

2Q 2006 Earnings Release



• The information contained herein is based on Korean GAAP.

Aug 2, 2006

• Any forward-looking statement contained in this presentation represent our best judgment as to what will occur in the future.

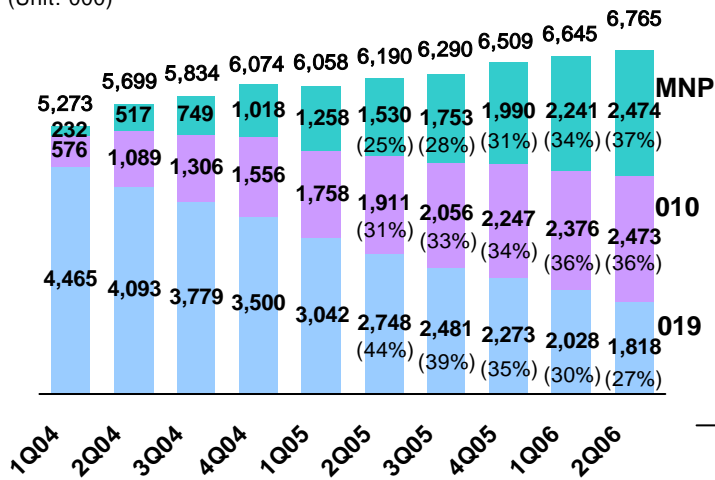
• The company's actual results could differ materially from those presented and will depend on a number of competitive and economic factors some of which will be outside of the control of the company.

1. Operation

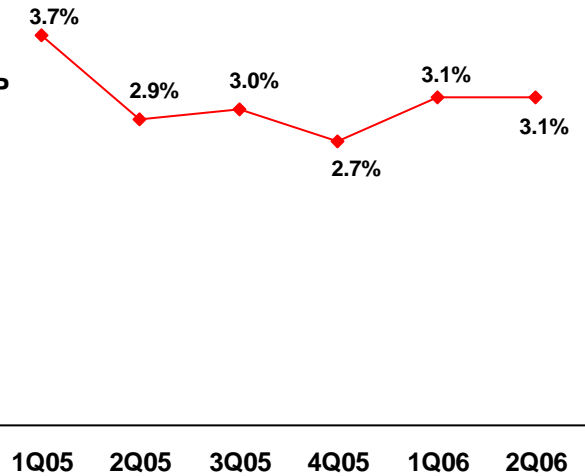
- The number of subscriber increased by 120 thousand to 6.76 million from retail distribution channel improvements.
- MOU and ARPU increased 13.2% and 2.4% YoY respectively in Q2 2006 with continued acquisition of high-end customers.

Subscribers

(Unit: '000)



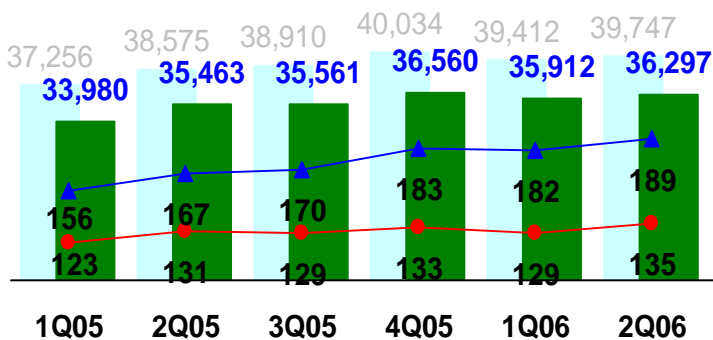
Churn rate



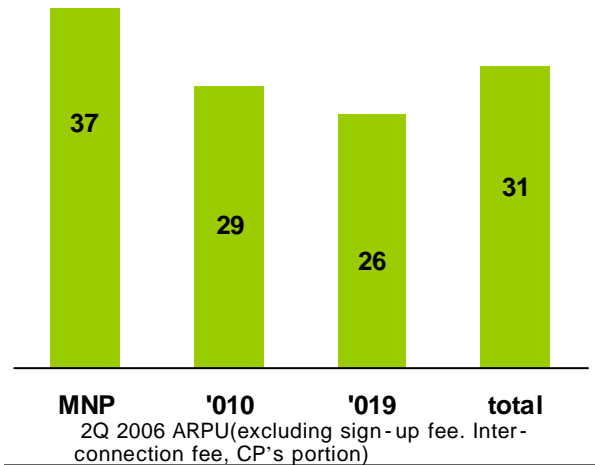
ARPU / MOU

- ARPU(excluding sign-up fee, KRW)
- ARPU(excluding CP's portion, sales-discount)
- Outgoing MOU
- Incoming MOU

(Unit: Thousand KRW)



ARPU per customer group



2. Financial Highlights

- Service revenue in 2Q 2006 increased by 2.9% to 743 billion KRW QoQ from increased new subscriber and high ARPU customers
- Operating cost is up by 6.7% QoQ due to increased acquisition cost and penalty levied by KCC and FTC, while operating profit decreased by 10.8% to 94.8 billion KRW QoQ.
- Recurring profit recorded -234.8 billion KRW due to the cancellation of IMT 2000 license in the 2.1GHz spectrum which resulted in one off non-operating expense as the impairment loss on intangible assets.
- Net profit recorded -195.4 billion KRW because 39.4 billion KRW of deferred tax asset was incurred.

◆ Income Statement Summary

(unit : billion KRW)

	2Q 2006	1Q 2006	QoQ	2Q 2005	YoY
Gross Revenue	987.6	942.9	4.7%	863.0	14.4%
1. Service Revenue	743.0	722.4	2.9%	662.2	12.2%
2. Handset sales etc.	244.6	220.5	10.9%	200.8	21.8%
Operating Cost	892.8	836.6	6.7%	770.0	15.9%
Operating Profit	94.8	106.3	-10.8%	93.0	2.0%
Non-operating Income	18.2	31.1	-41.5%	10.7	69.4%
Non-operating expenses	347.8	32.0	986.8%	29.4	1083.5%
Recurring Profit	(234.8)	105.4	N/A	74.3	N/A
Income Tax	(39.4)			19.7	N/A
Net Profit	(195.4)	105.4	N/A	54.6	N/A
EBITDA	194.7	208.5	-6.6%	192.6	1.1%
EBITDA margin	26.2%	28.9%		29.1%	

◆ Balance Sheet Summary

(unit : billion KRW)

	2006. 6	2006. 3	QoQ	2005. 6	YoY
Total Assets	3,290.9	3,845.9	-14%	3,624.6	-9%
Current assets	1,283.9	1,187.6	8%	976.3	32%
Investment Assets	405.3	411.7	-2%	377.1	7%
Fixed Assets	1,598.6	1,605.6	0%	1,656.3	-3%
Intangible Assets	3.1	641.0	-100%	614.8	-99%
Total Liabilities	2,138.7	2,495.6	-14%	2,547.7	-16%
Current Liabilities	1,270.1	1,227.5	3%	1,510.7	-16%
Non-current Liabilities	868.5	1,268.1	-32%	1,037.0	-16%
Total Shareholder's equity	1,152.3	1,350.3	-15%	1,076.9	7%
Liabilities to equity ratio	185.6%	184.8%		236.6%	
Net debt to equity ratio	86.6%	81.9%		114.5%	

3. Revenue

◆ Revenue Breakdown

(unit: billion KRW)

	2Q 2006	1Q 2006	QoQ	2Q 2005	YoY
Gross Revenue	987.6	942.9	4.7%	863.0	14.4%
Service Revenue	743.0	722.4	2.9%	662.2	12.2%
Sign-up fee	15.0	13.6	10.0%	9.3	60.3%
Monthly fee	296.2	284.4	4.1%	247.2	19.8%
Usage charge	218.7	206.6	5.8%	204.2	7.1%
Interconnection	162.2	154.4	5.1%	148.9	8.9%
(Sales discount)	(47.7)	(44.1)	8.1%	(35.3)	34.9%
Data service	50.5	56.2	-10.2%	42.1	19.9%
V.A.S	48.2	51.3	-6.1%	45.7	5.4%
Handset sales	244.6	220.5	10.9%	200.8	21.8%

- Service revenue increased by 2.9% QoQ to 743 billion KRW due to the increased number of average subscribers (1.6%).
- Usage charge and monthly fee revenue increased by 5.8% and 4.1% QoQ to 218.7 billion KRW and 296.2 billion KRW.
- Data revenue decreased by 10.2% QoQ due to discrepancy of presumption of revenue.
- VAS revenue decreased by 6.1% QoQ due to decrease in the number of customers of CID payment.

◆ Non-voice Revenue <Gross Method>

(unit: billion KRW)

	2Q 2006	1Q 2006	QoQ	2Q 2005	YoY
Data service	63.4	73.3	-13.5%	56.7	11.9%
- Data service(Net method)	50.5	56.2	-10.2%	42.1	19.9%
- Contents usage fee (payable to CP)	12.9	17.1	-24.3%	14.6	-11.3%
V.A.S.	56.8	59.2	-4.1%	53.1	6.9%
- V.A.S(Net method)	48.2	51.3	-6.1%	45.7	5.4%
- Contents usage fee (payable to CP)	8.6	7.9	9.0%	7.4	16.4%
Total non-voice revenue	120.2	132.5	-9.3%	109.8	9.5%

4. Operating Expenses

◆ Operating Expenses

(unit: billion KRW)

	2Q 2006	1Q 2006	QoQ	2Q 2005	YoY
Total operation expense	892.8	836.6	6.7%	770.0	15.9%
Wages*	35.3	42.8	-17.4%	42.9	-17.6%
Sales commission fee	182.4	171.0	6.7%	115.3	58.2%
Advertising & promotion	20.7	26.4	-21.7%	26.4	-21.6%
Depreciation	99.5	101.8	-2.3%	99.1	0.3%
Rental expenses	36.9	35.4	4.3%	41.8	-11.7%
Interconnection	103.4	97.1	6.5%	86.0	20.3%
Taxes and dues	23.3	8.5	174.7%	7.4	216.0%
Leased line fee	47.9	48.0	-0.2%	49.0	-2.1%
Bad debt expense	19.4	5.4	260.2%	12.3	58.2%
Fees & charges	49.0	47.4	3.3%	43.7	12.2%
Others	52.0	53.5	-2.7%	54.0	-3.6%
Cost of handset sales	222.8	199.3	11.8%	192.3	15.9%
Operating expense (excluding cost of handset sales)	669.9	637.3	5.1%	577.8	15.9%

* Wages include employee benefits and severance payments.

- Wages decreased by 17.4% to 35.3 billion KRW owing to incentives paid out in 1Q and the decline in the number of sales people.
- Bad debt expense recorded 19.4 billion KRW due to increase in account receivable and decrease in the collection rate of A/R.
- Interconnection fee increased by 6.5% QoQ to 103.4 billion KRW due to increased call traffic.
- Taxes and dues recorded 23.3 billion KRW because KCC levied 15.1 billion KRW of penalty for illegal handset subsidy and FTC imposed 2.5 billion KRW for tariff plan collusion.

◆ Marketing expenses Breakdown

(unit: billion KRW)

	2Q 2006	1Q 2006	QoQ	2Q 2005	YoY
Acquisition fee	160.6	148.9	7.9%	95.5	68.2%
Gross profit from handset sales	(21.8)	(21.2)	2.8%	(8.6)	154.3%
On-going commission	21.8	22.1	-1.4%	19.8	9.9%
Advertising	12.5	13.7	-8.8%	14.2	-12.0%
Sales promotion	8.2	12.7	-35.5%	12.2	-32.7%
Total	181.3	176.2	2.9%	133.2	36.2%

- Marketing expense recorded 181.3 billion KRW, up by 2.9% QoQ, due to the increase in acquisition cost in overheated competition environment.
- Sales promotion fee decreased to 8.2 billion KRW due to the decrease of promotion events.

◆ CAPEX

(unit: billion KRW)

	2Q 2006	1Q 2006	2005	1Q 2005	2Q 2005	3Q 2005	4Q 2005
Network	82.6	35.3	289.4	85.2	80.7	53.9	69.6
IT	2.4	1.2	22.4	3.4	6.4	4.4	8.2
Others	7.7	21.7	22.0	4.7	6.5	4.8	6.0
Total	92.7	58.2	333.8	93.3	93.6	63.1	83.8
CAPEX/Sales ratio	13%	8%	13%	15%	14%	9%	12%

* Above amount excluded non-depreciation related asset such as deposit and premium.

- Total CAPEX is 92.7 billion KRW which was mostly executed to expand network capacity and coverage to serve increased number of subscribers.

5. Non-operating Income / Expenses

◆ Non-operating Income / Expenses Breakdown

(unit: billion KRW)

	2Q 2006	1Q 2006	QoQ	2Q 2005	YoY
Non-operating income	18.2	31.1	-41%	10.7	69%
Interest income	8.0	14.2	-44%	3.6	122%
Others	10.2	16.9	-40%	7.1	43%
Non-operating expense	347.8	32.0	987%	29.4	1083%
Interest expense*	18.9	19.7	-4%	22.4	-16%
Loss on acc. receivable sold	1.3	2.0	-35%	3.3	-60%
Impairment Loss on Intangible assets	323.4				
Others	4.1	10.3	-60%	3.7	11%
Balance	(329.6)	(.9)		(18.6)	

* Bond issuing expenses and amortization on discount on bond issued are included in interest expense.

- Decrease in non-operating income QoQ resulted from interest income of matured ABS account receivable in 1Q 2006.
- Increase in non-operating expense resulted from recognizing 2.1GHz spectrum fee of 323.4 billion KRW as impairment loss on intangible asset in 2Q 2006.

◆ Net debt

(unit: billion KRW)

	2006. 6	2006. 3	QoQ	2005. 6	YoY
Net debt	998.2	1,106.4	-10%	1,227.5	-19%
Net interest expense	10.9	5.5	99%	18.8	-42%
Average interest rate	5.87%	5.95%		6.71%	

- Net debt, as of June 2006, decreased by 19% YoY to 998.2 billion KRW in accordance to the steady growth of cash flow as a result of operating activities and debt repayment.
- Increase in net interest expense resulted from interest income of matured ABS A/R in 1Q 2006.

◆ Number of employees

(unit: billion KRW)

	2006. 6	2006. 3	2005. 12	2005. 9	2005. 6
Regular-base	1,429	1,423	1,461	1,452	1,465
Contract-base	536	532	551	533	484
Total	1,965	1,955	2,012	1,985	1,949

* No. of Bank-On part-time workers is not included in No. of contract-base employees.

6. Balance Sheet

◆ Assets

(unit: billion KRW)

	2006. 6	2006. 3	QoQ	2005. 6	YoY
Current Assets	1,283.9	1,187.6	8.1%	976.3	31.5%
Quick Assets	1,222.9	1,099.5	11.2%	900.3	35.8%
- Cash etc.*	498.5	395.0	26.2%	430.3	15.9%
- Accounts receivable	724.4	704.5	2.8%	470.0	54.1%
Inventories	61.1	88.0	-30.6%	76.1	-19.7%
Non-current Assets	2,007.0	2,658.4	-24.5%	2,648.3	-24.2%
Investment Assets	405.3	411.7	-1.6%	377.1	7.5%
Tangible Assets	1,598.6	1,605.6	-0.4%	1,656.3	-3.5%
Intangible Assets	3.1	641.0	-99.5%	614.8	-99.5%
- 3G Spectrum license	-	637.5	-100.0%	609.9	-100.0%
Total Assets	3,290.9	3,845.9	-14.4%	3,624.6	-9.2%

* 'Cash etc.' includes short-term deposit and some Available for sale securities (Trust).

- Total assets decreased by 14.4% QoQ to 3.2909 trillion KRW.
- Cash & cash equivalent increased by 26.2% QoQ to 498.5 billion KRW due to the increase in beneficiary certificate.
- Intangible assets decreased by 99.5% QoQ to 3.1 billion KRW due to the cancellation of IMT 2000 license in the 2.1GHz spectrum.

◆ Liability (interest bearing debt)

(unit: billion KRW)

	2006. 6	2006. 3	QoQ	2005. 6	YoY
Short-term borrowings	175.0	250.3	-30%	220.0	-20%
Current portion of long-term debt	276.7	285.0	-3%	698.9	-60%
Domestic debenture	663.4	718.1	-8%	525.1	26%
Long-term borrowings	170.0	100.0	70%	16.7	920%
Financial lease				73.6	-100%
Total interest bearing debt	1,285.0	1,353.4	-5%	1,534.3	-16%

- All financial lease was repaid as of 1Q 2006.

7. Financial Statement – B/S

(unit: million KRW)

Classification	2006. 6	2006. 3	2005. 12	2005. 9	2005. 6	2005. 3
I. Current Assets						
1. Quick Assets	1,222,863	1,099,542	987,895	942,018	900,290	789,678
1) Cash & cash equivalents	218,571	88,023	160,956	233,888	288,224	67,057
2) Accounts Receivable	724,358	704,499	673,126	529,106	470,031	492,246
3) Trading Securities	254	183	183	176	158	114
4) Short-term Loans	10,461	6,387	6,213	8,507	9,324	8,709
5) Available-for-Sale Securities	68,014	158,835	38,614	59,850	18,416	109,701
6) Other accounts receivable	64,122	55,169	55,457	50,780	51,965	48,812
7) Accrued Income	1,492	3,763	1,905	1,095	900	3,303
8) Advance Payments	1,477	1,327	2,310	2,096	1,187	1,399
9) Prepaid Expenses	59,786	59,091	46,701	54,603	58,637	55,780
10) Prepaid Corporation Taxes	1,388	3,334	2,429	1,917	1,447	2,556
11) Corporation Taxes Deferred	72,941	18,931				
2. Inventories	61,081	88,041	87,871	88,928	76,051	100,887
1) Handset	58,421	87,544	87,407	88,308	74,013	97,591
2) components	2,660	497	464	620	2,039	3,296
Total Current Assets	1,283,945	1,187,583	1,075,767	1,030,945	976,342	890,565
II. Non-current Assets						
1. Long-term Investments	405,254	411,683	469,592	434,912	377,098	378,253
1) Long-term financial instruments	5	5	5	5	5	5
2) Long-term account receivable	133,121	142,772	144,711	113,454	55,477	61,129
3) Available-for-Sale Securities	33,583	33,012	32,836	33,265	33,048	36,267
4) Held-to-Maturity Securities	48,279	48,279	106,396	106,396	106,396	85,730
5) Long-term Loans	2,728	6,392	5,547	4,505	4,911	4,375
6) Long-term Prepaid Expenses	17,910	17,965	19,650	19,435	17,923	18,278
7) Deposits	157,997	151,626	148,815	146,220	147,707	141,142
8) Corporation Taxes Deferred	11,631	11,631	11,631	11,631	11,631	31,327
2. Property, Plant and Equipment	1,598,590	1,605,626	1,587,925	1,615,528	1,656,346	1,662,095
1) Land	47,826	47,826	47,823	47,823	47,823	47,823
2) Electrical comm. Equipment	1,313,601	1,364,284	1,348,576	1,347,591	1,341,452	1,317,241
3) Buildings	90,337	91,025	93,575	94,141	94,845	95,548
4) Tools	4,536	4,725	5,287	5,713	5,888	6,130
5) Furniture	53,472	52,494	53,359	48,739	46,792	42,598
6) Vehicles	15	22	26	30	35	40
7) Construction in Progress	88,804	45,252	39,278	71,491	119,512	152,714
3. Intangible Assets	3,127	641,044	632,231	623,494	614,838	606,978
1) Patents	246	207	188	168	173	178
2) Right of Design	6	6	7	4	5	5
3) Trademarks	164	181	168	137	157	177
4) Right for using facilities	2,203	2,469	2,734	3,076	3,419	3,761
5) Licensed software	508	644	792	963	1,134	1,305
6) Rights for frequency usage licens		637,538	628,342	619,146	609,950	601,551
Total Non-current Assets	2,006,972	2,658,353	2,689,747	2,673,935	2,648,281	2,647,325
Total Assets	3,290,917	3,845,936	3,765,514	3,704,880	3,624,623	3,537,890

7. Financial Statement – B/S

(unit: million KRW)

Classification	2006. 6	2006. 3	2005. 12	2005. 9	2005. 6	2005. 3
III. Liabilities						
1. Current Liabilities	1,270,142	1,227,512	1,295,489	1,349,154	1,510,682	1,489,853
1) Accounts payable	133,928	153,475	112,366	109,282	64,069	96,074
2) Short-term borrowings	175,000	250,257		200,091	220,000	128,097
3) Short-term notes payable	42,631	70,111	112,184	111,156	66,530	70,379
4) Short-term account payable	326,268	190,109	262,362	188,340	214,343	196,340
5) Advance receipts	35,464	34,362	30,972	30,756	22,779	22,490
6) Withholdings	29,917	30,364	28,214	28,601	28,985	27,242
7) Accrued expenses	205,920	183,786	209,189	188,747	183,429	167,409
8) Current portion of long-term debt	276,667	285,000	528,990	480,866	698,922	769,668
9) Unearned income	6,024	5,614	5,857	5,958	6,163	6,393
10) Debt allowance	4,771	5,502	5,354	5,357	5,462	5,761
11) Accrued corp. taxes	33,553	18,931				
2. Non-current Liabilities	868,515	1,268,100	1,220,417	1,189,021	1,037,029	1,028,245
1) Bonds	614,914	676,938	623,163	608,627	494,464	463,558
2) Long-term borrowings	170,000	100,000	100,000	78,333	16,667	25,000
3) Rental deposit	5,657	5,752	7,209	7,192	7,327	7,241
4) Long-term account payable		415,289	433,501	442,027	461,329	471,102
5) Accrued severance benefits	29,503	28,910	27,060	27,153	26,645	25,790
6) Derivatives debts	48,442	41,211	29,484	25,688	30,597	35,553
Total Liabilities	2,138,657	2,495,612	2,515,906	2,538,175	2,547,711	2,518,098
IV. Shareholder's Equity						
1. Paid in Capital	1,386,392	1,386,392	1,386,392	1,386,392	1,386,392	1,386,392
Common Stock	1,386,392	1,386,392	1,386,392	1,386,392	1,386,392	1,386,392
2. Capital Surplus	11,579	11,579	11,579	11,579	11,579	11,579
Paid-in Capital over Par	11,579	11,579	11,579	11,579	11,579	11,579
3. Retained Earnings	-233,729	-38,366	-143,743	-225,611	-312,270	-366,892
1) Unappropriated retained earnings	-143,743	-143,743	-391,871	-383,690	-386,582	-389,329
2) Net income in fiscal year	-89,986	105,377	248,128	158,079	74,312	22,437
4. Capital Adjustment	-11,983	-9,281	-4,621	-5,656	-8,790	-11,287
1) Securities valuation gain	936	1,010	1,168	855	801	232
2) Securities valuation loss	-2,429	-3,131	-3,562	-2,537	-3,859	-1,092
3) Derivatives valuation gain	-10,490	-7,160	-2,227	-3,973	-5,732	-10,427
Total Shareholders' Equity	1,152,259	1,350,324	1,249,607	1,166,705	1,076,912	1,019,792

8. Financial Statement – P/L

(unit: million KRW)

Classification	2Q 2006	1Q 2006	4Q 2005	3Q 2005	2Q 2005	1Q 2005
I. Sales	987,570	942,908	937,305	883,873	862,994	825,276
1.Service Revenue	742,991	722,401	712,036	672,403	662,189	628,493
2.Handset Sales	244,579	220,506	225,269	211,471	200,805	196,784
II. Operating Expenses	892,761	836,627	817,681	782,421	770,038	779,364
1.Salaries	35,336	42,794	47,799	43,098	42,902	53,277
2.Utility Charge	7,567	7,930	7,778	8,695	6,762	6,713
3.Taxes & Dues	23,296	8,481	2,070	4,896	7,372	9,588
4.Rentals	36,918	35,400	44,389	44,267	41,828	38,978
5.Depreciation	99,471	101,809	102,248	101,949	99,135	96,413
6.Insurance	4,665	4,238	-6,754	8,136	7,215	6,754
7.Advertising	12,482	13,692	9,025	8,112	14,180	17,026
8.Sales commission	182,402	170,953	134,841	109,551	115,323	111,637
9.Fees & Charges	48,983	47,436	50,411	43,295	43,661	45,669
10.Sales promotion	8,216	12,745	15,715	13,505	12,211	21,578
11.Interconnection fee	103,420	97,067	96,114	90,463	85,970	77,270
12.Frequency usage fee	9,046	8,731	8,811	8,583	8,184	8,437
13.Leased line fee	47,935	48,013	48,987	45,652	48,963	49,151
14.Ordinary R&D expenses	3,196	5,772	-2,377	5,541	6,360	7,620
15.External service	8,914	8,708	8,488	8,384	8,335	8,428
16.International Roaming SVC	2,764	2,767	2,838	2,587	2,286	2,218
17.Bad debt expense	19,444	5,399	13,471	15,992	12,290	16,498
18.Intangible amortization	425	436	542	539	539	539
19.cost of handset sales	222,827	199,350	216,836	204,844	192,252	187,576
20.others	15,454	14,906	16,449	14,329	14,270	13,994
III. Operation income	94,809	106,280	119,623	101,453	92,956	45,913

8. Financial Statement – P/L

(unit: million KRW)

Classification	2Q 2006	1Q 2006	4Q 2005	3Q 2005	2Q 2005	1Q 2005
IV. Non-Operating Income	18,204	31,095	20,147	11,934	10,747	23,666
1. Interest Income	8,042	14,234	7,594	5,741	3,620	11,554
2. Gain on F/C Transactions	15	12	20	11	6	5
3. Rental income	957	1,715	1,499	1,324	1,142	1,384
4. Commission earned	929	866	1,060	1,051	889	1,030
5. Gain on F/C Translations	3,063	7,276	4,902	-2,666	-21	3,808
6. Miscellaneous Income	4,905	6,974	4,953	6,454	4,997	5,883
7. Others	293	17	119	19	116	
V. Non-operating expense	347,764	31,998	57,903	26,728	29,385	36,089
1. Interest Expense	17,953	18,237	19,707	20,861	20,729	23,322
2. Loss on Disposal of Tangible Assets	270	2,183	4,968	69	307	2,094
3. Loss on Accounts Receivable Sold	1,300	1,989	27,552	2,070	3,266	3,583
4. Amort. on Discount on Bond Issued	981	1,471	1,530	1,620	1,693	1,962
5. Impairment Loss on Invest Securities	57	97	-283	159	1,021	83
6. Loss on Derivatives Valuation	3,062	7,276	4,903	-2,665	-23	3,808
7. Other bad debt expense			192	-186	445	759
8. Impairment Loss on Tangible assets	139	455	-1,506	3,904	1,413	
9. Impairment Loss on Intangible assets	323,409					
10. Miscellaneous Losses	185	156	78	685	323	236
11. Others	407	134	762	211	210	240
VI. Ordinary income	-234,751	105,377	81,868	86,659	74,319	33,490
VII. Income taxes	-39,388				19,696	8,511
VIII. Net income	-195,363	105,377	81,868	86,659	54,623	24,979