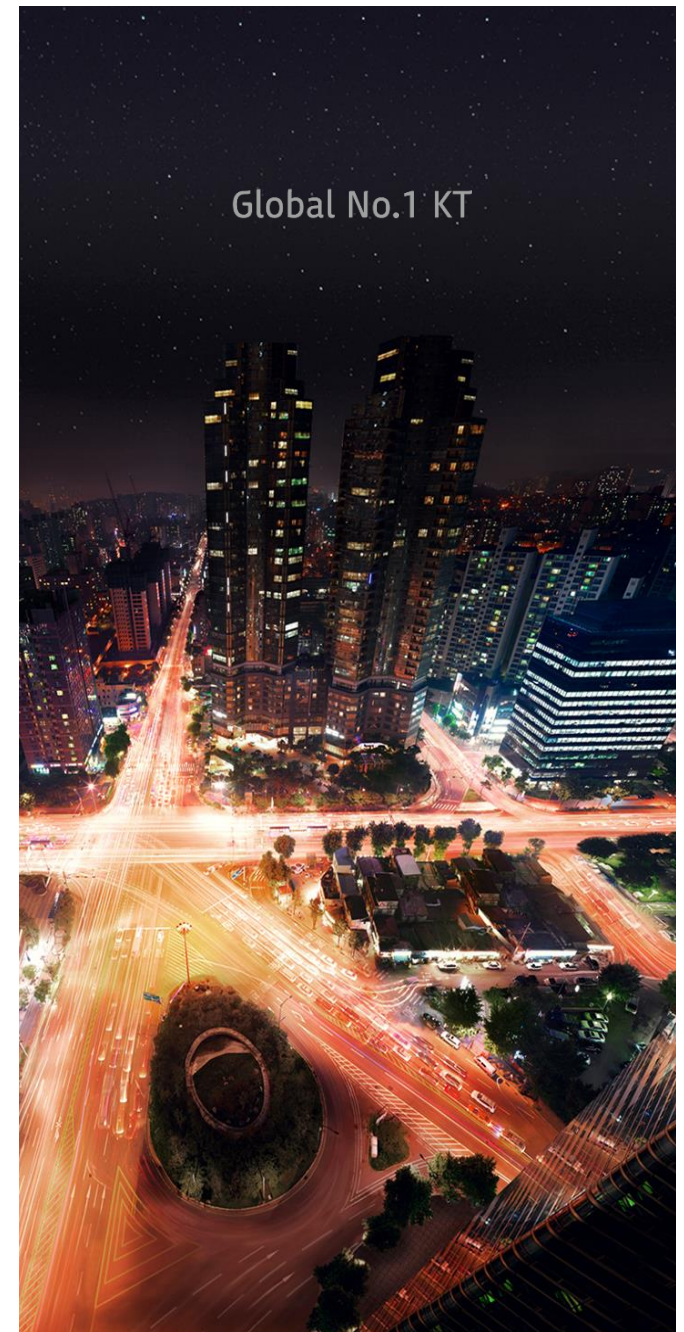


PEOPLE.
TECHNOLOGY.

KT '18 2Q Earnings Release

2018. 8. 3 | Investor Relations



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KT Corp has applied new accounting standard of ‘K-IFRS 1115’ as of Jan 1st, 2018. Accordingly, we have elected the modified retrospective approach which will recognize the cumulative impact of the new standard as an adjustment to retained earnings as at January 1 2018, the period of initial application. That said, there are no obligation to apply the new standard to previous financial statements.

In this material, despite the new accounting standard, we have included the restated figures for 2018 prepared under IFRS 1018 (old- standard) for investors’ understandings. The restated figures are followed by ‘*’ marking. However, please be noted that these restated figures have not been audited or reviewed by external auditors.

If you have any related questions to this material, please contact IR department.

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1 2Q18 Highlight

- ✓ Sustained revenue and subscriber growth with new data plan and differentiated service offerings
- ✓ Service development in platform businesses (energy, security, AI, connected car, etc.) for securing long-term growth momentum preparing for the upcoming 5G era



High-quality subscriber growth supported by tailored services and high network quality

- Introducing new pricing plans 'Data ON' and 'Roaming ON' based on data usage pattern (5.31)
MNO net adds of 220K with positive response on new plans - over 500K subscribers in 1 month
- GiGA penetration of 52% with broadband revenue up by 3.7% YoY (stand-alone, old std.)



Gearing up for long term growth on media platform with GiGA Genie subscribers of 1M

- Creating profit opportunities with cross-industry integration of AI apartment, AI hotel, education, etc., along with increase of high ARPU IPTV subscriber base
- IPTV net adds of 200k in 1H18, with revenue up by 17.2% YoY (stand-alone, old std.)



Expansion of platform business (eg. GiGA Drive, GiGA Energy Manager, GiGA Eyes)

- Launched connected car platform, GiGA Drive, achieved subscribers of 650K (YoY +34%) collaborating with carmakers
- Enhanced service competitiveness through upgrading energy and security solutions

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2-1 Financial Highlights

Income Statement

(Unit: KRW bn)

□ Operating Revenue

KRW 5.88tn, YoY +0.7%

▪ Service Revenue

KRW 5.05tn, YoY -0.4%

□ Operating Income

KRW 376.9bn, YoY -15.7%

□ Net Income

KRW 256.9bn, YoY -0.4%

□ EBITDA

KRW 1.20tn, YoY -6.9%

	2Q17*	1Q18*	2Q18*	QoQ	YoY	1Q18	2Q18	QoQ
Operating revenue	5,842.5	5,837.9	5,882.4	0.8%	0.7%	5,710.2	5,806.9	1.7%
Service revenue	5,069.1	4,921.7	5,050.2	2.6%	-0.4%	4,863.6	5,003.6	2.9%
Merchandise revenue	773.3	916.1	832.2	-9.2%	7.6%	846.6	803.4	-5.1%
Operating expense	5,395.2	5,402.7	5,505.4	1.9%	2.0%	5,313.1	5,407.8	1.8%
Operating income	447.3	435.1	376.9	-13.4%	-15.7%	397.1	399.1	0.5%
Margin (%)	7.7%	7.5%	6.4%	-1.0%p	-1.2%p	7.0%	6.9%	-0.1%p
Non-operating income(loss)	-131.4	-47.2	-14.6	Deficit Decreased	Deficit Decreased	-44.1	-7.9	Deficit Decreased
Income before taxes	315.9	388.0	362.4	-6.6%	14.7%	353.0	391.2	10.8%
Net income	258.1	252.5	256.9	1.7%	-0.4%	224.1	280.7	25.2%
Margin (%)	4.4%	4.3%	4.4%	0.1%p	0.0%p	3.9%	4.8%	0.9%p
EBITDA	1,288.3	1,266.9	1,199.0	-5.4%	-6.9%	1,228.9	1,221.2	-0.6%
Margin (%)	22.1%	21.7%	20.4%	-1.3%p	-1.7%p	21.5%	21.0%	-0.5%p

* IFRS 1018 applied (old-standard) : Restated figures have been provided for investors' understanding.

The figures have not been audited or reviewed by external auditors. (applies to other slides)

2-2 Financial Highlights

Operating Expenses

(Unit: KRW bn)

□ Operating Expenses

KRW 5.51tn, YoY +2.0%

- Labor Cost
KRW 989.6bn, YoY +13.5%
- General Expense
KRW 2.47tn, YoY +1.0%
- Cost of Merchandise
KRW 908.2bn, YoY +7.7%

	2Q17*	1Q18*	2Q18*	QoQ	YoY	1Q18	2Q18	QoQ
Operating expense	5,395.2	5,402.7	5,505.4	1.9%	2.0%	5,313.1	5,407.8	1.8%
Labor cost	872.1	923.5	989.6	7.2%	13.5%	922.1	987.5	7.1%
General expense	2,442.3	2,363.6	2,466.6	4.4%	1.0%	2,353.1	2,454.6	4.3%
Cost of service provided	661.6	649.7	609.8	-6.2%	-7.8%	649.7	609.8	-6.2%
Selling expense	575.6	521.4	530.5	1.7%	-7.8%	443.7	447.8	0.9%
Cost of merchandise	843.5	944.4	908.2	-3.8%	7.7%	944.4	908.2	-3.8%

(Unit: KRW bn)

□ Marketing Expenses

KRW 674.6bn, YoY +1.6%

	2Q17*	1Q18*	2Q18*	QoQ	YoY
Marketing expenses	663.6	615.6	674.6	9.6%	1.6%

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

2-3 Financial Highlights

Financial Position

(Unit: KRW bn)

□ Equity increase on IFRS15 initial application

- Cumulative impact reflected in Jan 1st, 2018 retained earnings

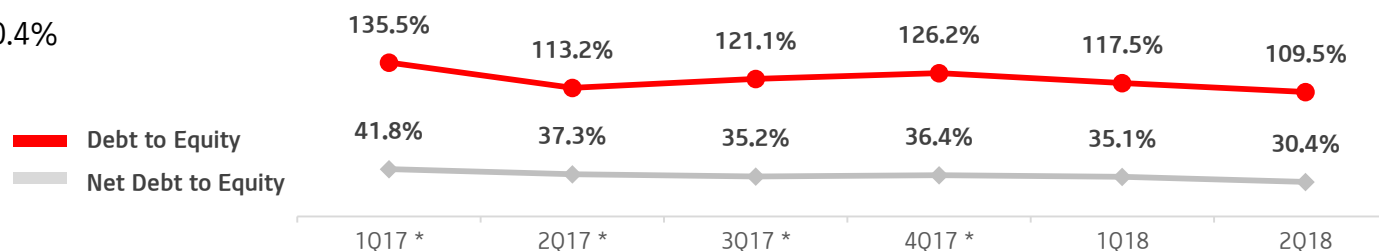
□ Debt Position

- Borrowings: KRW 6.60tn
- Net Debt: KRW 4.35tn

□ Debt Ratio

- Debt to Equity: 109.5%
- Net Debt to Equity: 30.4%

	2Q 17*	1Q 18	2Q 18	QoQ	YoY
Assets	27,825.5	30,467.8	29,968.0	-1.6%	7.7%
Cash & cash equivalents	1,656.5	1,777.5	2,249.7	26.6%	35.8%
Debt	14,771.1	16,458.0	15,665.2	-4.8%	6.1%
Borrowings	6,524.9	6,689.3	6,604.5	-1.3%	1.2%
Equity	13,054.4	14,009.8	14,302.8	2.1%	9.6%
Capital stock	1,564.5	1,564.5	1,564.5	0.0%	0.0%
Net debt	4,868.5	4,911.8	4,354.8	-11.3%	-10.6%
Debt / Equity	113.2%	117.5%	109.5%	-7.9%p	-3.6%p
Net debt / Equity	37.3%	35.1%	30.4%	-4.6%p	-6.8%p



2-4 Financial Highlights

CAPEX

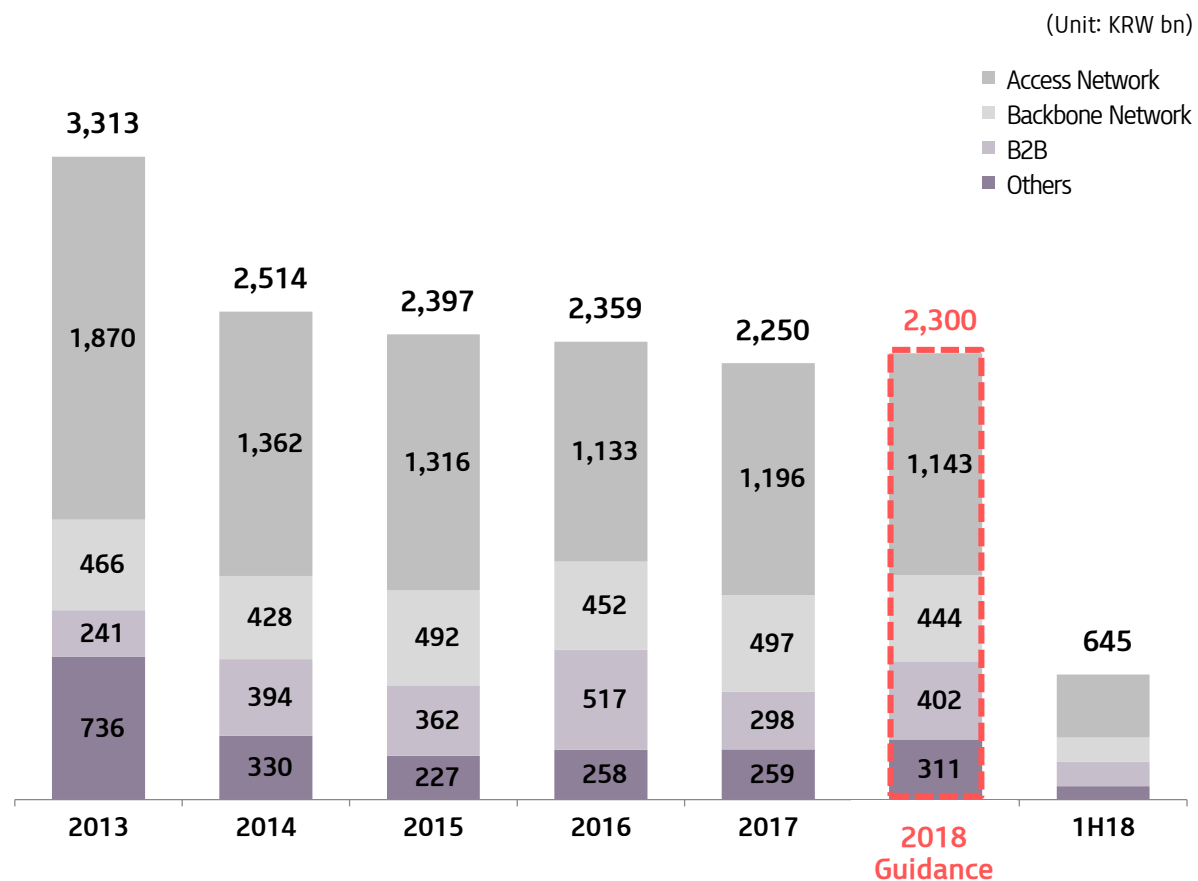
1H 2018 CAPEX

- KRW 644.7bn executed
- 28.0% executed as of 1H18

CAPEX Breakdown

- Access Network: KRW 324.1bn
- Backbone Network: KRW 123.4bn
- B2B: KRW 127.9bn
- Others: KRW 69.3bn

2018 Guidance KRW 2.3tn



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3-1 Business Overview

Wireless

□ Wireless up by 0.3% YoY

- Service revenue declined on increased take-up rate of 'selective tariff discount' and uplifted tariff discount rate, YoY -0.7%

(Unit: KRW bn)

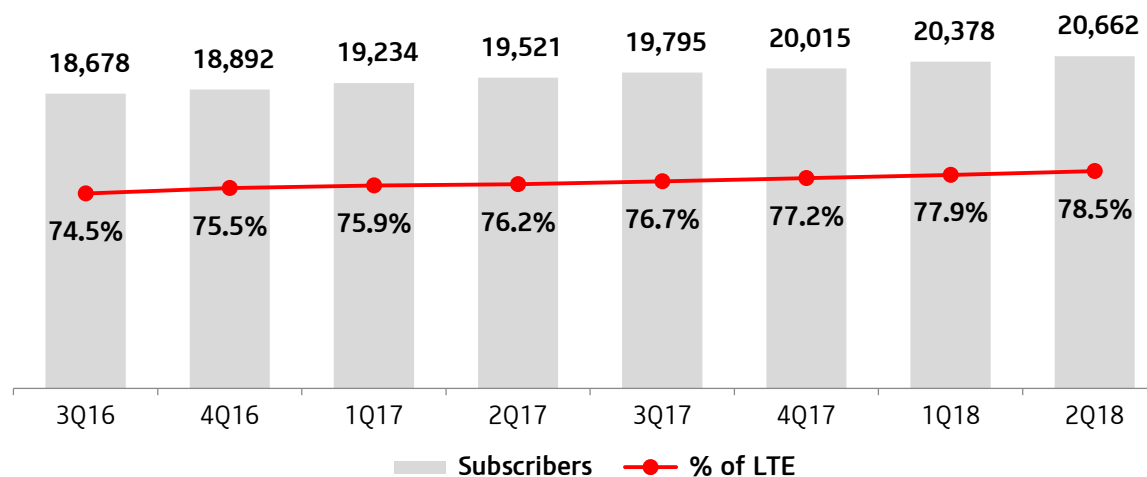
	2Q17*	1Q18*	2Q18*	QoQ	YoY	1Q18	2Q18	QoQ
Wireless	1,781.4	1,777.9	1,786.2	0.5%	0.3%	1,740.8	1,763.7	1.3%
Service	1,679.5	1,660.2	1,667.2	0.4%	-0.7%	1,623.1	1,644.7	1.3%
Interconnection	101.9	117.7	119.0	1.1%	16.7%	117.7	119.0	1.1%

□ Net additions and LTE penetration continues

- Wireless net adds of 284k
- Net subscriber addition continues with successful launch of new pricing plan 'Data ON'
- LTE penetration reached 78.5%

[Wireless Subscriber]

(Unit: 1,000)



3-2 Business Overview

Wireline

(Unit: KRW bn)

□ Wireline down by 2.4% YoY

	2Q17*	1Q18*	2Q18*	QoQ	YoY	1Q18	2Q18	QoQ
Wireline	1,226.1	1,212.4	1,196.3	-1.3%	-2.4%	1,198.8	1,181.5	-1.4%
Telephony	461.4	437.6	433.2	-1.0%	-6.1%	436.9	432.5	-1.0%
Broadband	501.1	516.7	508.9	-1.5%	1.6%	503.9	494.7	-1.8%
Line lease	263.6	258.0	254.2	-1.5%	-3.6%	258.0	254.3	-1.5%

□ Telephony

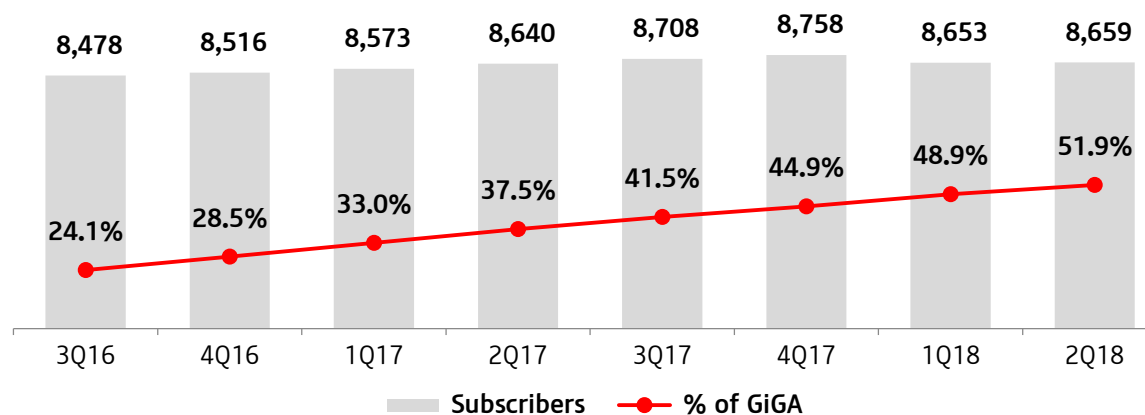
- Revenue down by 6.1% YoY on cord-cutting and usage drop

□ Broadband

- Revenue up by 1.6% YoY with GiGA subscribers expansion despite interconnection rate decline
- Revenue up by 3.7% YoY excluding interconnection

[Broadband Subscriber]

(Unit: 1,000)



3-3 Business Overview

Media / Contents

(Unit: KRW bn)

Media / Contents up by 7.6% YoY

	2Q17*	1Q18*	2Q18*	QoQ	YoY	1Q18	2Q18	QoQ
Media / Contents	561.4	561.7	604.2	7.6%	7.6%	554.2	595.2	7.4%
Media	457.1	461.5	495.3	7.3%	8.4%	454.3	487.3	7.3%
Contents	104.3	100.2	108.9	8.7%	4.3%	99.9	107.9	8.0%

Media

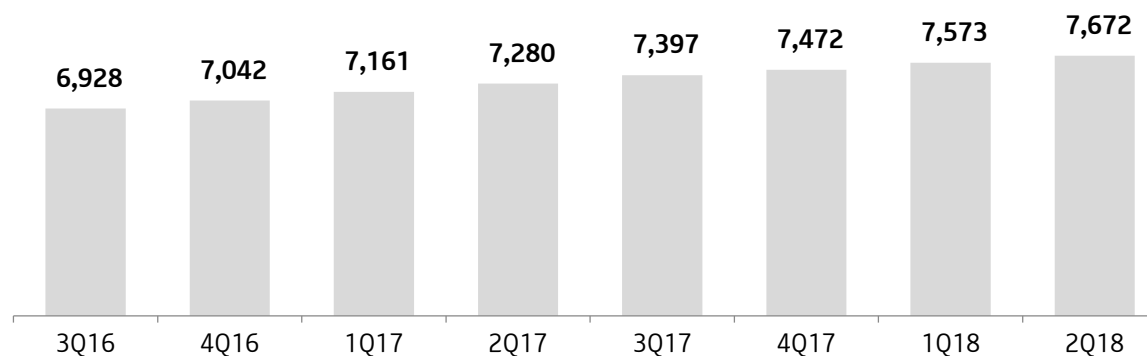
- IPTV net adds of 100k in 2Q18
- Media revenue up by 8.4% YoY on high-quality subscriber expansion and platform revenue increase

Contents

- Up by 4.3% YoY on T-commerce (KTH)

[IPTV Subscriber]

(Unit: 1,000)



※ Number of IPTV subscribers differ from MSIT's release that applies "Combined Market Share Regulation" under the IPTV law. (KT's average(6-month average) pay TV subscribers as of 2H17 are 6,339,759)

3-4 Business Overview

Finance and others

(Unit: KRW bn)

☐ Finance down by 5.2% YoY

- Finance revenue declined on decreased 'Union-Pay' card transactions

☐ Other Service up by 1.9% YoY

- Other revenue up on IDC and security business expansion

	2Q17*	1Q18*	2Q18*	QoQ	YoY	1Q18	2Q18	QoQ
Finance	914.7	832.7	866.7	4.1%	-5.2%	832.7	866.7	4.1%
Other service	585.5	537.0	596.8	11.1%	1.9%	537.1	596.5	11.1%
IT/Solution	260.6	235.5	261.6	11.1%	0.4%	235.5	261.6	11.1%
Real estate	114.0	97.1	107.7	10.9%	-5.6%	97.1	107.7	10.9%
Others	210.9	204.4	227.5	11.3%	7.9%	204.4	227.3	11.2%

(Unit: KRW bn)

☐ Merchandise up by 7.6% YoY

	2Q17*	1Q18*	2Q18*	QoQ	YoY	1Q18	2Q18	QoQ
Merchandise	773.3	916.1	832.2	-9.2%	7.6%	846.6	803.4	-5.1%

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5-1 K-IFRS Income Statement

(Unit: KRW bn)

Consolidated	2Q 17*	3Q 17*	4Q 17*	1Q 18*	2Q 18*	1Q 18	2Q 18
Operating revenue	5,842.5	5,826.6	6,106.6	5,837.9	5,882.4	5,710.2	5,806.9
Service revenue	5,069.1	5,047.2	5,058.2	4,921.7	5,050.2	4,863.6	5,003.6
Wireless	1,781.4	1,816.6	1,811.4	1,777.9	1,786.2	1,740.8	1,763.7
Fixed line	1,226.1	1,218.0	1,202.6	1,212.4	1,196.3	1,198.8	1,181.5
Media/Contents	561.4	572.6	584.8	561.7	604.2	554.2	595.2
Finance	914.7	873.9	892.8	832.7	866.7	832.7	866.7
Others	585.5	566.2	566.6	537.0	596.8	537.1	596.5
Merchandise rev.	773.3	779.3	1,048.4	916.1	832.2	846.6	803.4
Operating expense	5,395.2	5,449.3	5,972.8	5,402.7	5,505.4	5,313.1	5,407.8
Service expense	4,551.7	4,524.9	4,804.7	4,458.3	4,597.3	4,368.6	4,499.6
Labor expense	872.1	848.5	978.0	923.5	989.6	922.1	987.5
General expense	2,442.3	2,481.1	2,536.4	2,363.6	2,466.6	2,353.1	2,454.6
Cost of svc provided	661.6	603.3	676.4	649.7	609.8	649.7	609.8
Selling expense	575.6	592.1	613.8	521.4	530.5	443.7	447.8
Merchandise cost	843.5	924.4	1,168.1	944.4	908.2	944.4	908.2
Operating income	447.3	377.3	133.7	435.1	376.9	397.1	399.1
N-OP income (loss)	-131.4	-60.5	-247.3	-47.2	-14.6	-44.1	-7.9
N-operating income	53.7	120.7	235.6	128.7	210.5	130.0	211.3
N-operating expense	185.9	183.7	469.1	174.9	226.3	173.2	220.5
Equity method (G/L)	0.8	2.4	-13.9	-1.0	1.2	-1.0	1.2
Income bf taxes	315.9	316.7	-113.6	388.0	362.4	353.0	391.2
Income tax	57.8	114.1	9.9	135.4	105.4	128.9	110.5
Income from con. Op	258.1	202.6	-123.5	252.5	256.9	224.1	280.7
Income from discon. op	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	258.1	202.6	-123.5	252.5	256.9	224.1	280.7
NI contribution to KT	222.2	179.9	-126.1	227.5	229.5	197.0	251.0
EBITDA	1,288.3	1,215.1	968.8	1,266.9	1,199.0	1,228.9	1,221.2
EBITDA Margin	22.1%	20.9%	15.9%	21.7%	20.4%	21.5%	21.0%

KT Separate	2Q 17*	3Q 17*	4Q 17*	1Q 18*	2Q 18*	1Q 18	2Q 18
Operating revenue	4,292.6	4,312.0	4,575.3	4,418.4	4,344.7	4,297.2	4,283.0
Service revenue	3,588.2	3,607.5	3,570.0	3,555.1	3,622.7	3,501.5	3,581.4
Wireless	1,759.5	1,791.2	1,782.5	1,751.3	1,758.9	1,713.8	1,735.5
Fixed line	1,212.6	1,210.1	1,186.5	1,197.9	1,189.3	1,186.5	1,176.4
Media	308.8	311.6	317.6	323.1	361.9	318.7	357.2
Other service	307.2	294.7	283.4	282.8	312.7	282.5	312.3
Merchandise rev.	704.4	704.5	1,005.3	863.3	722.0	795.6	701.6
Operating expense	3,991.2	4,040.6	4,514.9	4,078.8	4,067.5	3,992.2	3,975.4
Service expense	3,253.8	3,278.5	3,473.3	3,227.9	3,348.5	3,141.3	3,256.4
Labor expense	502.5	491.0	575.3	526.9	599.0	526.9	599.0
General expense	1,655.8	1,687.6	1,779.0	1,633.4	1,671.2	1,627.8	1,658.8
Cost of svc provided	510.1	509.2	507.6	519.0	518.1	519.0	518.1
Selling expense	585.4	590.7	611.3	548.5	560.2	467.6	480.5
Merchandise cost	737.3	762.0	1,041.7	850.9	718.9	850.9	718.9
Operating income	301.4	271.4	60.4	339.6	277.2	305.0	307.7
N-OP income (loss)	-127.7	-46.2	-205.2	124.3	-27.9	127.3	-21.3
N-operating income	45.5	106.6	200.8	283.5	185.2	284.8	186.0
N-operating expense	173.2	152.7	406.0	159.2	213.1	157.5	207.2
Income bf taxes	173.7	225.3	-144.8	463.9	249.3	432.2	286.4
Income tax	13.0	77.3	-14.8	123.9	66.6	115.4	76.5
Net income	160.7	148.0	-130.1	340.0	182.8	316.8	209.9
EBITDA	1,057.4	1,021.8	805.7	1,081.3	1,009.0	1,046.6	1,039.4
EBITDA Margin	24.6%	23.7%	17.6%	24.5%	23.2%	24.4%	24.3%

* K-IFRS 1018 (old-standard)

5-2 K-IFRS Balance Sheet

(Unit: KRW bn)

Consolidated	1Q 17*	2Q 17*	3Q 17*	4Q 17*	1Q 18	2Q 18
Asset	30,102.6	27,825.5	29,373.0	29,580.6	30,467.8	29,968.0
Current assets	9,858.1	7,592.8	9,354.1	9,522.1	10,928.3	10,696.9
Cash & cash equi.	2,002.1	1,656.5	2,168.6	1,928.2	1,777.5	2,249.7
Trade & other rec	3,196.7	3,384.9	3,440.8	3,555.9	3,486.4	3,589.8
Inventories	499.0	420.0	346.7	457.7	716.0	594.5
Other current asset	4,160.2	2,131.6	3,398.0	3,580.4	4,948.5	4,262.9
- Prepaid_Contract cost	-	-	-	-	987.2	1,037.8
- Contract assets	-	-	-	-	313.1	298.4
Non-current assets	20,244.5	20,232.7	20,018.9	20,058.5	19,539.5	19,271.1
Trade & other rec	609.6	647.8	629.8	800.6	689.2	770.1
P.P.E	13,865.5	13,409.7	13,288.5	13,562.3	13,161.7	13,000.0
Other current asset	5,769.4	6,175.2	6,100.5	5,695.6	5,688.5	5,501.0
- Prepaid_Contract cost	-	-	-	-	343.5	362.6
- Contract assets	-	-	-	-	74.0	79.3
Liabilities	17,319.3	14,771.1	16,085.9	16,504.3	16,458.0	15,665.2
Current liabilities	9,714.6	7,275.8	8,815.7	9,458.1	9,437.6	9,101.5
Trade & other payables	7,384.0	5,626.9	6,672.0	7,355.5	6,972.4	6,197.7
Short-term borrowings	1,647.5	988.7	1,586.0	1,573.5	1,534.3	1,940.0
Others	683.1	660.2	557.6	529.1	931.0	963.8
- Contract liabilities	-	-	-	-	270.8	281.0
Non-current liabilities	7,604.7	7,495.4	7,270.2	7,046.1	7,020.4	6,563.7
Trade & other payables	886.9	894.1	900.6	893.1	667.9	661.0
Long-term borrowings	5,697.7	5,536.3	5,262.2	5,110.2	5,155.0	4,664.5
Others	1,020.0	1,065.0	1,107.5	1,042.8	1,197.5	1,238.2
- Contract liabilities	-	-	-	-	52.1	45.8
Equity	12,783.3	13,054.4	13,287.1	13,076.4	14,009.8	14,302.8
Retained earnings	9,657.9	9,877.3	10,056.5	9,854.2	10,726.0	10,973.6

KT Separate	1Q 17*	2Q 17*	3Q 17*	4Q 17*	1Q 18	2Q 18
Asset	23,677.2	22,881.3	23,381.9	23,334.9	24,639.8	24,378.2
Current assets	4,502.2	3,954.2	4,603.1	4,379.6	6,312.7	6,266.7
Cash & cash equi.	1,102.6	911.6	1,323.8	1,166.4	1,064.1	1,464.3
Trade & other rec	2,563.5	2,617.5	2,601.6	2,740.3	2,847.6	2,827.7
Inventories	287.2	205.3	142.3	232.2	450.7	360.4
Other current asset	548.8	219.7	535.4	240.6	1,950.3	1,614.4
- Prepaid_Contract cost	-	-	-	-	1,005.8	1,048.7
- Contract assets	-	-	-	-	289.1	274.7
Non-current assets	19,175.1	18,927.1	18,778.9	18,955.4	18,327.1	18,111.6
Trade & other rec	541.7	581.7	556.8	735.7	624.1	705.1
P.P.E	11,538.2	11,117.3	11,074.7	11,375.0	11,008.2	10,777.8
Other current asset	7,095.2	7,228.1	7,147.3	6,844.6	6,694.9	6,628.7
- Prepaid_Contract cost	-	-	-	-	331.4	336.9
- Contract assets	-	-	-	-	64.0	69.3
Liabilities	12,492.0	11,533.4	11,878.7	12,023.8	12,304.3	11,853.1
Current liabilities	5,636.5	4,741.9	5,338.2	5,596.7	5,883.2	5,927.6
Trade & other payables	3,842.5	3,653.6	3,733.4	4,109.5	4,074.7	3,602.2
Short-term borrowings	1,433.4	712.4	1,336.6	1,298.5	1,230.1	1,688.7
Others	360.6	376.0	268.3	188.6	578.4	636.7
- Contract liabilities	-	-	-	-	274.4	280.0
Non-current liabilities	6,855.5	6,791.5	6,540.5	6,427.2	6,421.1	5,925.5
Trade & other payables	942.9	945.0	946.3	958.2	728.4	711.1
Long-term borrowings	5,370.6	5,278.5	5,006.7	4,914.4	5,007.5	4,515.1
Others	542.0	568.0	587.4	554.6	685.2	699.4
- Contract liabilities	-	-	-	-	47.6	41.7
Equity	11,185.2	11,347.9	11,503.2	11,311.1	12,335.5	12,525.1
Retained earnings	9,242.1	9,400.9	9,548.3	9,344.5	10,380.4	10,587.3

* K-IFRS 1018 (old-standard)

5-3 Subscribers

Wireless	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	QoQ	YoY
Subscribers (Unit: 1,000) ¹⁾								
Total (LTE+WCDMA)	19,234	19,521	19,795	20,015	20,378	20,662	1.4%	5.8%
Net additions	342	287	274	220	363	284	-21.8%	-1.1%
Gross additions	1,243	1,225	1,270	1,264	1,211	1,160	-4.2%	-5.3%
Deactivation ²⁾	901	938	996	1,043	848	876	3.3%	-6.6%
Churn rate	1.6%	1.6%	1.7%	1.7%	1.4%	1.4%	-0.0%p	-0.2%p
LTE	14,608	14,869	15,179	15,462	15,867	16,224	2.3%	9.1%
LTE Penetration rate	75.9%	76.2%	76.7%	77.2%	77.9%	78.5%	0.7%p	2.4%p
ARPU (KRW)³⁾	34,537	34,554	34,608	34,077	32,993	32,733⁴⁾	-0.8%	-5.3%

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

Note 2) Deactivation: Mandatory deactivation included

Note 3) 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: Based on MSIT's guidelines for average billed subscribers in quarter

Note 4) ARPU based on old standard (New standard wireless ARPU 32,320)

Wireline	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	QoQ	YoY
Subscribers (Unit: 1,000)								
Telephony	16,129	16,045	15,815	15,610	15,478	15,343	-0.9%	-4.4%
PSTN	12,679	12,576	12,376	12,201	12,080	11,949	-1.1%	-5.0%
VoIP	3,450	3,469	3,439	3,409	3,398	3,394	-0.1%	-2.2%
Broadband	8,573	8,640	8,708	8,758	8,653	8,659	0.1%	0.2%
IPTV (OTV+OTS)	7,161	7,280	7,397	7,472	7,573	7,672	1.3%	5.4%

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

(KT's average(6-month average) pay TV subscribers as of 2H17 are 6,339,759)

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