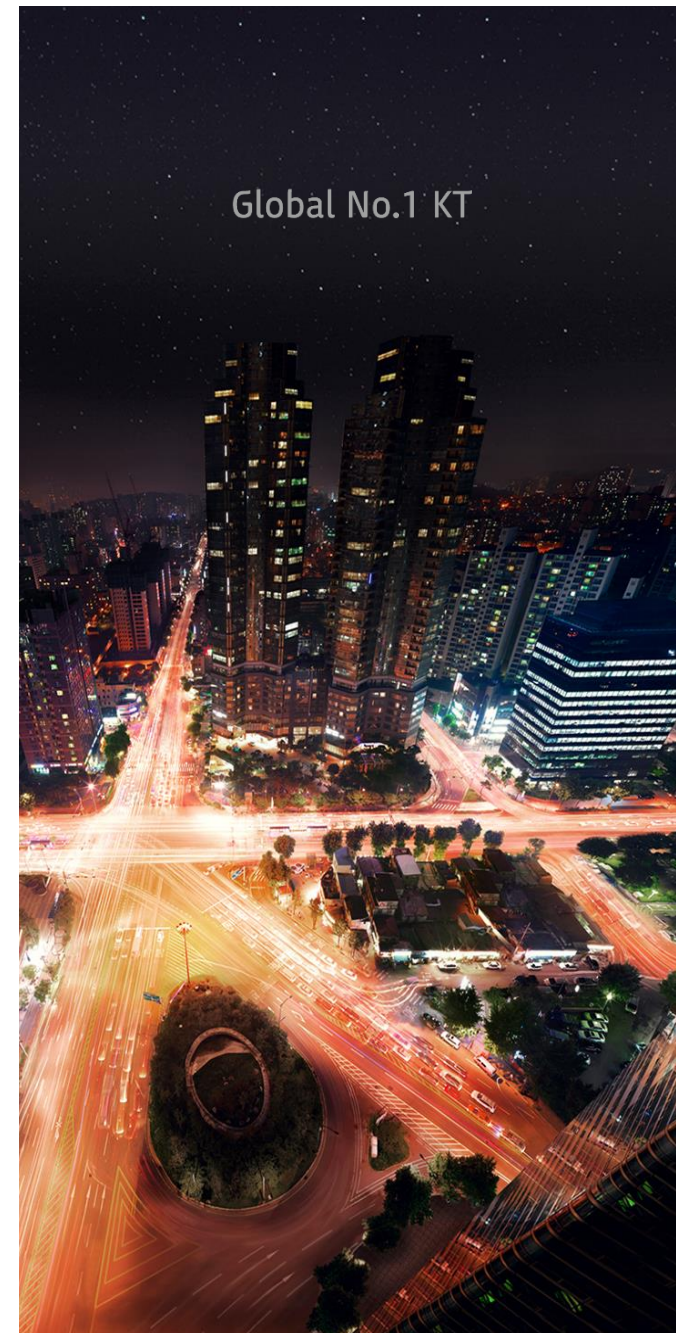


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KT 2Q19 Earnings Release

2019. 8. 7 | Investor Relations



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1-1 Financial Highlights

Income Statement

(Unit: KRW bn)

	2Q18	1Q19	2Q19	QoQ	YoY
<input type="checkbox"/> Operating Revenue KRW 6.10tn, YoY +5.0%					
▪ Service Revenue KRW 5.09tn, YoY +1.7%					
<input type="checkbox"/> Operating Income KRW 288.2bn, YoY -27.8%					
<input type="checkbox"/> Net Income KRW 203.0bn, YoY -27.6%					
<input type="checkbox"/> EBITDA KRW 1.19tn, YoY -2.4%					
Operating Revenue	5,806.9	5,834.4	6,098.5	4.5%	5.0%
Service Revenue	5,003.6	4,955.5	5,088.2	2.7%	1.7%
Merchandise Revenue	803.4	878.9	1,010.4	15.0%	25.8%
Operating Expense	5,407.8	5,432.3	5,810.3	7.0%	7.4%
Operating Income	399.1	402.1	288.2	-28.3%	-27.8%
Margin	6.9%	6.9%	4.7%	-2.2%p	-2.2%p
Non-op. Income/loss	-7.9	-4.4	-4.7	Deficit Increased	Deficit Decreased
Income before taxes	391.2	397.7	283.6	-28.7%	-27.5%
Net Income	280.7	259.8	203.0	-21.8%	-27.6%
Margin	4.8%	4.5%	3.3%	-1.2%p	-1.5%p
EBITDA	1,221.2	1,309.5	1,191.3	-9.0%	-2.4%
Margin	21.0%	22.4%	19.5%	-2.9%p	-1.5%p

1-2 Financial Highlights

Operating Expenses

(Unit: KRW bn)

- Operating Expenses
KRW 5.81tn, YoY +7.4%
 - Labor Cost
KRW 1.01tn, YoY +1.9%
 - General Expense
KRW 2.46tn, YoY +0.2%
 - Cost of Service Provided
KRW 601.0bn, YoY -1.4%
 - Cost of Merchandise
KRW 1.13tn, YoY +24.4%

	2Q18	1Q19	2Q19	QoQ	YoY
Operating Expenses	5,407.8	5,432.3	5,810.3	7.0%	7.4%
Labor Cost	987.5	983.8	1,006.1	2.3%	1.9%
General Expense	2,454.6	2,327.1	2,459.3	5.7%	0.2%
Cost of Service Provided	609.8	606.3	601.0	-0.9%	-1.4%
Selling Expense	447.8	572.2	613.9	7.3%	37.1%
Cost of Merchandise	908.2	942.9	1,130.0	19.8%	24.4%

(Unit: KRW bn)

- Marketing Expenses
KRW 711.6bn, YoY +20.2%

	2Q18	1Q19	2Q19	QoQ	YoY
Marketing Expenses	591.9	613.3	711.6	16.0%	20.2%

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

1-3 Financial Highlights

Financial Position

(Unit: KRW bn)

□ Debt Position

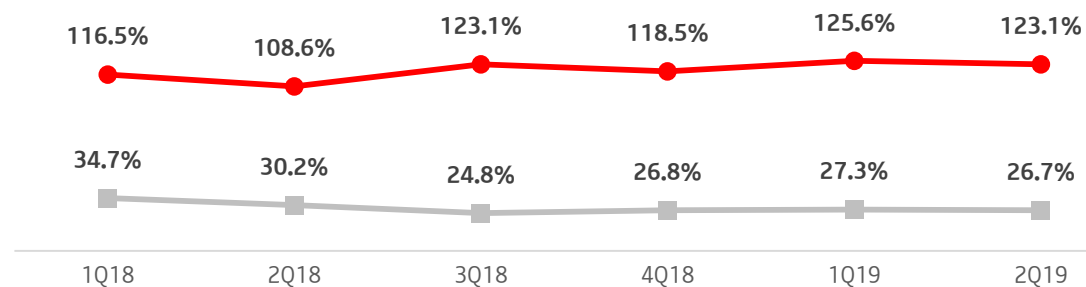
- Borrowings: KRW 6.26tn
- Net Debt: KRW 4.01tn

□ Debt Ratio

- Debt to Equity: 123.1%
- Net Debt to Equity: 26.7%

	2Q 18	1Q 19	2Q 19	QoQ	YoY
Assets	30,118.3	33,247.8	33,469.4	0.7%	11.1%
Cash & Cash Equivalents	2,249.7	2,765.0	2,250.1	-18.6%	0.0%
Liabilities	15,681.3	18,509.4	18,464.8	-0.2%	17.8%
Borrowings	6,604.5	6,790.1	6,256.8	-7.9%	-5.3%
Equity	14,437.0	14,738.5	15,004.6	1.8%	3.9%
Capital Stock	1,564.5	1,564.5	1,564.5	0.0%	0.0%
Net Debt	4,354.8	4,025.1	4,006.7	-0.5%	-8.0%
Debt / Equity	108.6%	125.6%	123.1%	-2.5%p	14.4%p
Net Debt / Equity	30.2%	27.3%	26.7%	-0.6%p	-3.5%p

■ Debt to Equity
■ Net Debt to Equity



1-4 Financial Highlights

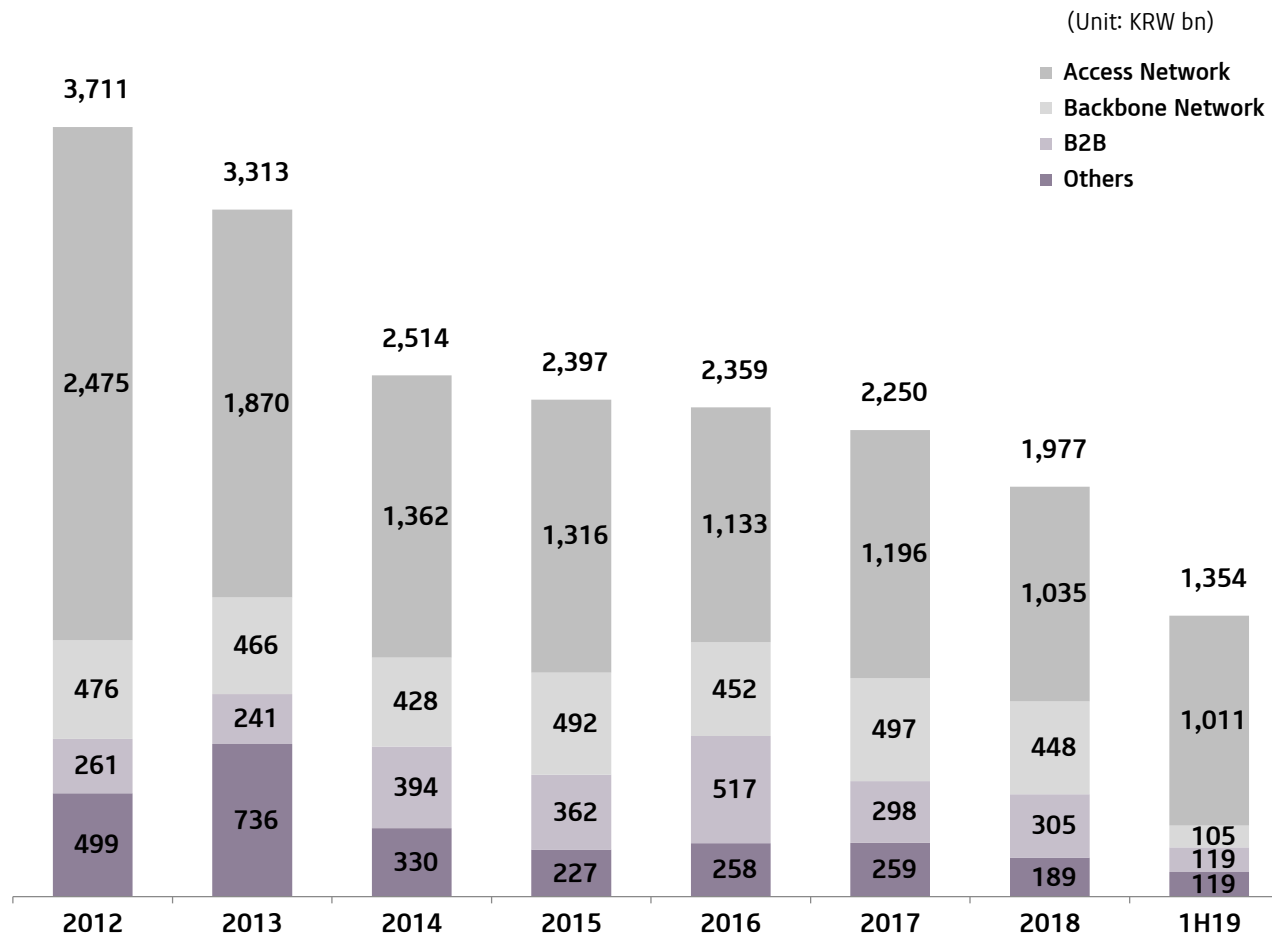
CAPEX

1H19 CAPEX

- KRW 1.35tn executed
- Focused on access network investment for 5G

CAPEX Breakdown

- Access Network: KRW 1.01tn
- Backbone Network: KRW 105.4bn
- B2B: KRW 118.6bn
- Others: KRW 119.1bn



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2-1 Business Overview

Wireless

(Unit: KRW bn)

□ Wireless down by 1.2% YoY

- Service revenue up by 1.1% QoQ due to 5G subscriber increase

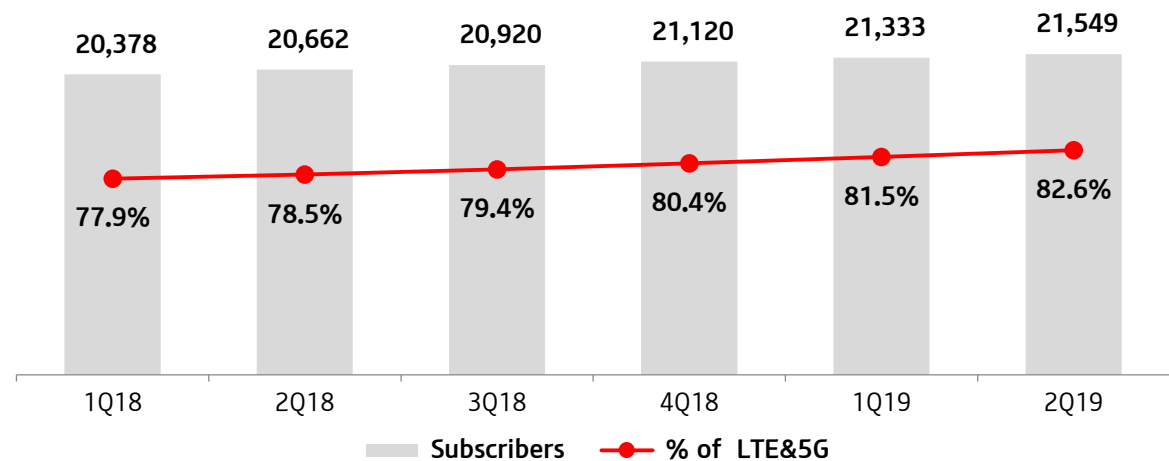
	2Q18	1Q19	2Q19	QoQ	YoY
Wireless	1,763.7	1,732.5	1,743.4	0.6%	-1.2%
Service	1,644.7	1,626.6	1,643.6	1.1%	-0.1%
Interconnection	119.0	105.9	99.7	-5.8%	-16.2%

□ Net subscriber addition continues

- Wireless net adds of 216K
- MNO net addition increased with 5G subscriber expansion
- LTE and 5G penetration reached 82.6%
- 5G penetration: 1.9%

[Wireless Subscriber]

(Unit: 1,000)



2-2 Business Overview

Wireline

(Unit: KRW bn)

□ Wireline up by 0.6% YoY

	2Q18	1Q19	2Q19	QoQ	YoY
Wireline	1,181.5	1,167.0	1,188.9	1.9%	0.6%
Telephony	432.5	399.3	400.1	0.2%	-7.5%
Broadband	494.7	503.3	506.1	0.6%	2.3%
Line lease	254.3	264.4	282.7	6.9%	11.2%

□ Telephony

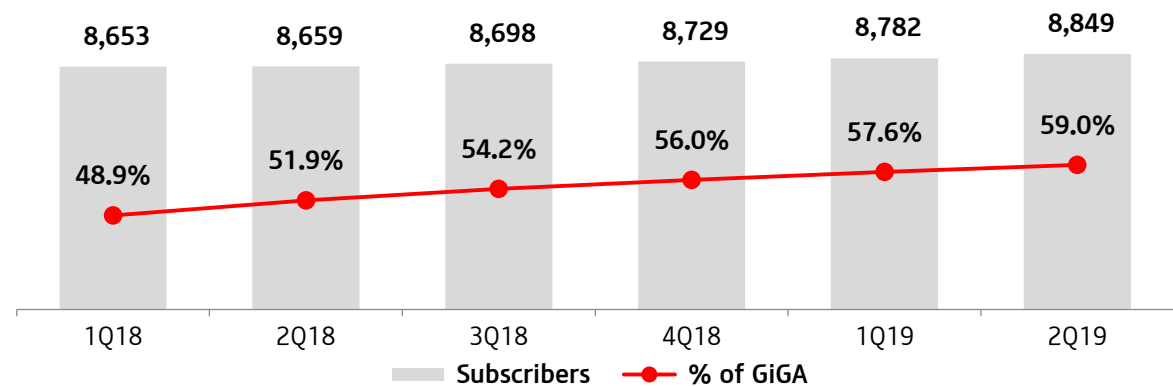
- Revenue down by 7.5% YoY on cord-cutting and usage drop

□ Broadband

- Revenue up by 2.3% YoY on the continued net additions and increase in GiGA subscribers

[Broadband Subscriber]

(Unit: 1,000)



2-3 Business Overview

Media / Contents

(Unit: KRW bn)

□ Media/Contents up by 15.9% YoY

	2Q18	1Q19	2Q19	QoQ	YoY
Media / Contents	595.2	641.2	689.9	7.6%	15.9%
Media	487.3	512.7	544.1	6.1%	11.7%
Contents	107.9	128.5	145.8	13.4%	35.1%

□ Media

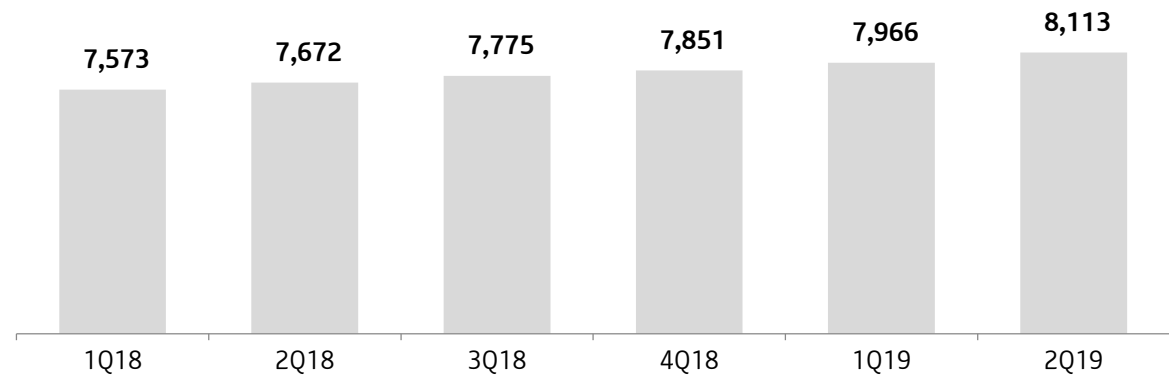
- IPTV net adds of 147K
- Media revenue up by 11.7% YoY on high-quality subscriber expansion and platform revenue increase

[IPTV Subscriber]

(Unit: 1,000)

□ Contents

- Revenue up by 35.1% YoY on T-commerce revenue growth of KTH and subscriber expansion of Genie Music



※ Number of IPTV subscribers deviates from MSIT's released figure below (computed per IPTV law)
 - KT's 6-month average pay TV subscribers for 2H18 is 6,861,288.

2-4 Business Overview

Finance and Others

(Unit: KRW bn)

Finance down by 1.9% YoY

	2Q18	1Q19	2Q19	QoQ	YoY
Finance	866.7	839.0	849.8	1.3%	-1.9%
Other Services	596.5	575.8	616.1	7.0%	3.3%
IT / Solution	261.6	260.3	293.9	12.9%	12.4%
Real Estate	107.7	95.8	85.1	-11.1%	-20.9%
Others	227.3	219.7	237.0	7.9%	4.3%

Other Services up by 3.3% YoY

- IT/Solution services revenue up on continuous IDC business growth
- Real estate revenue down by 20.9% YoY due to decrease of development projects

(Unit: KRW bn)

Merchandise up by 25.8% YoY

	2Q18	1Q19	2Q19	QoQ	YoY
Merchandise	803.4	878.9	1,010.4	15.0%	25.8%

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4-1 K-IFRS Income Statement

(Unit: KRW bn)

Consolidated	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	KT Separate	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19
Operating revenue	5,710.2	5,806.9	5,948.5	5,994.5	5,834.4	6,098.5	Operating revenue	4,297.2	4,283.0	4,358.2	4,418.2	4,334.3	4,558.5
Service revenue	4,863.6	5,003.6	5,096.9	5,021.1	4,955.5	5,088.2	Service revenue	3,501.5	3,581.3	3,582.3	3,508.3	3,553.4	3,625.2
Wireless	1,740.8	1,763.7	1,760.1	1,689.6	1,732.5	1,743.4	Wireless	1,713.8	1,735.5	1,731.4	1,655.0	1,705.2	1,715.7
Fixed line	1,198.8	1,181.5	1,186.4	1,178.4	1,167.0	1,188.9	Fixed line	1,186.4	1,176.3	1,174.7	1,167.1	1,156.2	1,161.6
Media/Contents	554.2	595.2	616.2	648.7	641.2	689.9	Media	318.7	357.2	353.5	362.3	377.4	408.4
Finance	832.7	866.7	882.3	863.2	839.0	849.8	Other service	282.5	312.3	322.6	323.9	314.7	339.5
Others	537.1	596.5	652.0	641.2	575.8	616.1							
Merchandise rev.	846.6	803.4	851.5	973.4	878.9	1,010.4	Merchandise rev.	795.7	701.7	775.9	909.9	780.8	933.3
Operating expense	5,313.1	5,407.8	5,579.0	5,898.7	5,432.3	5,810.3	Operating expense	3,992.2	3,975.4	4,077.6	4,359.8	4,037.8	4,367.4
Service expense	4,368.6	4,499.6	4,640.2	4,793.2	4,489.4	4,680.3	Service expense	3,141.3	3,256.4	3,296.6	3,412.9	3,246.0	3,382.9
Labor expense	922.1	987.5	930.1	1,006.1	983.8	1,006.1	Labor expense	526.9	599.0	540.4	542.6	543.6	573.7
General expense	2,353.1	2,454.6	2,494.6	2,499.1	2,327.1	2,459.3	General expense	1,627.8	1,658.8	1,658.3	1,731.2	1,595.7	1,671.8
Cost of svc provided	649.7	609.8	678.8	681.9	606.3	601.0	Cost of svc provided	519.0	518.1	540.4	528.7	508.8	507.7
Selling expense	443.7	447.8	536.6	606.0	572.2	613.9	Selling expense	467.6	480.5	557.5	610.3	598.0	629.7
Merchandise cost	944.4	908.2	938.9	1,105.6	942.9	1,130.0	Merchandise cost	850.9	718.9	781.0	946.9	791.8	984.5
Operating income	397.1	399.1	369.5	95.8	402.1	288.2	Operating income	305.0	307.7	280.6	58.4	296.4	191.1
N-OP income (loss)	-44.1	-7.9	-35.4	-83.3	-4.4	-4.7	N-OP income (loss)	127.3	-21.3	-4.2	-167.7	100.7	-1.8
N-operating income	130.0	211.3	101.0	147.9	181.5	199.2	N-operating income	284.8	186.0	105.2	126.3	271.7	179.4
N-operating expense	173.2	220.5	133.5	228.4	186.5	199.1	N-operating expense	157.5	207.2	109.4	294.0	170.9	181.2
Equity method (G/L)	-1.0	1.2	-3.0	-2.7	0.7	-4.8							
Income bf taxes	353.0	391.2	334.0	12.5	397.7	283.6	Income bf taxes	432.2	286.4	276.4	-109.3	397.2	189.4
Income tax	128.9	110.5	94.6	-5.6	138.0	80.5	Income tax	115.4	76.5	73.8	58.8	104.5	49.7
Income from con. op	224.1	280.7	239.5	18.1	259.8	203.0							
Income from discon. op	0.0	0.0	0.0	0.0	0.0	0.0							
Net income	224.1	280.7	239.5	18.1	259.8	203.0	Net income	316.8	209.9	202.6	-168.1	292.6	139.7
NI contribution to KT	197.0	251.0	222.5	18.0	231.1	173.9							
EBITDA	1,228.9	1,221.2	1,184.9	908.2	1,309.5	1,191.3	EBITDA	1,046.6	1,039.4	1,003.1	779.7	1,108.1	997.7
EBITDA Margin	21.5%	21.0%	19.9%	15.2%	22.4%	19.5%	EBITDA Margin	24.4%	24.3%	23.0%	17.6%	25.6%	21.9%

4-2 K-IFRS Balance Sheet

(Unit: KRW bn)

Consolidated	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	KT Separate	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19
Asset	30,618.1	30,118.3	32,794.8	32,188.8	33,247.8	33,469.4	Asset	24,790.1	24,528.5	24,958.9	26,010.9	26,837.7	26,959.8
Current assets	11,078.6	10,847.2	13,812.8	11,894.3	12,396.1	11,818.3	Current assets	6,462.9	6,416.9	7,126.4	6,861.6	7,307.3	7,052.4
Cash & cash equi.	1,777.5	2,249.7	2,718.1	2,703.4	2,765.0	2,250.1	Cash & cash equi.	1,064.1	1,464.3	1,832.5	1,779.7	1,750.1	1,394.9
Trade & other rec	3,636.7	3,740.1	3,951.1	3,874.9	4,129.5	4,364.8	Trade & other rec	2,997.9	2,977.9	2,969.0	2,968.8	3,357.8	3,451.0
Inventories	716.0	594.5	503.5	684.0	646.4	607.6	Inventories	450.7	360.4	298.5	465.3	446.4	404.8
Other current asset	4,948.5	4,262.9	6,640.1	4,631.9	4,855.2	4,595.7	Other current asset	1,950.3	1,614.4	2,026.4	1,647.8	1,753.1	1,801.7
- Prepaid_Contract cost	987.2	1,037.8	1,070.5	1,098.2	1,106.3	1,165.2	- Prepaid_Contract cost	1,005.8	1,048.7	1,090.8	1,127.8	1,134.5	1,210.6
- Contract assets	313.1	298.4	305.2	306.9	330.9	377.8	- Contract assets	289.1	274.7	282.5	285.3	300.2	339.1
Non-current assets	19,539.5	19,271.1	18,982.0	20,294.6	20,851.8	21,651.1	Non-current assets	18,327.1	18,111.6	17,832.5	19,149.3	19,530.4	19,907.4
Trade & other rec	689.2	770.1	678.8	810.6	690.4	867.9	Trade & other rec	624.1	705.1	611.1	766.3	641.7	806.4
P.P.E	13,161.7	13,000.0	12,855.3	13,068.3	12,811.1	13,192.8	P.P.E	11,008.2	10,777.8	10,645.3	10,864.4	10,656.7	10,914.5
Other current assets	5,688.5	5,501.0	5,448.0	6,415.7	7,350.3	7,590.4	Other current assets	6,694.9	6,628.7	6,576.1	7,518.6	8,232.0	8,186.5
- Prepaid_Contract cost	343.5	362.6	368.5	371.7	364.4	403.5	- Prepaid_Contract cost	331.4	336.9	349.8	360.0	351.4	398.9
- Contract assets	74.0	79.3	92.9	91.9	94.1	111.3	- Contract assets	64.0	69.3	82.5	81.6	84.0	101.4
Liabilities	16,474.1	15,681.3	18,093.3	17,457.6	18,509.4	18,464.8	Liabilities	12,320.3	11,869.2	12,091.3	13,299.2	14,099.7	14,076.5
Current liabilities	9,453.7	9,117.6	11,185.1	9,387.7	9,926.8	9,908.1	Current liabilities	5,899.2	5,943.6	5,822.2	5,908.5	6,283.8	6,238.7
Trade & other payables	6,974.4	6,199.7	8,700.2	6,948.2	7,264.0	7,980.9	Trade & other payables	4,074.7	3,602.2	3,887.7	4,002.4	4,472.4	5,118.4
Short-term borrowings	1,534.3	1,940.0	1,417.0	1,368.5	1,149.0	583.6	Short-term borrowings	1,230.1	1,688.7	1,179.3	1,181.4	948.5	380.4
Others	945.1	977.9	1,067.9	1,071.0	1,513.8	1,343.6	Others	594.4	652.8	755.2	724.7	862.9	739.9
- Contract liabilities	270.8	281.0	289.3	300.7	302.9	304.4	- Contract liabilities	274.4	280.0	287.4	301.1	302.1	306.7
Non-current liabilities	7,020.4	6,563.7	6,908.2	8,069.8	8,582.5	8,556.7	Non-current liabilities	6,421.1	5,925.5	6,269.1	7,390.7	7,815.9	7,837.8
Trade & other payables	667.9	661.0	658.2	1,409.3	1,132.7	1,110.0	Trade & other payables	728.4	711.1	706.2	1,460.1	1,524.9	1,476.1
Long-term borrowings	5,155.0	4,664.5	4,953.2	5,279.8	5,641.1	5,673.2	Long-term borrowings	5,007.5	4,515.1	4,815.8	5,132.1	5,502.7	5,549.0
Others	1,197.5	1,238.2	1,296.8	1,380.7	1,808.7	1,773.5	Others	685.2	699.4	747.1	798.5	788.3	812.6
- Contract liabilities	52.1	45.8	42.1	46.8	44.3	42.7	- Contract liabilities	47.6	41.7	38.8	43.7	41.4	40.1
Equity	14,144.0	14,437.0	14,701.5	14,731.3	14,738.5	15,004.6	Equity	12,469.8	12,659.4	12,867.6	12,711.7	12,738.0	12,883.3
Retained earnings	10,860.2	11,107.9	11,336.5	11,328.9	11,269.5	11,438.9	Retained earnings	10,514.6	10,721.5	10,923.0	10,740.0	10,741.7	10,880.2

4-3 Subscribers

Wireless	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	QoQ	YoY
Subscribers (Unit: 1,000) ¹⁾								
Total	20,378	20,662	20,920	21,120	21,333	21,549	1.0%	4.3%
Net additions	363	284	258	200	213	216	1.2%	-23.9%
Gross additions	1,211	1,160	1,200	1,179	1,181	1,133	-4.0%	-2.3%
Deactivation ²⁾	848	876	942	978	968	917	-5.2%	4.7%
Churn rate	1.4%	1.4%	1.5%	1.6%	1.5%	1.4%	-0.1%p	0.0%p
LTE/5G	15,867	16,224	16,612	16,971	17,393	17,802	2.4%	9.7%
LTE/5G Penetration rate	77.9%	78.5%	79.4%	80.4%	81.5%	82.6%	1.1%p	4.1%p
ARPU (KRW)³⁾	32,283	32,320	32,028	31,450	31,496	31,745	0.8%	-1.8%

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, 5G 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

Wireline	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	QoQ	YoY
Subscribers (Unit:1,000)								
Telephony	15,478	15,343	15,163	14,992	14,830	14,554	-1.9%	-5.1%
PSTN	12,080	11,949	11,786	11,637	11,489	11,343	-1.3%	-5.1%
VoIP	3,398	3,394	3,377	3,355	3,340	3,211	-3.9%	-5.4%
Broadband	8,653	8,659	8,698	8,729	8,782	8,849	0.8%	2.2%
IPTV (OTV+OTS)	7,573	7,672	7,775	7,851	7,966	8,113	1.9%	5.7%

※ Number of IPTV subscribers deviates from MSIT's released figure below (computed per IPTV law)

- KT's 6-month average pay TV subscribers for 2H18 is 6,861,288.

Hi Five! 

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