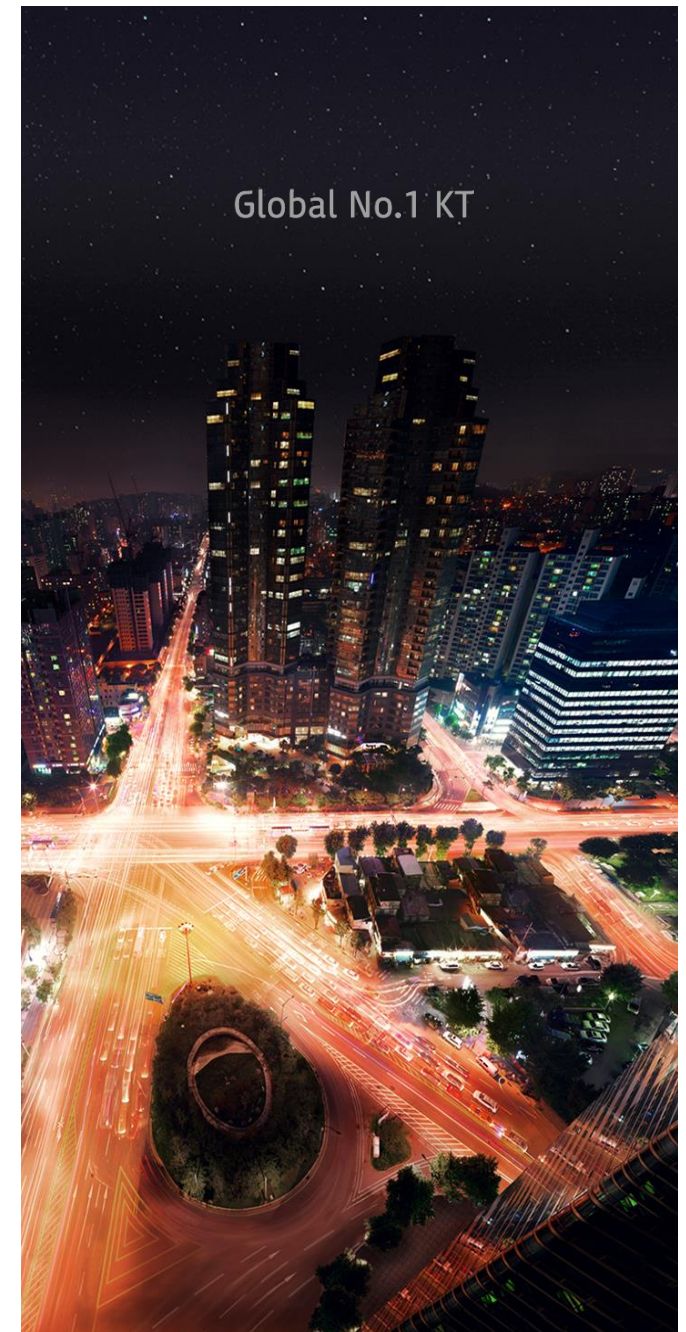


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KT 2017 Earnings Release

2018. 02. 06 | Investor Relations



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1-1 Financial Highlights

Income Statement

(Unit: KRW bn)

□ **Operating Revenue**
KRW 23.4tn, (YoY) +2.8%

- Service Revenue
KRW 20.1tn, (YoY) +0.6%

□ **Operating Income**
KRW 1.4tn, (YoY) -4.5%

□ **Net Income**
KRW 562.6bn, (YoY) -29.5%

□ **EBITDA**
KRW 4.7tn, (YoY) -0.9%

	4Q16	3Q17	4Q17	QoQ	YoY	2016	2017	YoY
Operating revenue	6,021.1	5,826.6	6,106.6	4.8%	1.4%	22,743.7	23,387.3	2.8%
Service revenue	5,026.5	5,047.2	5,058.2	0.2%	0.6%	20,007.0	20,123.2	0.6%
Merchandise revenue	994.6	779.3	1,048.4	34.5%	5.4%	2,736.6	3,264.2	19.3%
Operating expense	5,794.7	5,449.3	5,972.5	9.6%	3.1%	21,303.7	22,011.6	3.3%
Operating income	226.3	377.3	134.2	-64.4%	-40.7%	1,440.0	1,375.7	-4.5%
Margin (%)	3.8%	6.5%	2.2%	-4.3%p	-1.6%p	6.3%	5.9%	-0.4%p
Non-operating income(loss)	-54.7	-60.5	-247.3	Deficit Increased	Deficit Increased	-313.0	-538.2	Deficit Increased
Income before taxes	171.6	316.7	-113.1	Turned Red	Turned Red	1,127.0	837.5	-25.7%
Net income	93.0	202.6	-122.5	Turned Red	Turned Red	797.8	562.6	-29.5%
Margin (%)	17.9%	20.9%	15.9%	-5.0%p	-2.0%p	3.5%	2.4%	-1.1%p
EBITDA	1,076.0	1,215.1	969.2	-20.2%	-9.9%	4,785.2	4,740.2	-0.9%
Margin (%)	17.9%	20.9%	15.9%	-5.0%p	-2.0%p	21.0%	20.3%	-0.8%p

1-2 Financial Highlights

Operating Expenses

(Unit: KRW bn)

- **Operating Expense**
KRW 22.0tn, (YoY) +3.3%
- Labor Cost
 KRW 3.6tn, (YoY) +2.6%
 - General Expense
 KRW 9.9tn, (YoY) -0.4%
 - Cost of Merchandise
 KRW 3.8tn, (YoY) +9.5%

	4Q16	3Q17	4Q17	QoQ	YoY	2016	2017	YoY
Operating Expense	5,794.7	5,449.3	5,972.5	9.6%	3.1%	21,303.7	22,011.6	3.3%
Labor cost	915.3	848.5	977.6	15.2%	6.8%	3,477.6	3,568.0	2.6%
General expense	2,577.2	2,481.1	2,536.4	2.2%	-1.6%	9,910.6	9,868.2	-0.4%
Cost of service provided	576.1	603.3	676.4	12.1%	17.4%	2,425.0	2,568.6	5.9%
Selling expense	566.5	592.1	613.8	3.7%	8.3%	2,053.0	2,243.7	9.3%
Cost of merchandise	1,159.7	924.4	1,168.2	26.4%	0.7%	3,437.5	3,763.1	9.5%

(Unit: KRW bn)

- **Marketing Expense**
KRW 2.7tn, (YoY) -1.1%

	4Q16	3Q17	4Q17	QoQ	YoY	2016	2017	YoY
Marketing Expenses	702.5	677.7	703.2	3.8%	0.1%	2,714.2	2,684.1	-1.1%

※ KT Separate, Profit from handset sales adjusted / Selling expenses + Advertising expenses

1-3 Financial Highlights

Financial Position

(Unit: KRW bn)

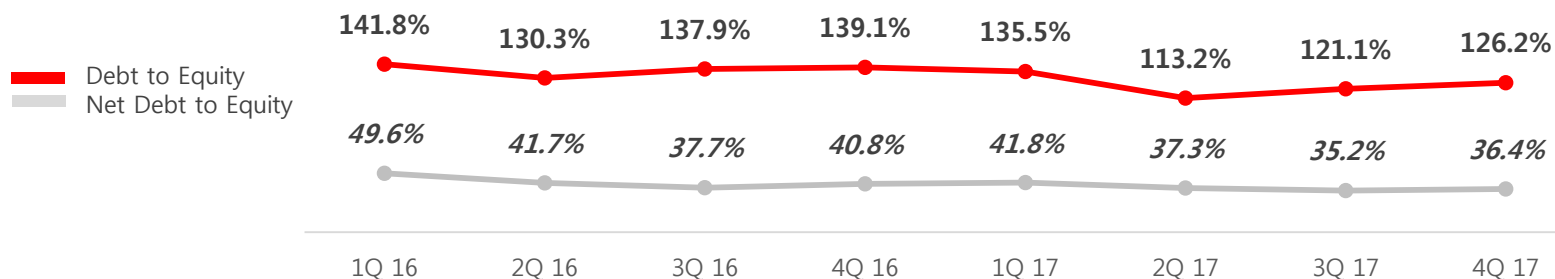
□ Debt Position

- Borrowings: KRW 6.7tn
- Net Debt: KRW 4.8tn

□ Debt Ratio

- Debt to Equity: 126.2%
- Net Debt to Equity: 36.4%

	4Q16	3Q17	4Q17	QoQ	YoY
Assets	30,587.7	29,373.0	29,579.2	0.7%	-3.3%
Cash & cash Equivalents	2,900.3	2,168.6	1,928.2	-11.1%	-33.5%
Debt	17,793.0	16,085.9	16,501.9	2.6%	-7.3%
Borrowings	8,120.8	6,848.2	6,683.7	-2.4%	-17.7%
Equity	12,794.8	13,287.1	13,077.3	-1.6%	2.2%
Capital Stock	1,564.5	1,564.5	1,564.5	0.0%	0.0%
Net Debt	5,220.5	4,679.6	4,755.5	1.6%	-8.9%
Debt/Equity	139.1%	121.1%	126.2%	5.1%p	-12.9%p
Net Debt/Equity	40.8%	35.2%	36.4%	1.1%p	-4.4%p



1-4 Financial Highlights

CAPEX

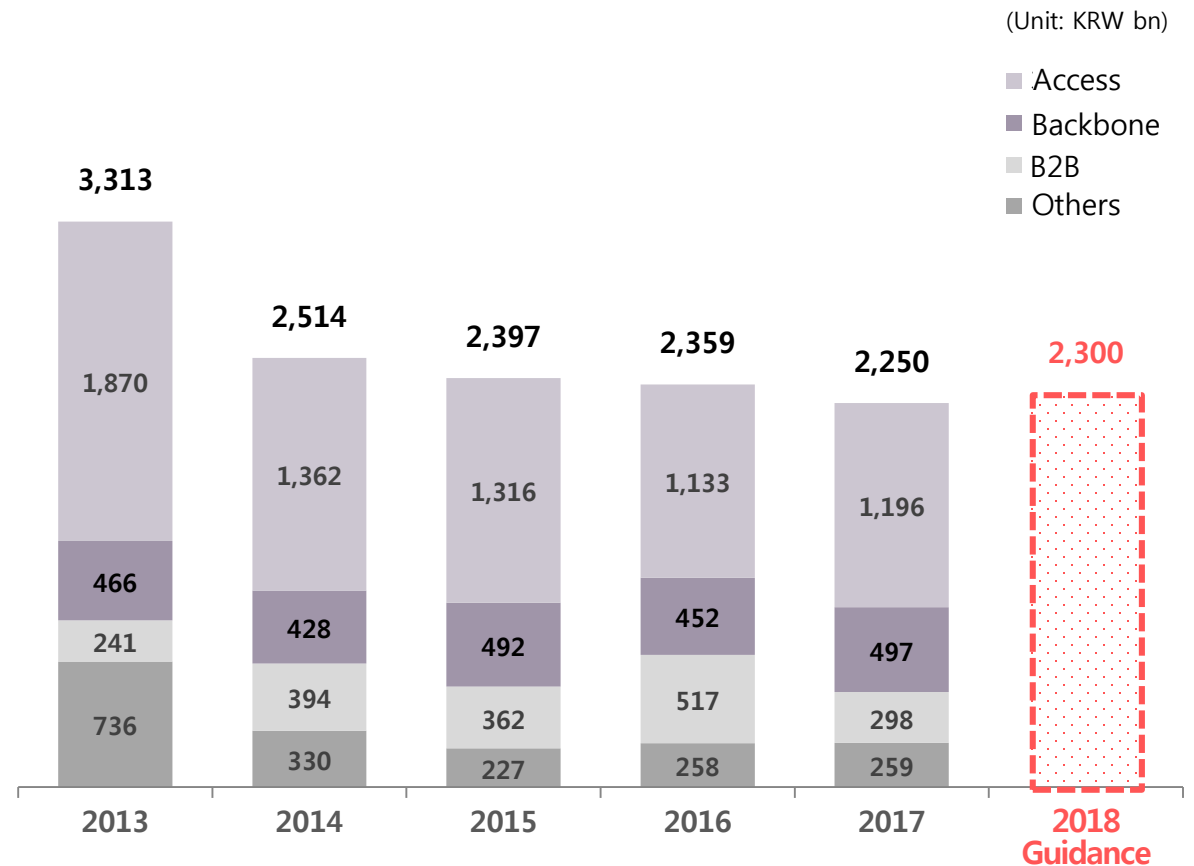
☐ Total CAPEX

- KRW 2.25tn executed in 2017
- 93.7% executed in 2017

☐ CAPEX Breakdown

- Access Network: KRW 1.2tn
- Backbone Network: KRW 497bn
- B2B: KRW 298bn
- Others: KRW 259bn

☐ 2018 Guidance KRW 2.3tn





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2-1 Business Overview

Wireless

(Unit: KRW bn)

□ Wireless down by 2.9% YoY

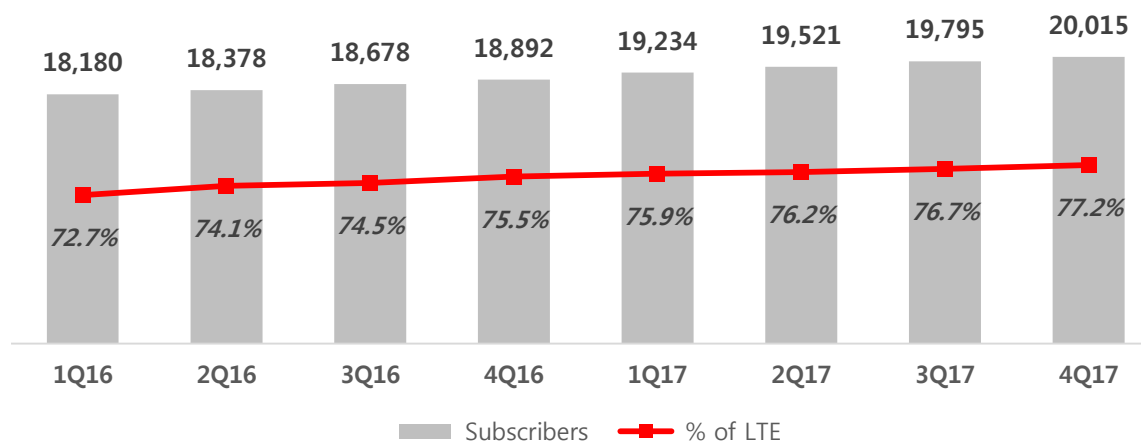
- Wireless Revenue decreased on accounting change of 'Handset Protection Plan(Insurance)'

	4Q16	3Q17	4Q17	QoQ	YoY	2016	2017	YoY
Wireless	1,803.1	1,816.6	1,811.4	-0.3%	0.5%	7,418.3	7,203.3	-2.9%
Service	1,659.8	1,663.4	1,661.4	-0.1%	0.1%	6,658.4	6,601.4	-0.9%
Interconnection	62.3	116.0	111.5	-3.8%	78.9%	479.3	456.3	-4.8%
Others	81.0	37.2	38.5	3.4%	-52.5%	280.7	145.6	-48.1%

□ Net additions and LTE penetration continues

- Recorded wireless net adds of 1.12m
- Handset & 2nd Device subscribers all increased on segmented marketing;
 - 'Premium Family Bundles'
- LTE penetration reached 77.2%

(Unit: 1,000)



2-2 Business Overview

Wireline

(Unit: KRW bn)

□ Wireline down by 3.2% YoY

□ Telephony

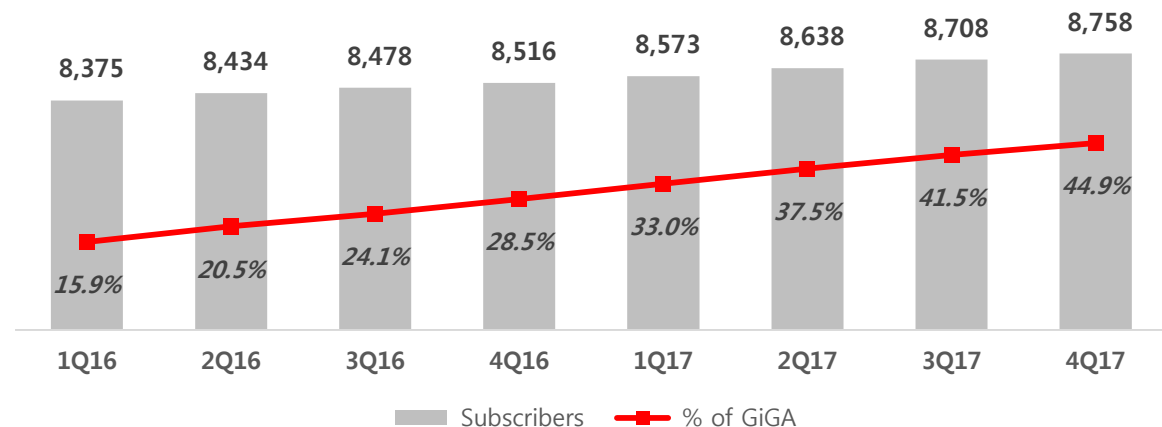
- Revenue down by 10.5% YoY on cord-cutting and usage drop

□ Broadband

- High quality subscribers expanded on GiGA network competitiveness
- GiGA subscribers reached 3.9m
- Revenue up by 4.3% YoY (KT Separate, up by 5.0% YoY)

	4Q16	3Q17	4Q17	QoQ	YoY	2016	2017	YoY
Wireline	1,245.0	1,218.0	1,202.6	-1.3%	-3.4%	5,064.9	4,901.1	-3.2%
Telephony	484.6	452.0	431.0	-4.7%	-11.1%	2,048.9	1,834.3	-10.5%
Broadband	490.4	503.3	512.0	1.7%	4.4%	1,929.9	2,012.6	4.3%
Line lease	269.9	262.7	259.6	-1.2%	-3.8%	1,086.1	1,054.2	-2.9%

(Unit: 1,000)



2-3 Business Overview

Media / Contents

(Unit: KRW bn)

Media/Contents up by 16.3% YoY

Media

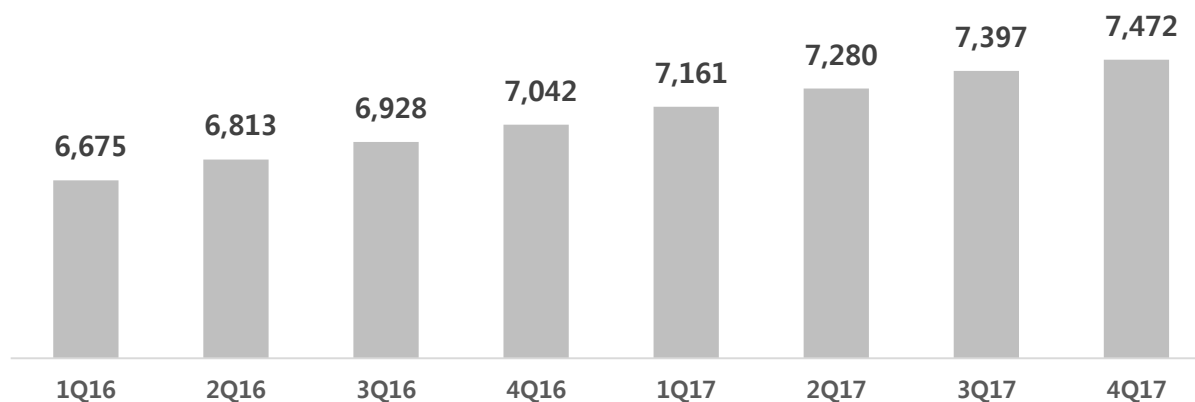
- Two digit growth continued on high quality subscribers expansion and platform revenue increase
- KT separate Media business reached BEP and profitability improvement continues

Contents

- Strong numbers recorded on Nasmedia's robust growth & 'PLAYD' acquisition, KTH's T-Commerce expansion and Genie Music's increased subscribers base

	4Q16	3Q17	4Q17	QoQ	YoY	2016	2017	YoY
Media/Contents	513.7	572.6	584.8	2.1%	13.8%	1,925.2	2,238.4	16.3%
Media	419.6	464.5	472.3	1.7%	12.6%	1,640.8	1,818.3	10.8%
Contents	94.1	108.0	112.4	4.1%	19.4%	284.3	420.1	47.8%

(Unit: 1,000)



※ Number of IPTV subscribers differ from MSIP's release that applies "Combined Market Share Regulation" under the IPTV law. (KT's average(6-month average) pay TV subscribers as of 1H17 are 6,065,731)

2-4 Business Overview

Finance and Other service

(Unit: KRW bn)

□ Finance Revenue

- Revenue up 2.9% YoY on increased domestic card transactions and sale of Master Card stake

	4Q16	3Q17	4Q17	QoQ	YoY	2016	2017	YoY
Finance	881.1	873.9	892.8	2.2%	1.3%	3,427.8	3,528.3	2.9%
Other Service	583.6	566.2	566.7	0.1%	-2.9%	2,170.9	2,252.0	3.7%
IT/Solution	254.9	244.5	237.0	-3.1%	-7.0%	961.8	954.5	-0.8%
Real estate	100.1	104.8	113.6	8.4%	13.4%	296.6	446.6	50.6%
Other subsidiaries	228.5	216.8	216.1	-0.3%	-5.4%	912.6	851.0	-6.7%

□ Other Service Revenue

- Revenue up 3.7% YoY on increased real estate development projects

(Unit: KRW bn)

□ Merchandise Revenue

- Revenue up by 19.3% on increased wireless sales volume and premium handset sales

	4Q16	3Q17	4Q17	QoQ	YoY	2016	2017	YoY
Merchandise	994.6	779.3	1,048.4	34.5%	5.4%	2,736.6	3,264.2	19.3%



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4-1 K-IFRS Quarterly Income Statements

(Unit: KRW bn)

Consolidated	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17
Operating revenue	6,021.1	5,611.7	5,842.5	5,826.6	6,106.6
Service Revenue	5,026.5	4,948.5	5,069.1	5,047.2	5,058.2
Wireless	1,803.1	1,793.9	1,781.4	1,816.6	1,811.4
Fixed line	1,245.0	1,254.3	1,226.1	1,218.0	1,202.6
Media/Contents	513.7	519.7	561.4	572.6	584.8
Finance	881.1	847.0	914.7	873.9	892.8
Others	583.6	533.7	585.5	566.2	566.7
Merchandise rev.	994.6	663.1	773.3	779.3	1,048.4
Operating expense	5,794.7	5,194.7	5,395.2	5,449.3	5,972.5
Service expense	4,635.0	4,367.7	4,551.7	4,524.9	4,804.2
Labor expense	915.3	869.8	872.1	848.5	977.6
General expense	2,577.2	2,408.3	2,442.3	2,481.1	2,536.4
Cost of svc provided	576.1	627.3	661.6	603.3	676.4
Selling expense	566.5	462.2	575.6	592.1	613.8
Cost of merch sold	1,159.7	827.0	843.5	924.4	1,168.2
Operating income	226.3	417.0	447.3	377.3	134.2
N-OP income (loss)	-54.7	-99.0	-131.4	-60.5	-247.3
N-operating income	228.5	283.6	53.7	120.7	235.7
N-operating expense	276.6	379.5	185.9	183.7	469.1
Equity Method (G/L)	-6.6	-3.2	0.8	2.4	-13.9
Income bf taxes	171.6	318.0	315.9	316.7	-113.1
Income tax	78.7	93.6	57.8	114.1	9.4
Income from con op	93.0	224.3	258.1	202.6	-122.5
Income from discon. op	0.0	0.0	0.0	0.0	0.0
Net income	93.0	224.3	258.1	202.6	-122.5
NI contribution to KT	83.6	200.8	222.2	179.9	-125.5
EBITDA	1,076.0	1,267.6	1,288.3	1,215.1	969.2
EBITDA Margin	17.9%	22.6%	22.1%	20.9%	15.9%

KT Separate	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17
Operating revenue	4,522.9	4,161.4	4,292.6	4,312.0	4,575.3
Service Revenue	3,584.4	3,541.3	3,588.2	3,607.5	3,570.0
Wireless	1,780.3	1,770.5	1,759.5	1,791.2	1,782.5
Fixed line	1,216.9	1,231.2	1,212.6	1,210.1	1,186.5
Media/Contents	273.8	279.9	308.8	311.6	317.6
Other service	313.4	259.6	307.2	294.7	283.4
Merchandise rev.	938.5	620.1	704.4	704.5	1,005.3
Operating expense	4,375.7	3,842.5	3,991.2	4,040.6	4,514.9
Service expense	3,373.4	3,106.4	3,253.8	3,278.5	3,473.3
Labor expense	536.8	497.8	502.5	491.0	575.3
General expense	1,765.6	1,605.6	1,655.8	1,687.6	1,779.0
Cost of svc provided	459.3	500.8	510.1	509.2	507.6
Selling expense	611.7	502.2	585.4	590.7	611.3
Cost of merch sold	1,002.3	736.1	737.3	762.0	1,041.7
Operating income	147.2	318.9	301.4	271.4	60.4
N-OP income (loss)	84.5	39.3	-127.7	-46.2	-205.2
N-operating income	233.6	389.0	45.5	106.6	200.8
N-operating expense	149.1	349.6	173.2	152.7	406.0
Income bf taxes	231.7	358.3	173.7	225.3	-144.8
Income tax	68.8	73.7	13.0	77.3	-14.8
Net Income	162.9	284.6	160.7	148.0	-130.1
EBITDA	910.5	1,083.8	1,057.4	1,021.8	805.7
EBITDA Margin	20.1%	26.0%	24.6%	23.7%	17.6%

4-2 K-IFRS Statement of Financial Position

(Unit: KRW bn)

Consolidated	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17
Asset	30,587.7	30,102.6	27,825.5	29,373.0	29,579.2
Current assets	9,643.3	9,858.1	7,592.8	9,354.1	9,577.2
Cash & cash equivalents	2,900.3	2,002.1	1,656.5	2,168.6	1,928.2
Trade & other rec	3,360.2	3,196.7	3,384.9	3,440.8	3,556.0
Inventories	378.0	499.0	420.0	346.7	457.7
Other current assets	3,004.8	4,160.2	2,131.6	3,398.0	3,635.3
Non-current assets	20,944.4	20,244.5	20,232.7	20,018.9	20,002.0
Trade & other rec	692.0	609.6	647.8	629.8	800.6
P.P.E	14,312.1	13,865.5	13,409.7	13,288.5	13,562.3
Other non-cur assets	5,940.4	5,769.4	6,175.2	6,100.5	5,639.1
Liabilities	17,793.0	17,319.3	14,771.1	16,085.9	16,501.9
Current liabilities	9,466.1	9,714.6	7,275.8	8,815.7	9,457.1
Trade & other payables	7,075.8	7,384.0	5,626.9	6,672.0	7,356.2
Short-term borrowings	1,820.0	1,647.5	988.7	1,586.0	1,573.5
Other current liabilities	570.4	683.1	660.2	557.6	527.4
Non-current liabilities	8,326.8	7,604.7	7,495.4	7,270.2	7,044.8
Trade & other payables	1,071.6	886.9	894.1	900.6	893.1
Long-term borrowings	6,300.8	5,697.7	5,536.3	5,262.2	5,110.2
Other non-cur liabilities	954.4	1,020.0	1,065.0	1,107.5	1,041.5
Equity	12,794.8	12,783.3	13,054.4	13,287.1	13,077.3

KT Separate	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17
Asset	24,700.3	23,677.2	22,881.3	23,381.9	23,334.9
Current assets	4,851.1	4,502.2	3,954.2	4,603.1	4,379.6
Cash & cash equivalents	1,602.4	1,102.6	911.6	1,323.8	1,166.4
Trade & other rec	2,590.2	2,563.5	2,617.5	2,601.6	2,740.3
Inventories	178.1	287.2	205.3	142.3	232.2
Other current assets	480.4	548.8	219.7	535.4	240.6
Non-current assets	19,849.3	19,175.1	18,927.1	18,778.9	18,955.4
Trade & other rec	622.0	541.7	581.7	556.8	735.7
P.P.E	11,961.2	11,538.2	11,117.3	11,074.7	11,375.0
Other non-cur assets	7,266.0	7,095.2	7,228.1	7,147.3	6,844.6
Liabilities	13,615.8	12,492.0	11,533.4	11,878.7	12,023.8
Current liabilities	6,027.7	5,636.5	4,741.9	5,338.2	5,596.7
Trade & other payables	4,181.1	3,842.5	3,653.6	3,733.4	4,109.5
Short-term borrowings	1,608.1	1,433.4	712.4	1,336.6	1,298.5
Other current liabilities	238.5	360.6	376.0	268.3	188.6
Non-current liabilities	7,588.1	6,855.5	6,791.5	6,540.5	6,427.2
Trade & other payables	1,135.7	942.9	945.0	946.3	958.2
Long-term borrowings	5,961.0	5,370.6	5,278.5	5,006.7	4,914.4
Other non-cur liabilities	491.4	542.0	568.0	587.4	554.6
Equity	11,084.5	11,185.2	11,347.9	11,503.2	11,311.1

4-3 Subscribers (KT Separate)

Wireless	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17	QoQ	YoY
Subscribers (Unit: 1,000)¹⁾							
Total (LTE+WCDMA)	18,892	19,234	19,521	19,795	20,015	1.1%	5.9%
Net additions	214	342	287	274	220	-19.7%	3.0%
Gross additions	1,244	1,242	1,224	1,270	1,264	-0.5%	1.6%
Deactivation ²⁾	1,030	900	937	996	1,043	4.8%	1.3%
Churn rate	1.8%	1.6%	1.6%	1.7%	1.7%	0.0%p	-0.1%p
LTE	14,262	14,608	14,869	15,179	15,462	1.9%	8.4%
LTE Penetration rate	75.5%	75.9%	76.2%	76.7%	77.2%	0.6%p	1.8%p
ARPU (KRW)³⁾	35,062	34,537	34,554	34,608	34,077	-1.5%	-2.8%

Note1) Subscribers: MSIP's new guidelines for subscriber disclosure (Retroactively applied from 1Q14, MVNO included)

Note2) Deactivation: Mandatory deactivation included

Note3) ARPU= Wireless revenue*/Wireless subscribers**

* Wireless revenue(3G+LTE and IoT included): Revenue of Voice and Data usage(Interconnection/Subscription fee excluded), VAS, Contract/ Bundled Discounts, and etc. included

** Wireless subscribers(3G+LTE and IoT included): Based on MSIP's guidelines for average billed subscribers in quarter

※ KT: Revenue of Handset Protection Plan excluded starting from Sep 2016 (Retroactively applied from 1Q16).

Wireline	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17	QoQ	YoY
Subscribers (Unit: 1,000)							
Telephony	16,266	16,129	16,045	15,815	15,610	-1.3%	-3.8%
PSTN	12,791	12,679	12,576	12,375	12,201	-1.4%	-4.6%
VoIP	3,436	3,450	3,469	3,440	3,409	-0.9%	-0.8%
Broadband	8,516	8,573	8,639	8,708	8,758	0.6%	2.8%
IPTV (OTV+OTS)	7,042	7,161	7,280	7,397	7,472	1.0%	6.1%

※ Number of IPTV subscribers differ from MSIP's release as MSIP number applies "Combined Market Share Regulation" under the IPTV law.

(Average of KT's pay TV subscribers as 1H of 2017(average subs for 6 months) are 6,065,731.)

Thank you

