIM Handset Development Support:** Standardization of IrDA and RF to be linked to the offline services

CDMA1X EV-DO(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



Handset Subsidy & Tariff Cut



No Handset Subsidy Policy

1. Government's Stance

-Government is seeking a way to ban on handset subsidy **by law**.

2. Service Provider's Stance

-Service operators have a consensus that high acquisition costs will not work effectively to attract new additions compared to last year's market situations.

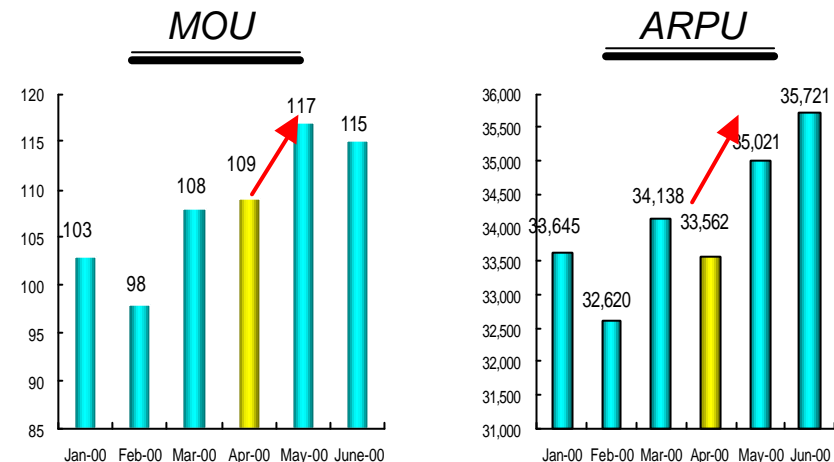
3. Profit-oriented management

-KTF management will put an emphasis on the profit-oriented operation to make a solid bottom line and maximize the enterprise value.

Tariff cut \Rightarrow ∇ ARPU

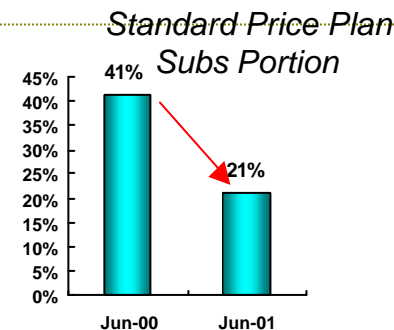
• Case Study-tariff cut in April 2000

• Tariff cut caused the increase in MOU and ARPU



- **Installment Plan**
- **Differentiated brands for each segment**
- **Distinctive young-generation subscriber base**
- **Handset supplier's push strategy**
- **Severe competition among handset makers**

Effective
Penetration
Tactics




Even if there is a tariff cut ARPU will remain robust!

Package Price Plan!

Price elasticity

Completion of Merger



Criteria		Degree of Completion	Comments
PROCESS of COMPLETION	Brand Integration	Low ————— Completion	 Enhanced Network Quality Powerful distribution channels Relocation of manpowers Successful System Integration process Increase in contents and revenues
	Network	Low ————— Completion	
	Marketing	Low ————— Completion	
	Human Resources	Low ————— Completion	
	Information Technology	Low ————— Completion	
	Wireless Internet	Low ————— Completion	

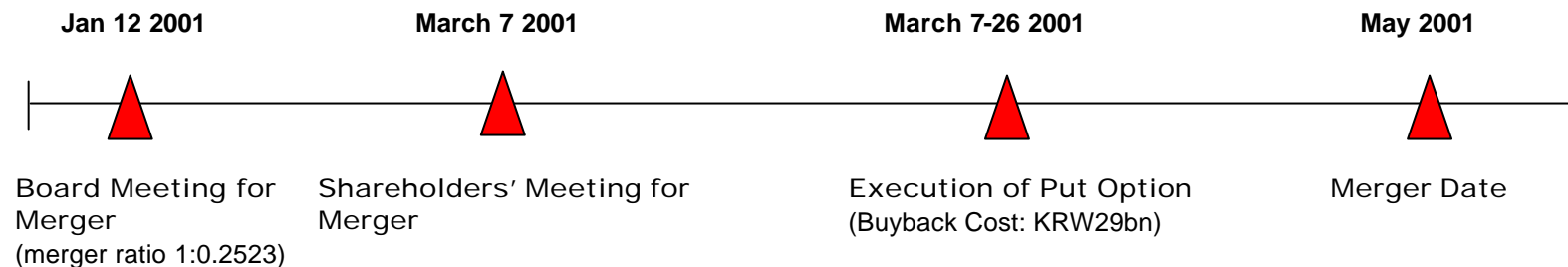
SYNERGY

=

STRATEGIC (3.3 Trillion)

OPERATIONAL (1.9 Trillion)

FINANCIAL (80 Billion)



Business Plan (to be revised)



Profit-Focused Business Plan

- *KTF management has revised target earnings upward from 250bn to 300bn .*
- *KTF will focus on maximizing merger synergies*
- *Profitability will be primary management concern.*

Main Factor

- **KTF Market Share:** 35%
- **KTF 1X Subs:** 0.7mn → 0.76 mn
- **Service Sales:** 3,861 bn → 3,921 bn

FY01 Earnings Estimates Raised

- **Operating Profit:** 692 bn → 750 bn
- **Recurring Profit:** 361 bn → 434 bn
- **Net Profit:** 250 bn → 300 bn

* KTM results for Jan-Apr are reflected.

Overview of 2H Market Situation

1. **No handset subsidy**
 - Possible regulation on subsidy by law
 - Consensus among operators
 - Various schemes to lower the entrance barrier
2. **Diffusion of 2.5G service**
 - Lowered handset costs due to mass production
 - Competitive price plan & multimedia contents
3. **Enhanced segmented marketing**
 - In-depth approaches to low penetration markets
 - Innovative marketing strategy for vertical market
4. **Efforts to increase Voice and Data ARPU**
 - Diversified tariff plans and contents

Under the favorable market situations, KTF , a leader in the data sector, can secure both



&

