

KT's Business Strategies toward the UBB Era



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I

Korean Telecom Market

1. Major Players
2. Broadband and FTTH
3. IPTV

II

Today's Issues of KT

1. Growth
2. Competitive Environment
3. New IT Governance

III

Strategic Directions of KT

1. Customer Base Expansion
2. Media-Telco Transformation
3. Advertisement BM
4. Network Investment

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New Business on IP Network

1. IPTV Plan
2. SoIP Plan

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Long Term Strategic Goals of KT

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2. IT Embedded Service

Issues in Korean Telecom Market Today

Broadband

Coverage Expansion



Speed Competition



Contents Competition

Approval of
Bundling Service

- Approval of bundling service for major telcos in Korea speeded up the restructuring of the telecom industry (Jul.'07)

Passage of IPTV
Bill

- IPTV bill, which had been controversial for a long time, was eventually passed (Nov.'07)

Merger between
Hanaro Telecom
and SKT

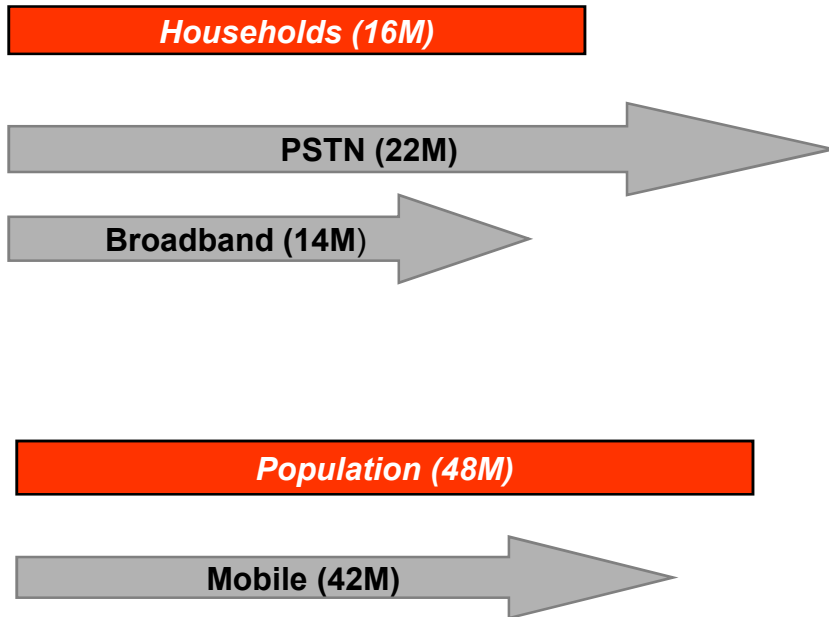
- Merger between Hanaro (2nd largest BB provider in Korea) and SKT, created another integrated telco leaving LG group far behind the two giant telcos, KT and SKT

Emergence of
Super Regulator

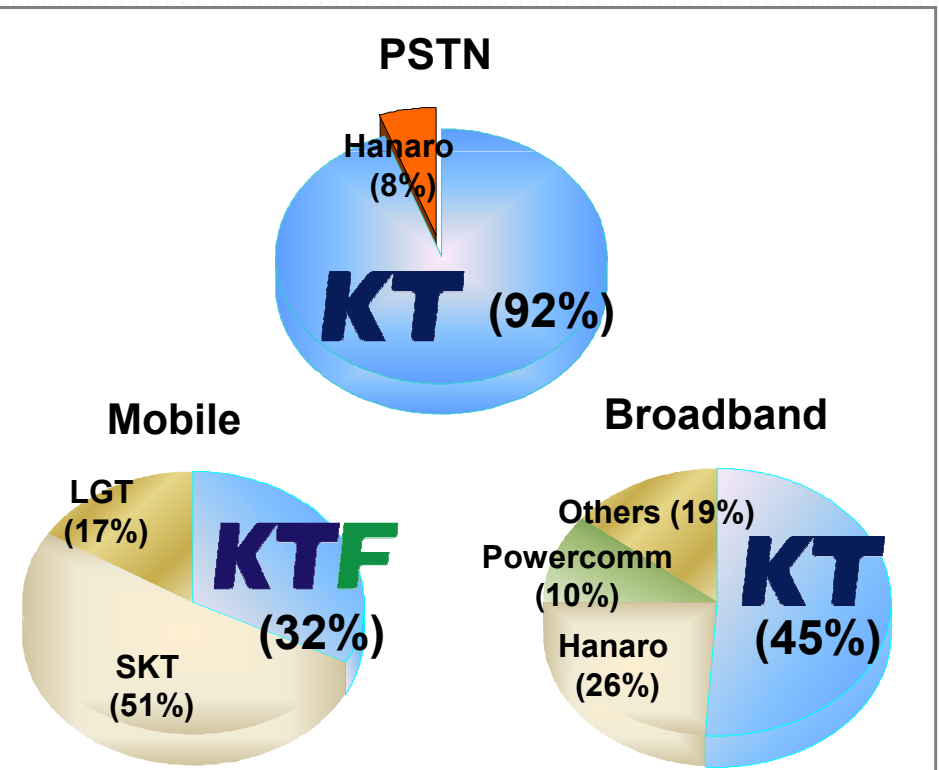
- New administration (Feb.'08) separated telecom and broadcasting from IT by placing them together under control of a reshaped regulatory commission

- Korean telecom market is a global leader in terms of penetration and technology adoption. Both the size and market share have stabilized somewhat through the years.

Size of Market (Subscribers)

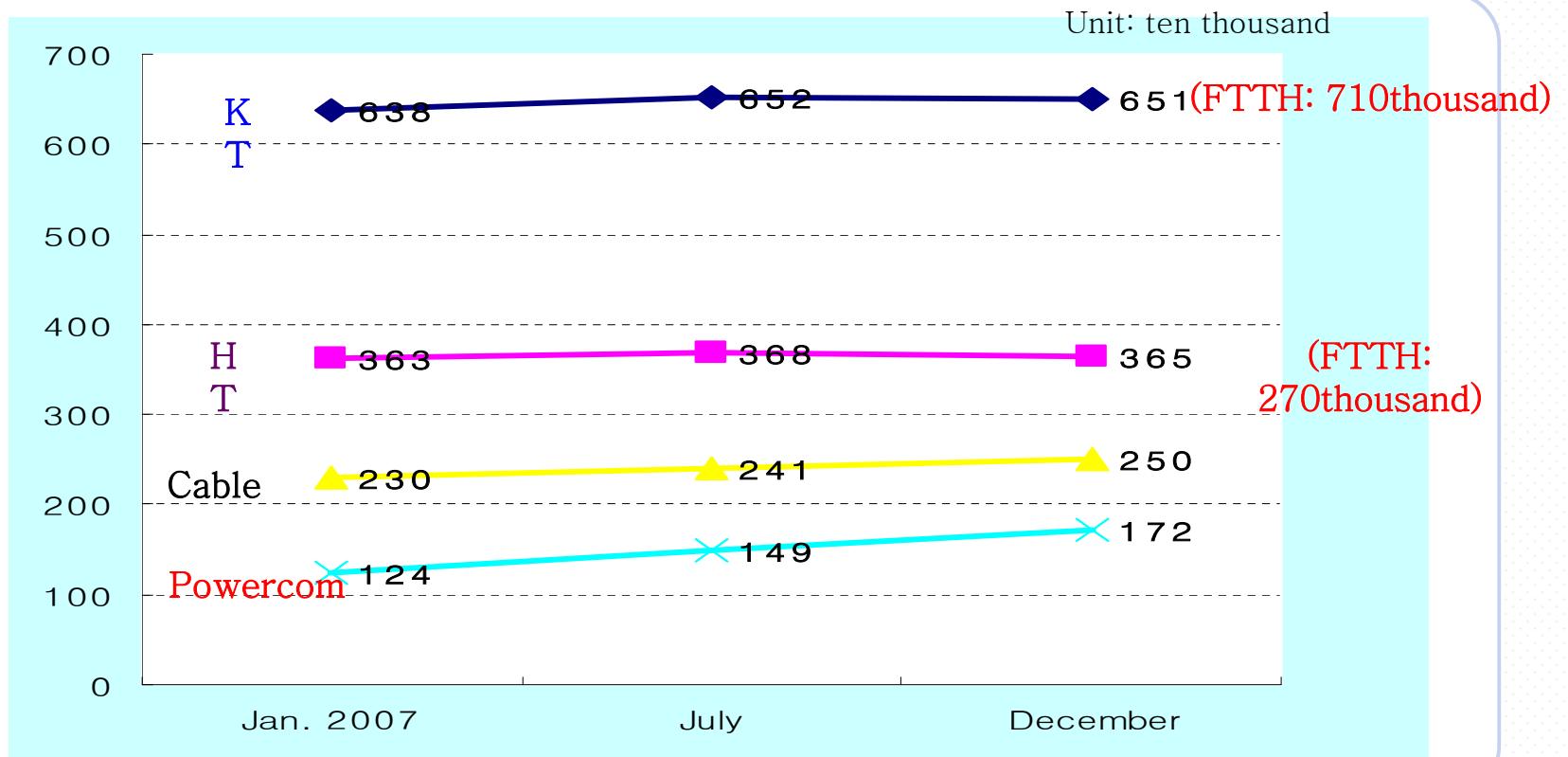


Market Share (Subscribers)



- Number of subscribers for leading broadband providers have stabilized
- Number of subscribers for Powercom (a new comer) is growing rapidly

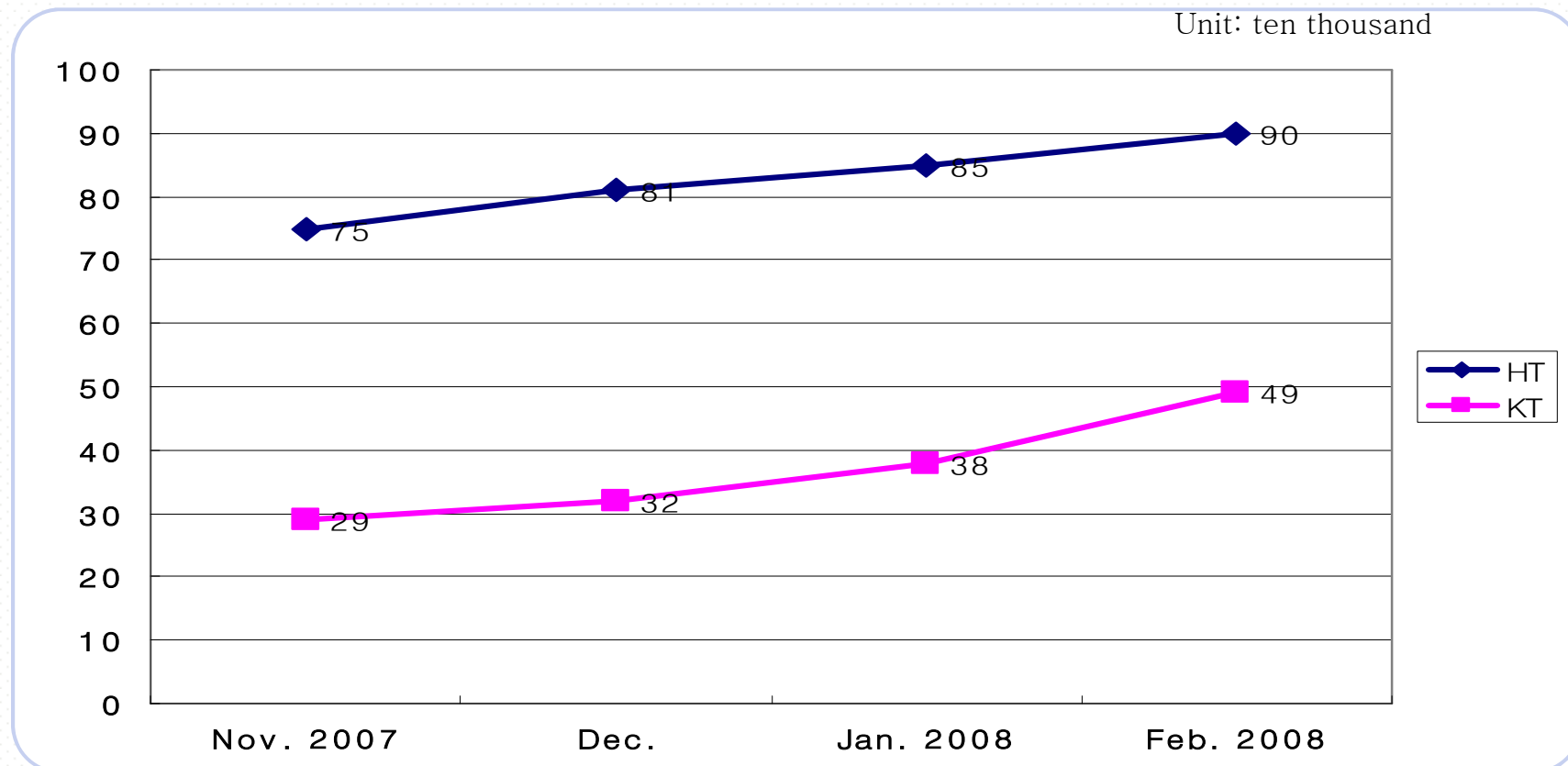
Broadband Subscribers



Source : Ministry of Information and Communication

- Regulation has delayed launching of IPTV service
- Hanaro Telecom has been a leader in the Pre-IPTV business
- KT has been aggressive since last year, and it's number of customers are growing rapidly

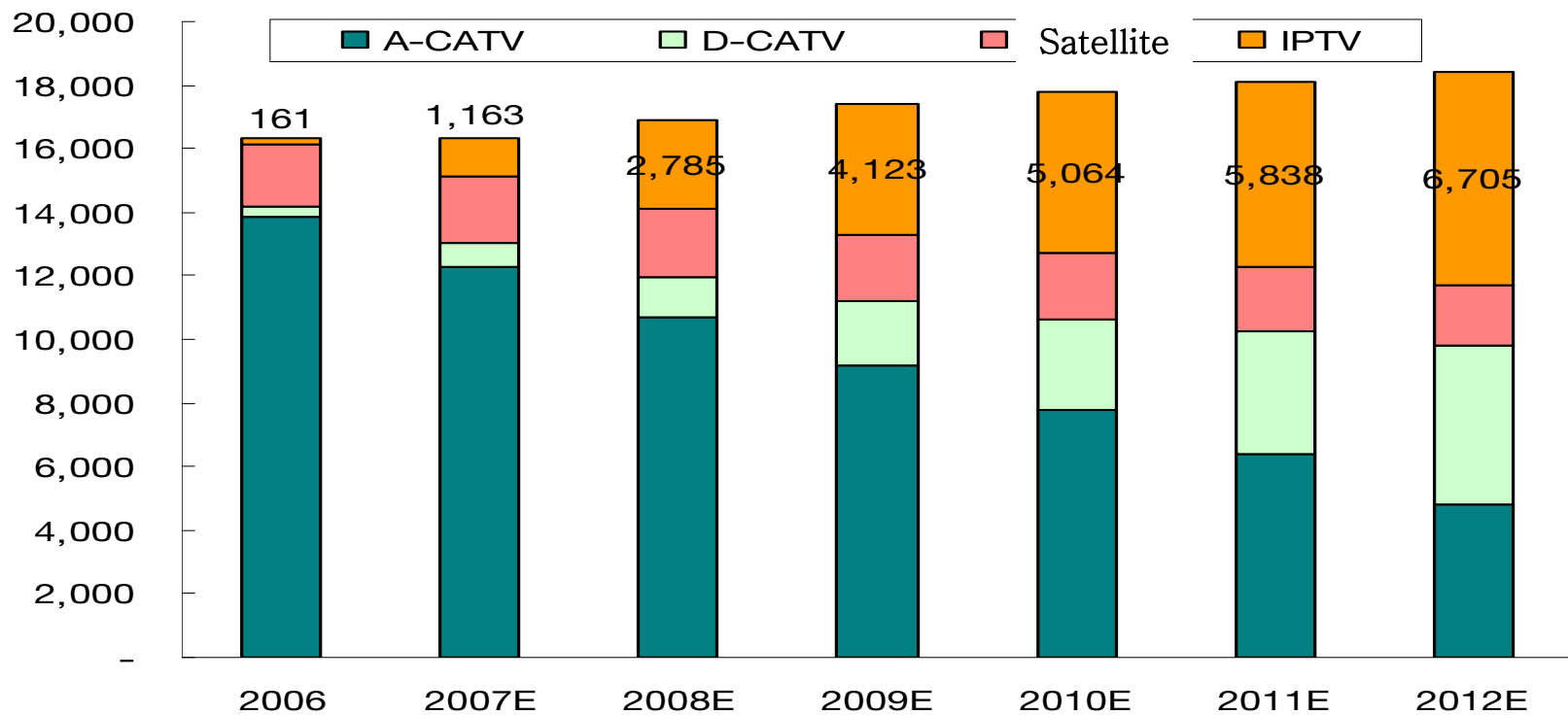
IPTV Subscribers



- CATV players are expanding digital TV coverage to compete with Telco's IPTV
- Digital CATV will replace the analogue TV in the long run

Projected IPTV Subscribers

Unit: million



Source: Hannuri Securities(Dec.2007)

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Today's Issues of KT

Transcend Growth Limit

- KT's revenue has not seen substantial growth for over five years
- This year's target is \$12bn

Innovative Approaches to Competitive Environment

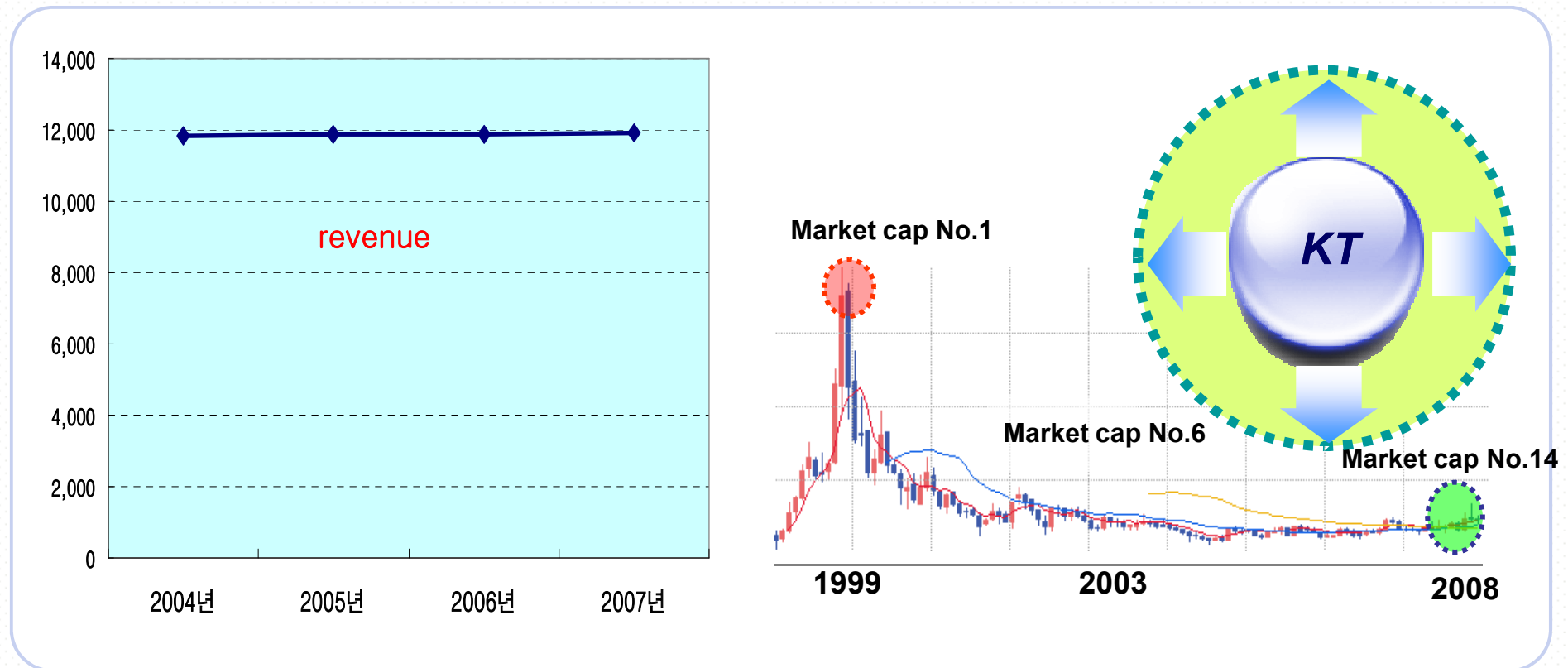
- Full-scale VoIP service launch
- Acquisition of contents and advertising companies
- Network investment for IPTV infrastructure

Responding to New Policy Environment

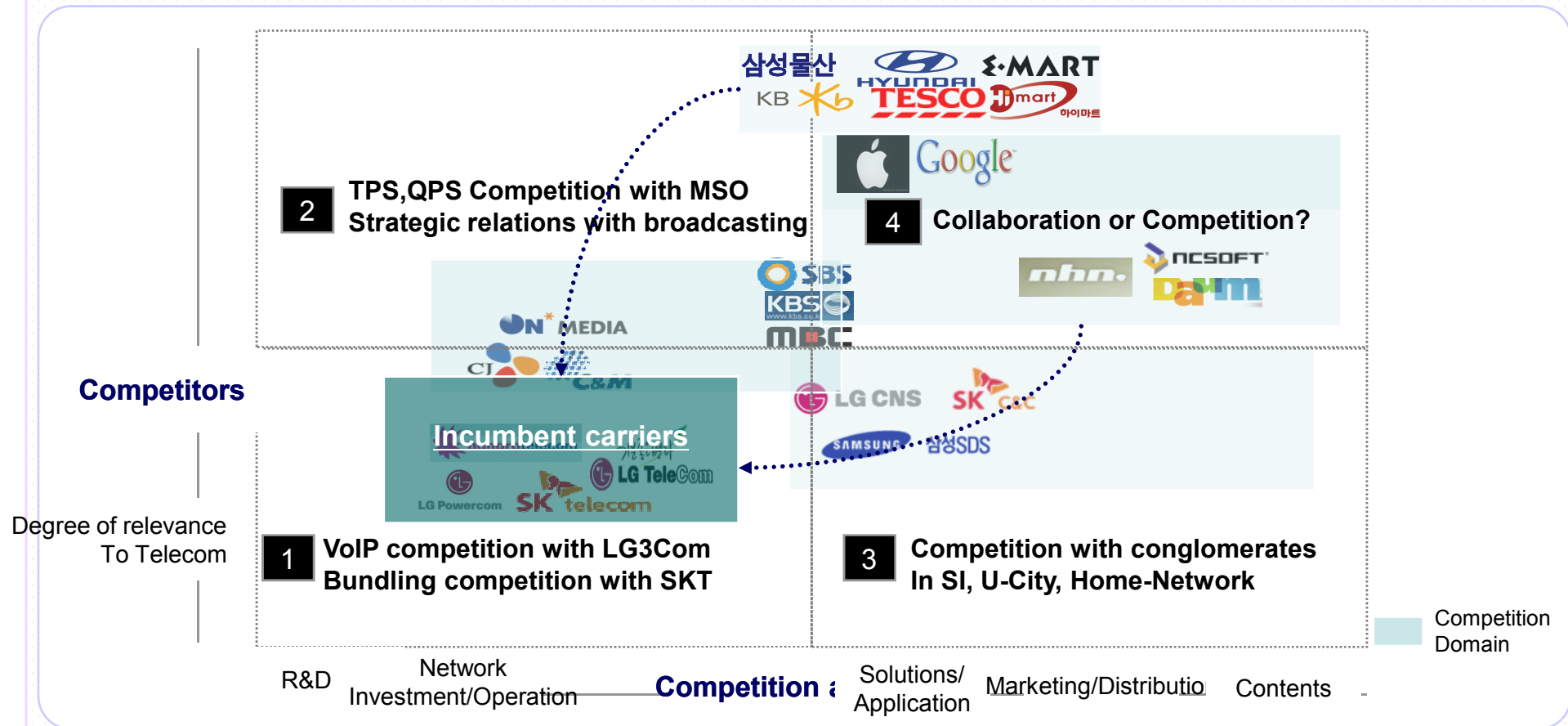
- Build role model for new IT era

- Revenue growth has stalled without new and innovative growth engines
- KT's stock price has also remained at around \$45 for the last several years

Stalled Figures for KT



- In today's convergence environment, industry borders are meaningless
- Alliances with relevant players are very critical



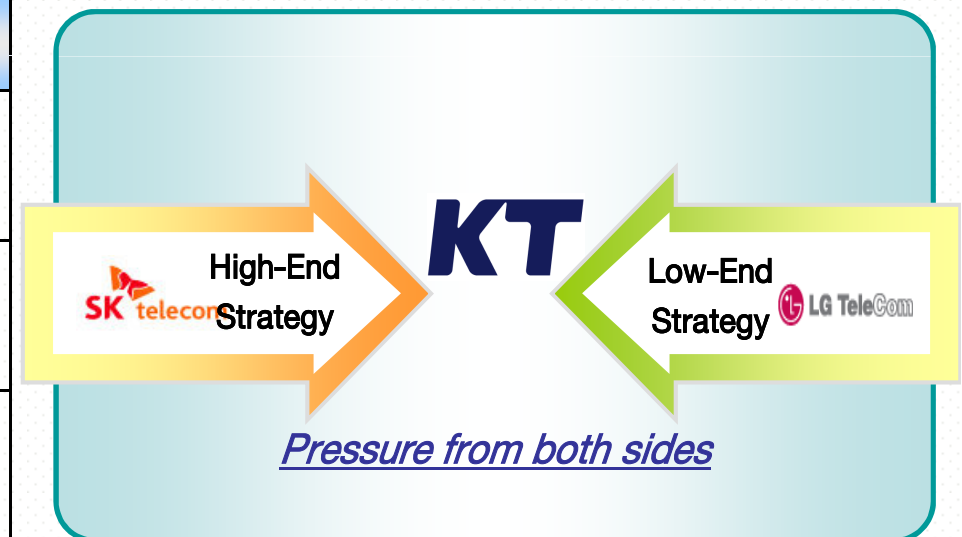
- Roll out of bundled services has brought about a price war
- KT is currently positioned between SKT's high-end strategy and LGT's low-end strategy

Bundled Services of Major Players

Players	Bundling	Discount rate	Plans
KT	PSTN+BB+IPTV	24.78%	\$44.8
Hanaro Telecom	PSTN+FTTH(100M Hz)+IPTV	20%	\$36.53
LG Dacom	PSTN+BB+IPTV	BB: 10% IPTV: 20%	\$35.56

* March, 2008

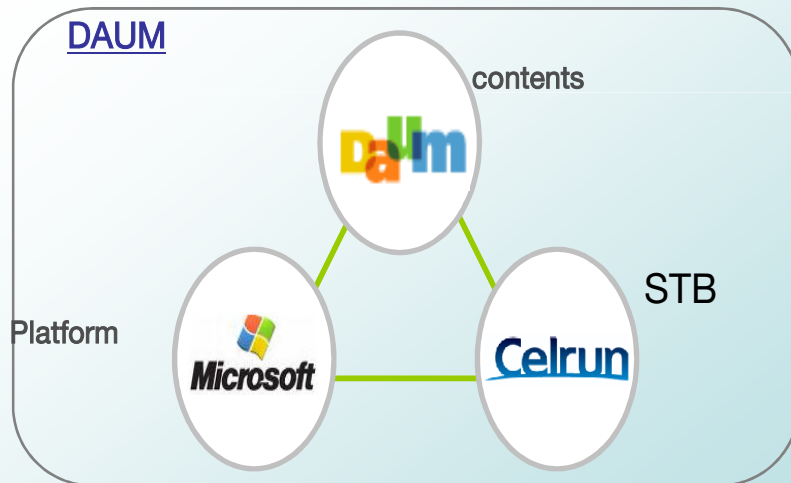
Price War through Bundled Services



- Portals with extensive customer base and powerful search engines emerged as KT's competitors

DAUM: Open IPTV

Independent IPTV Player



NAVER

Affiliate with other Platform Players



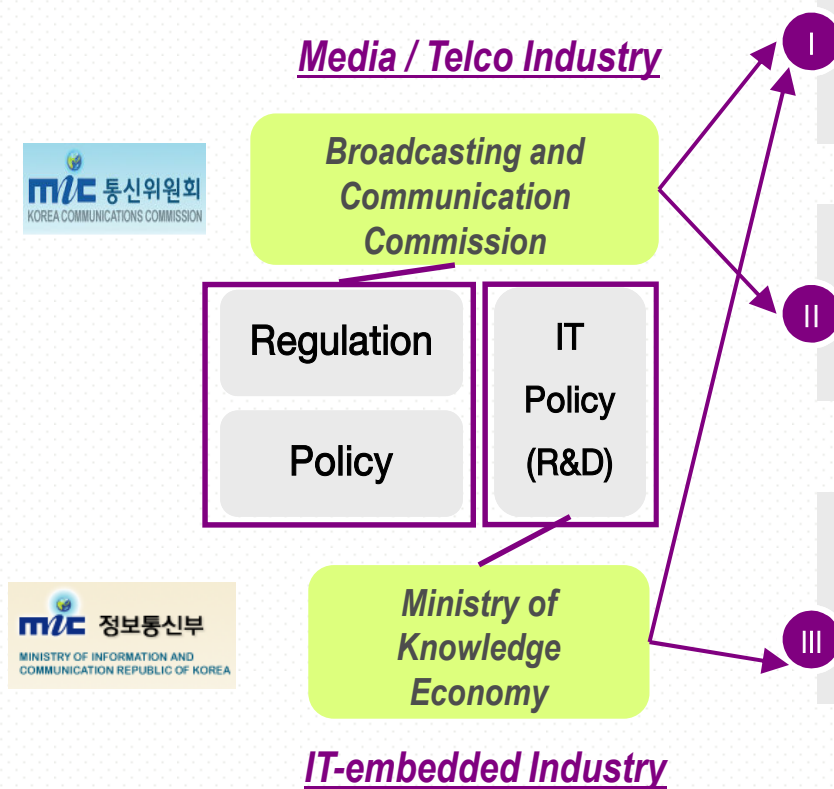
- KT is making every effort to provide contents variety for its IPTV service
- Acquired 5 contents developing firms such as Sidus FNH, Olive9 and etc.

KT's Efforts to Secure Contents for New Business



- A super regulator of broadcasting and telecommunication emerged under the new IT governance with recent change in government administration

Restructuring of Governance



Implications for KT

I Separate broadcasting and telecom from IT industry

II Emergence of super regulator of broadcasting and telecom

III Knowledge economy emerging as a new growth area

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Strategic Directions of KT

Customer Base Expansion

- Expand customer base from households to individuals

Media-Telco

- Transform itself into a Media-Telco company

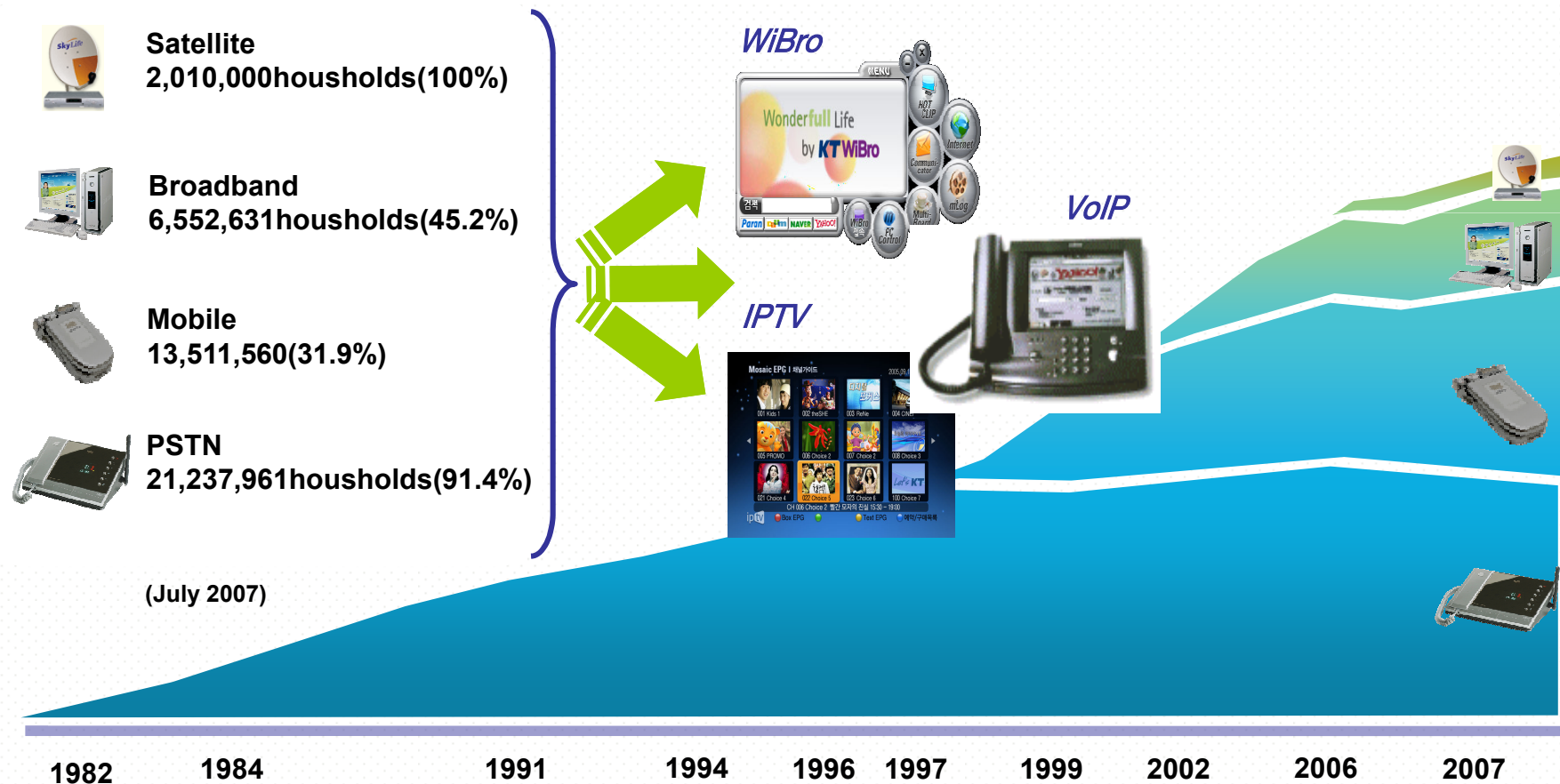
Advertisement BM

- Secure new cash flow from advertisement BM based on robust platform

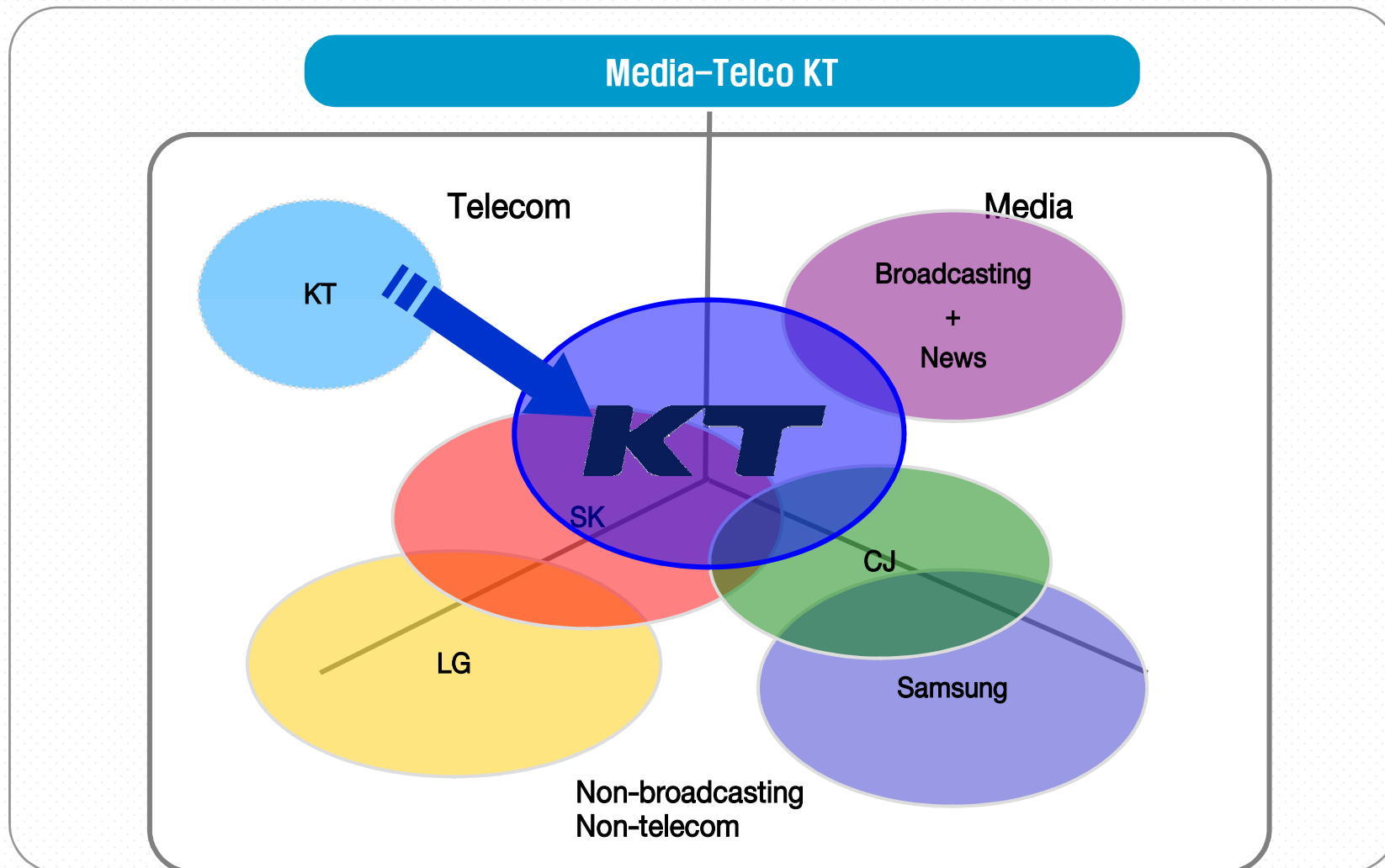
Network Investment

- All-IP network infrastructure will support all future services

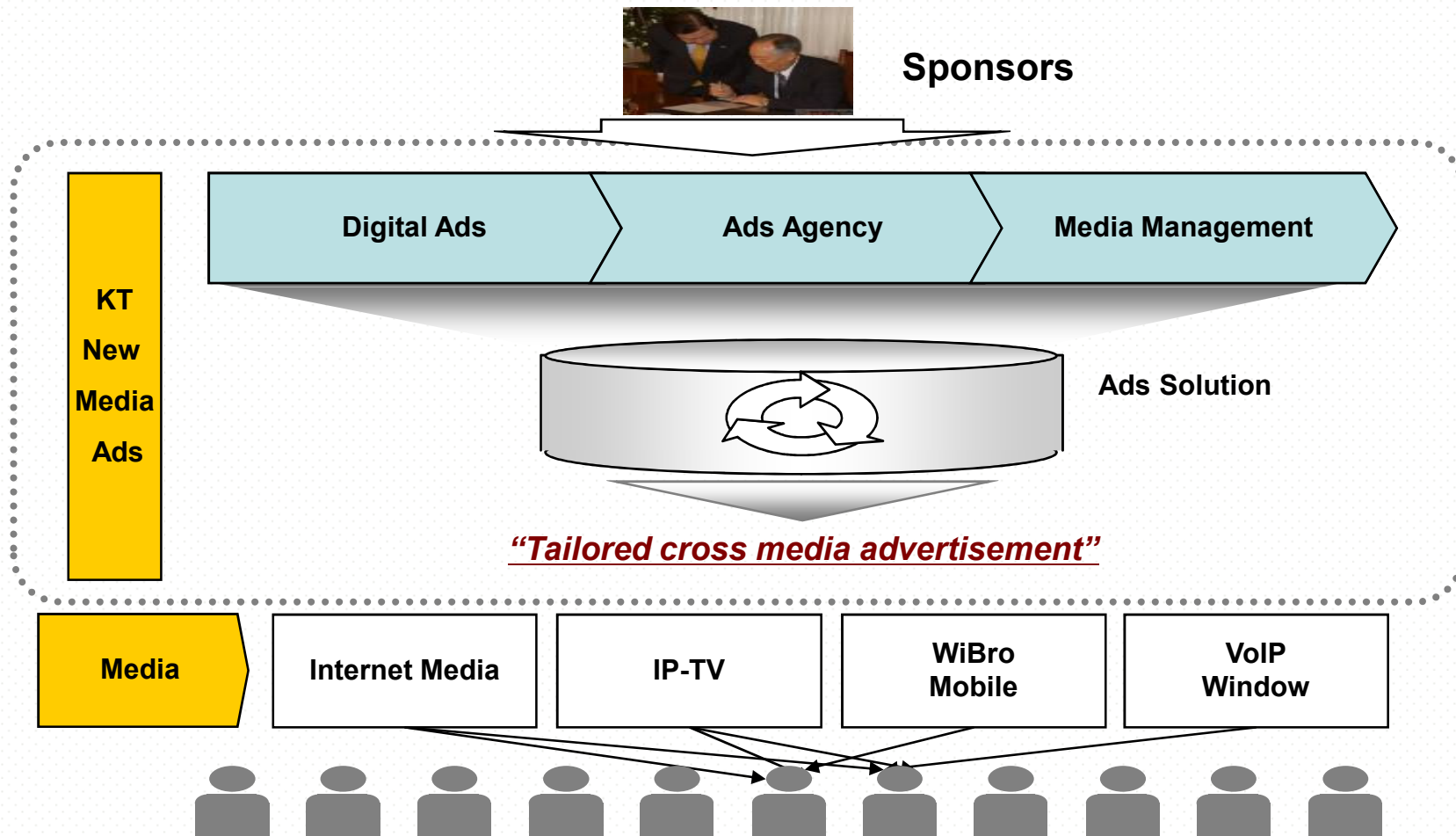
- Customer base expansion for new services such as WiBro, IPTV, VoIP
- From households to individuals



- Contents diversification ranging from movie/soap opera to news/publications transforming itself into a true Media-Telco Company

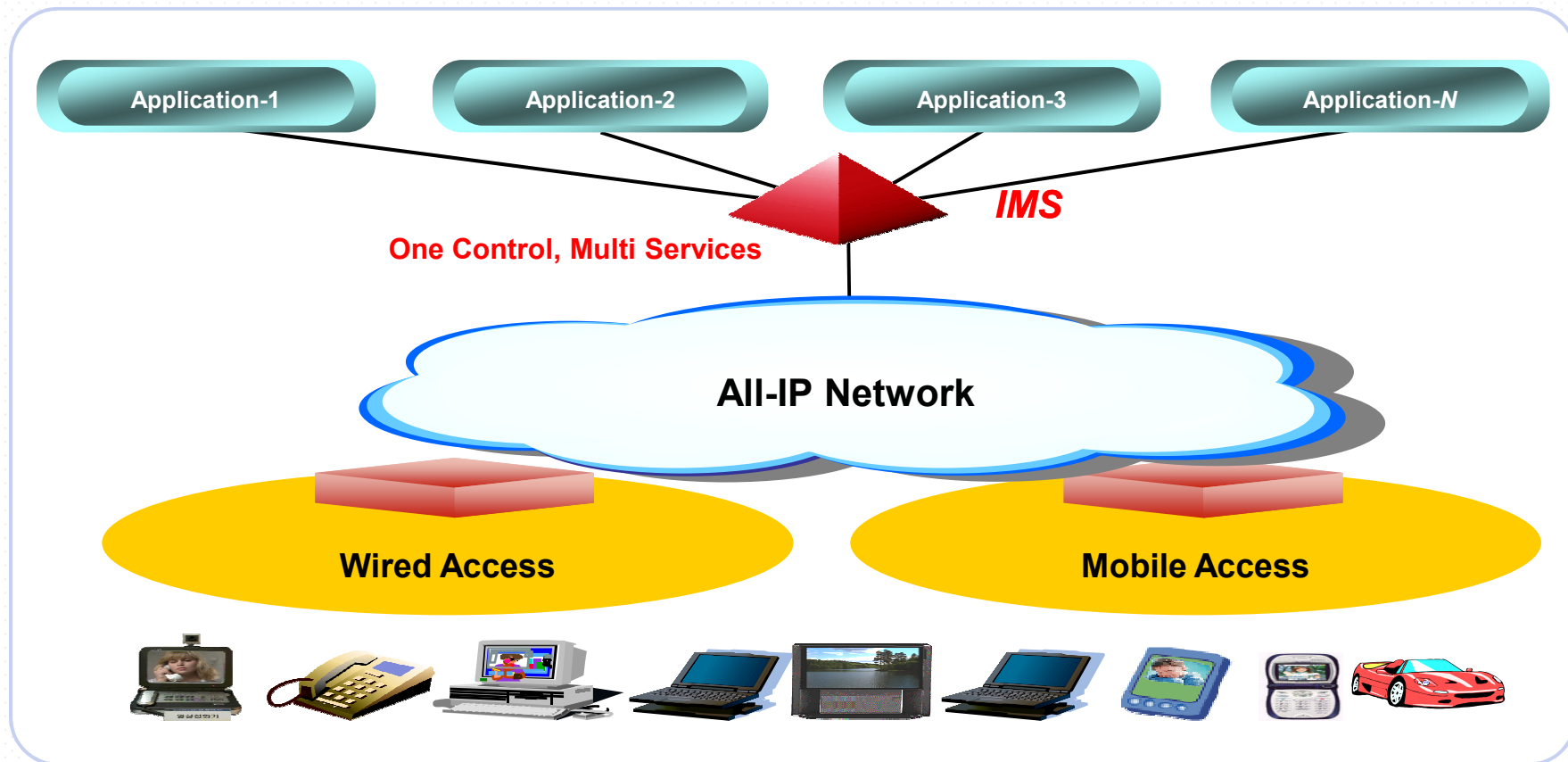


- Advertisement market is a strategic source of income given KT's service platform diversity that can effectively reach the relevant market sectors



- To support these new business models, KT is heading for an all-IP network transformation

Simple Network with Structured Architecture



- Customer value creation through QoS
- Bandwidth provision for QPS
- Integrate nodes and improve reliability

2007

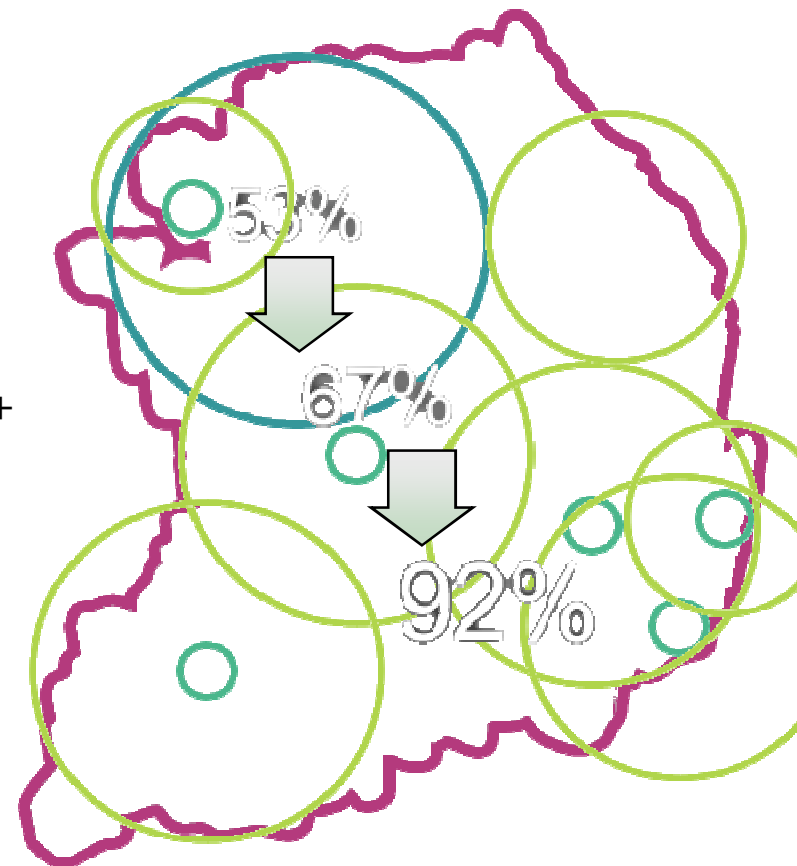
Drive FTTH Rollout
(53% Coverage, \$440 mil.)

2008

Expanding Coverage for QPS+
(67% Coverage, \$790 mil.)

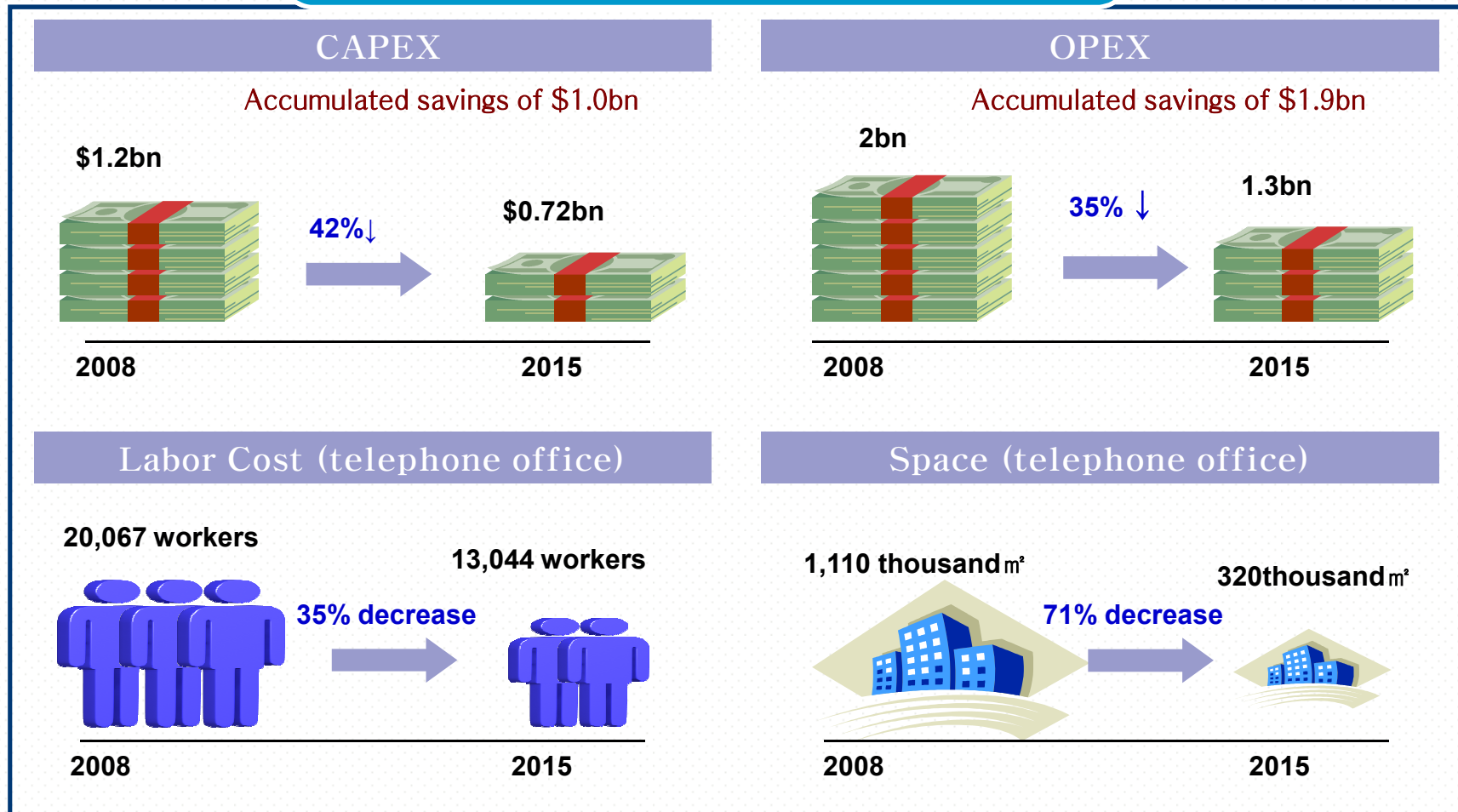
2010

Establishing Nation-wide
(92% Coverage, \$1.3 bn)



- Reduction in Capex/Opex and labor cost
- Utilization of telephone office space for other value added purposes

Benefits of the All-IP Network



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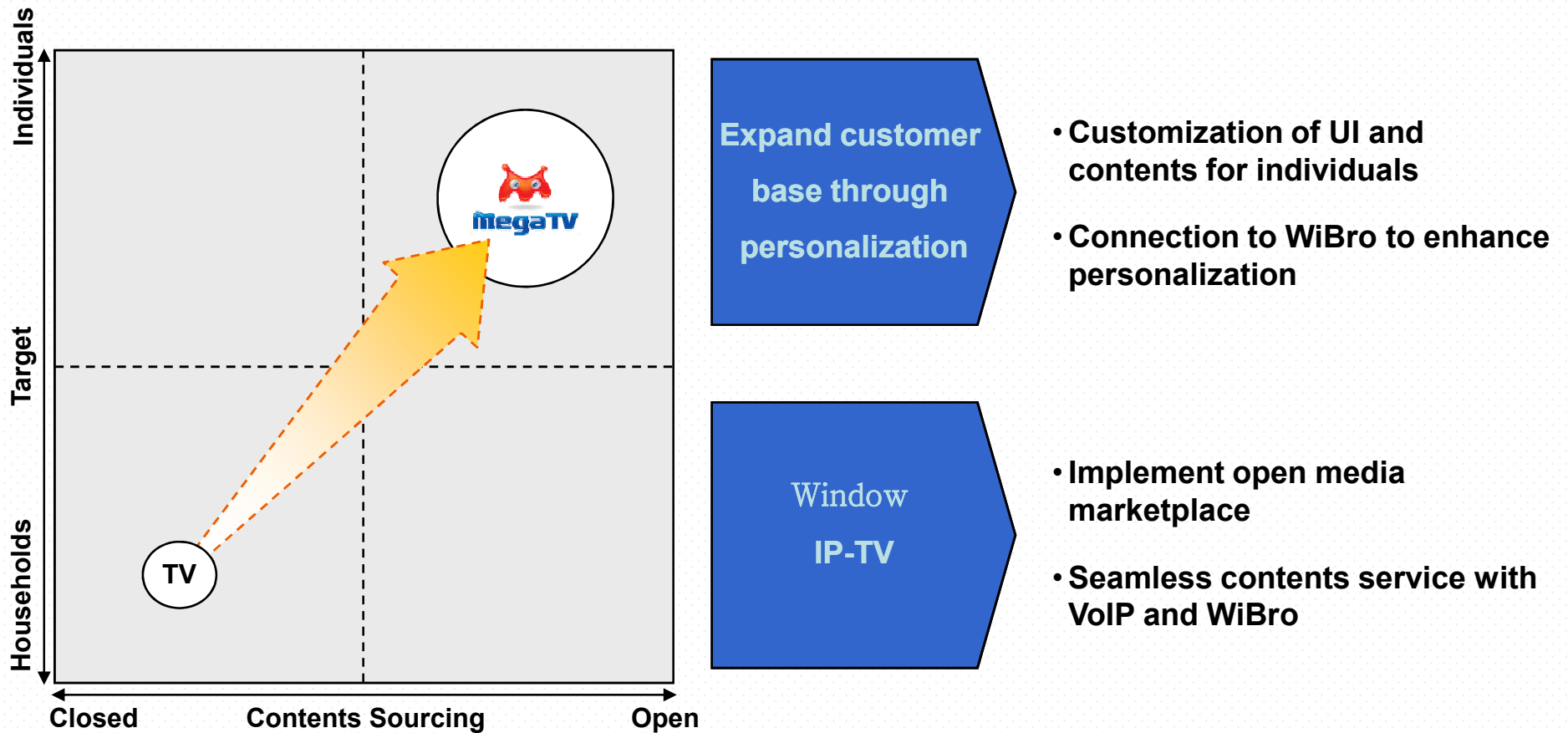
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- KT plans to develop IPTV as its representative 'window' by personalizing the services and contents
 - Open UCC (UGC) upload portal
 - Establishment of a market place for free flow of IPTV contents



- **KT will launch advanced service features such as IP hosting, PPV and T-commerce**
 - **Number of KT's IPTV subscribers is projected at 2.8 million by the year 2012**

Advanced IPTV features and expected # of subscribers

**IP
Hosting**

- **Expand customer base through B2B and B2B2C**

PPV

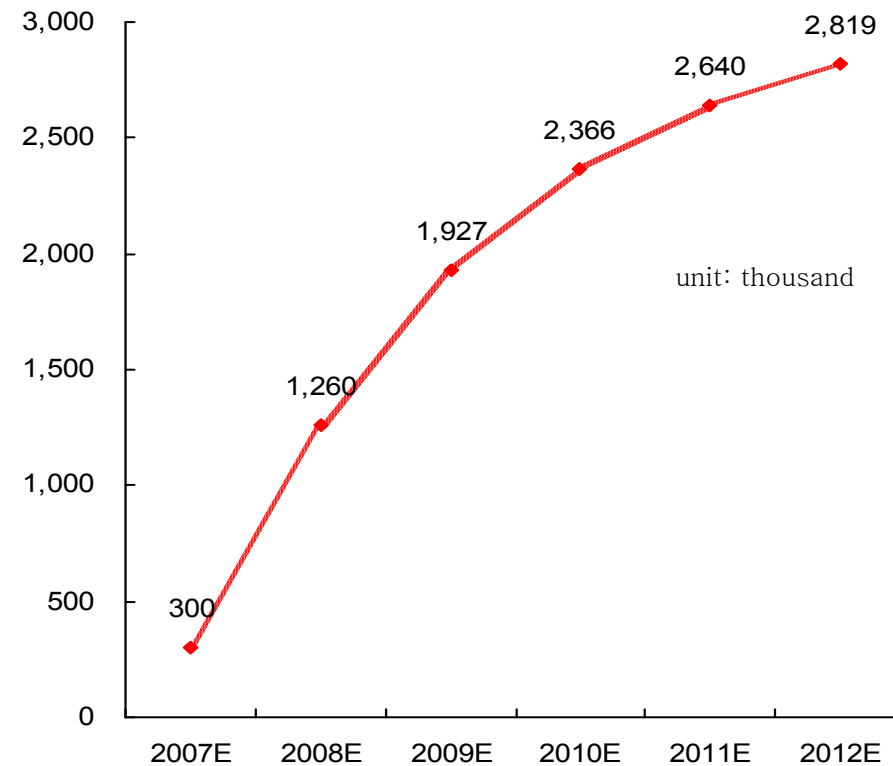
- **Enhance utilization of IPTV by various PPV rate plans**

**Linking
channels**

- **Develop new advertisement models**

**Distinctive
T-
commerce**

- **Develop VoD type commerce**
- **T-commerce model linking channels**



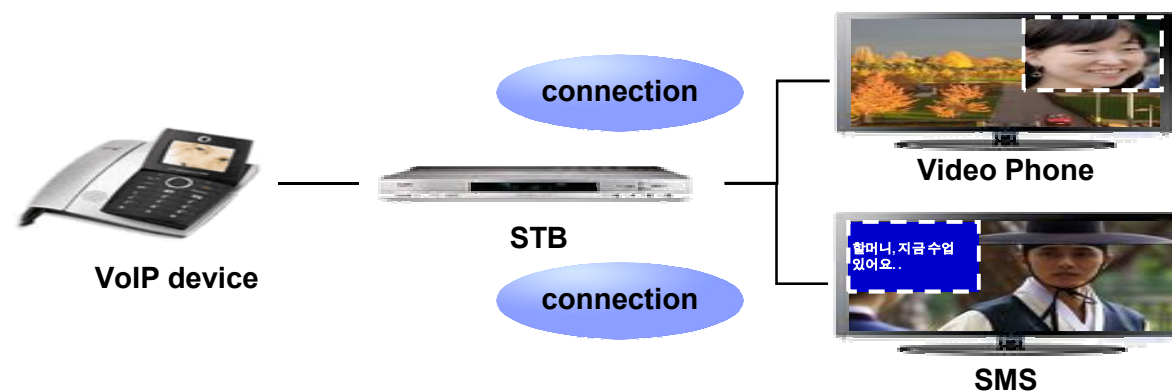
- Linking IPTV to SoIP service will develop SoIP into a window of other services.

Video Phone SoIP

- Secure fixed IP device and premium video phone
- Seamless service with 3G phone

Linkage between
SoIP and IPTV

- Sync the protocol between SoIP device and IPTV STB
- Develop UI for SoIP, SMS/MMS on IPTV screen



- Adding mobility to SoIP by utilizing KT's fixed and wireless network
 - Life style contents will differentiate SoIP from other similar services



• Life style contents through SoIP window



<LBS Service>



Mobility

- USB type 3G, WiBro, VoIP device
- SoIP equipped WiBro Phone

Convergence

- VoIP, BB, 3G / WiBro: QPS Full Line-Up

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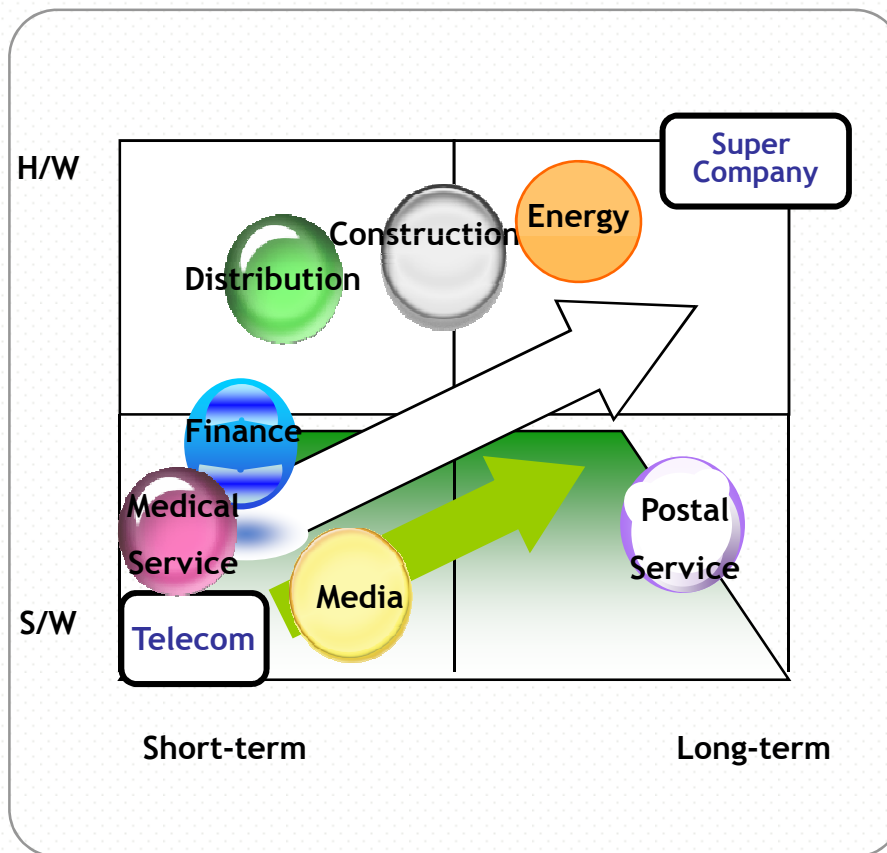
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- Telecom market is saturated and inter-industry convergence is on the rise
- Telcos need to expand its business domain

M&A in the convergence era



Opportunities in other industries

Telecommunication centered mind

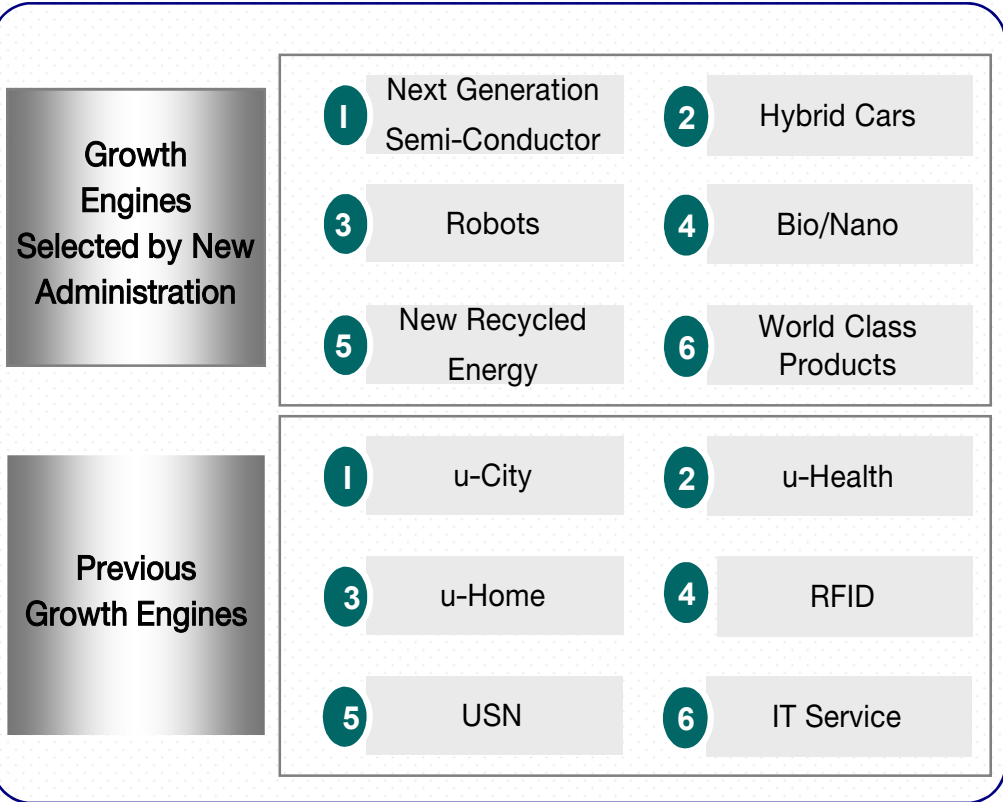


Expanding its business domain



- The new administration aims to support growth industries facilitated by IT rather than revive the IT industry itself
- KT will seek growth through embedding IT to these industries

New Administration's Interests



KT's IT Embedded Service

