

KT 1Q23 Earnings Release

2023. 5. 11 | Investor Relations

DIGICO **KT**



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1 1Q23 Highlights

2 Financial Highlights

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1 1Q23 Highlights

Financials

Consistent revenue growth through stable implementation of the strategy

<u>Consolidated</u>	Revenue	6,443.7 bn (YoY +2.6%)	<u>KT Separate</u>	Revenue	4,619.0 bn (YoY +0.2%)
	Operating Profit	486.1 bn (YoY -22.4%)		Operating Profit	388.1 bn (YoY -9.7%)

(Unit: KRW)

※ Beside one-off O.P in 1Q22 (sale of Mapo solution center), YoY O.P -11.9%

Key Performance

B2B: Balanced growth in DIGICO/TELCO

- Rev. generated from '22 B2B DX orders, and continued orders for DX
- Consistent rev. growth by expansion of customer base in corporate broadband, MVNO businesses
 - corp. broadband/data +3.4%(YoY)
 - corp. telephony +5.4%(YoY)

Subs: Core-portfolio-centric growth strategy

- BC card Rev +5.6%(YoY), Kbank deposit/loan ↑
- 4 org. contents produced/broadcasted
- Recovery of hotel business w/t 2 new hotels
 - Le-meridian & Moxy hotel newly opened, Nov 2022

B2C: MIT centric qualitative growth

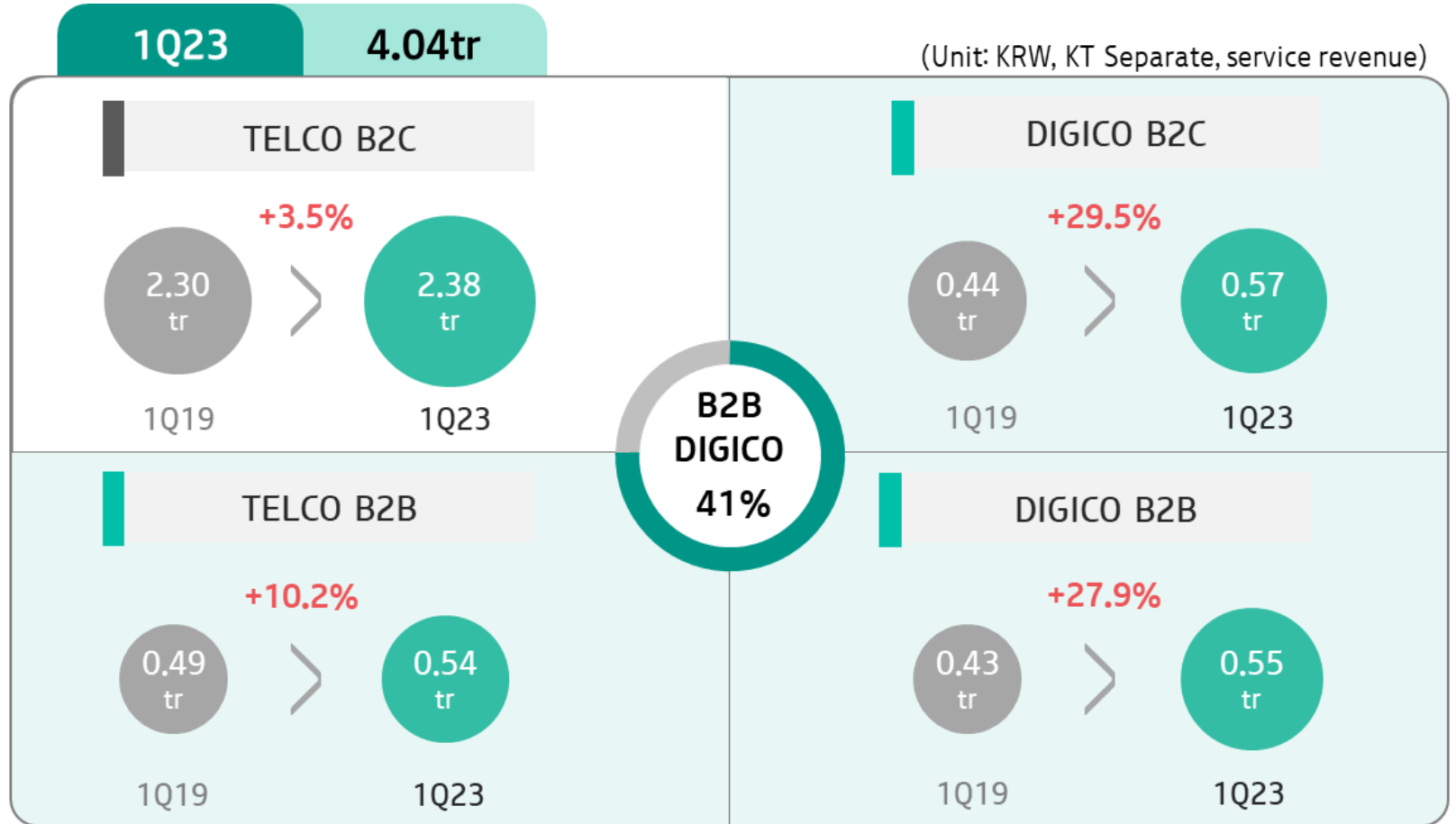
- Mobile rev +1.9%(YoY): 5G ratio 65% + roaming recovery
- Broadband/Media rev. growth by premium subs. acq.
 - broadband +2.8%(YoY), Media +2.2%(YoY)

Governance: Initiation of 'New Governance Est. TF'

- Initiation of corporate governance enhancement through 'New Governance Establishment TF' (April 2023~)
- Appointment of new outside directors to be completed by June, CEO candidate to be confirmed by July

2 DIGICO Transformation

DIGICO+B2B service revenue account for 41% of the total service revenue in1Q23



※Cloud/IDC rev.(including kt cloud) reflected in total service rev. and DIGICO B2B

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1 Income Statement

- Revenue up +2.6% YoY by stable DIGICO·B2B growth and core-portfolio-oriented subsidiaries' growth in finance/contents/DX
- Operating income -22.4% YoY due to base effect of one off profit in 1Q22, inflation, and recession

(Unit: KRW bn)

	1Q22	4Q22	1Q23	QoQ	YoY
Operating Revenue	6,277.7	6,583.0	6,443.7	-2.1%	2.6%
Service Revenue	5,565.5	5,705.0	5,713.9	0.2%	2.7%
Handset Revenue	712.2	878.0	729.7	-16.9%	2.5%
Operating Expense	5,651.1	6,431.5	5,957.6	-7.4%	5.4%
Operating Income	626.6	151.4	486.1	221.0%	-22.4%
Margin	10.0%	2.3%	7.5%	5.2%p	-2.5%p
Margin*	11.3%	2.7%	8.5%	5.8%p	-2.8%p
Non-op. Income/Loss	15.6	121.8	-48.5	Turned red	Turned red
Income before taxes	642.2	273.2	437.6	60.2%	-31.9%
Net Income	455.4	242.7	309.6	27.6%	-32.0%
Margin	7.3%	3.7%	4.8%	1.1%p	-2.5%p
EBITDA	1,518.3	1,080.8	1,415.5	31.0%	-6.8%
Margin	24.2%	16.4%	22.0%	5.6%p	-2.2%p

※ OP Margin* = Operating Income/Service Revenue

2 Operating Expenses

(Unit: KRW bn)

	1Q22	4Q22	1Q23	QoQ	YoY
Operating Expenses	5,651.1	6,431.5	5,957.6	-7.4%	5.4%
Labor Cost	1,040.4	1,259.3	1,069.1	-15.1%	2.8%
General Expense	2,471.0	2,771.2	2,604.0	-6.0%	5.4%
- Depreciation	891.7	929.4	929.4	0.0%	4.2%
Cost of Service Provided	799.6	885.9	830.2	-6.3%	3.8%
Selling Expense	573.2	641.7	600.9	-6.4%	4.8%
Cost of Handset sold	766.9	873.5	853.3	-2.3%	11.3%

• Selling Expense (KT Separate)

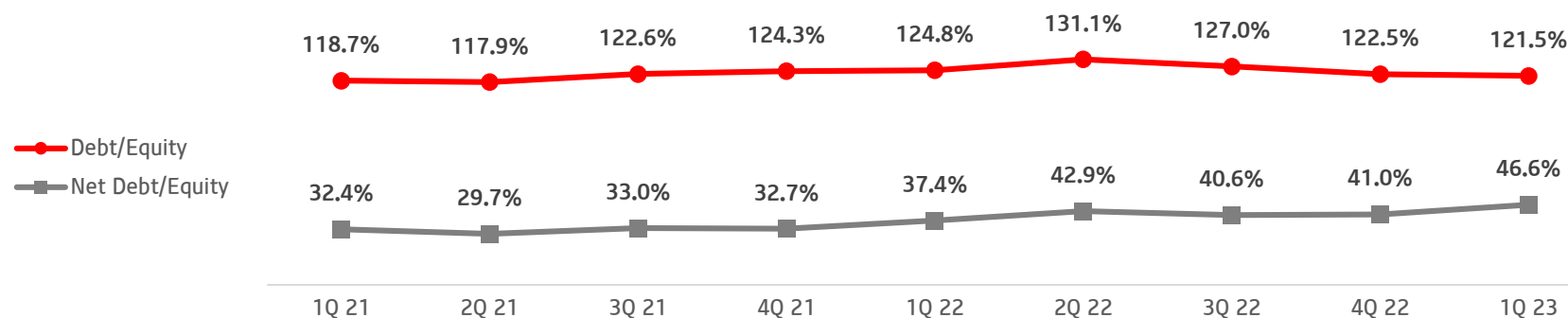
(Unit: KRW bn)

	1Q22	4Q22	1Q23	QoQ	YoY
Selling Expense	613.2	653.6	626.1	-4.2%	+2.1%

3 Financial Position

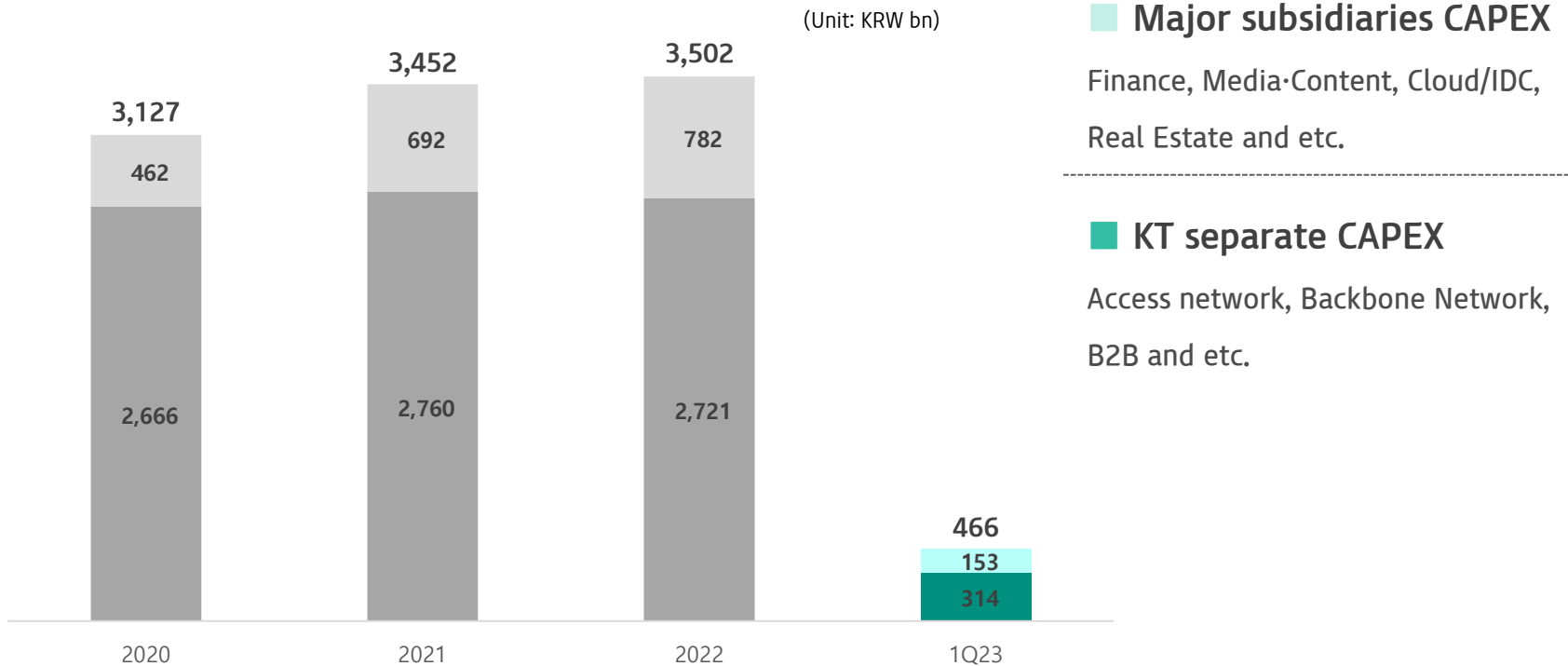
(Unit: KRW bn)

	1Q22	4Q22	1Q23	QoQ	YoY
Assets	37,301.1	40,980.7	40,214.4	-1.9%	7.8%
Cash & Cash equivalents	2,682.2	2,449.1	2,109.2	-13.9%	-21.4%
Liabilities	20,707.3	22,566.0	22,062.4	-2.2%	6.5%
Borrowings	8,894.9	10,006.7	10,577.1	5.7%	18.9%
Equity	16,593.8	18,414.7	18,152.0	-1.4%	9.4%
Capital Stock	1,564.5	1,564.5	1,564.5	0.0%	0.0%
Net Debt	6,212.7	7,557.6	8,467.9	12.0%	36.3%
Debt / Equity	124.8%	122.5%	121.5%	-1.0%p	-3.3%p
Net Debt / Equity	37.4%	41.0%	46.6%	5.6%p	9.2%p



4 CAPEX

- 1Q23 CAPEX execution : KRW 313.5 bn(KT separate), KRW 152.7bn(major subsidiaries)



※ Cloud/IDC related investment in 2020 and 2021 are retroactively reflected in subsidiaries' CAPEX

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1 KT - Telco B2C

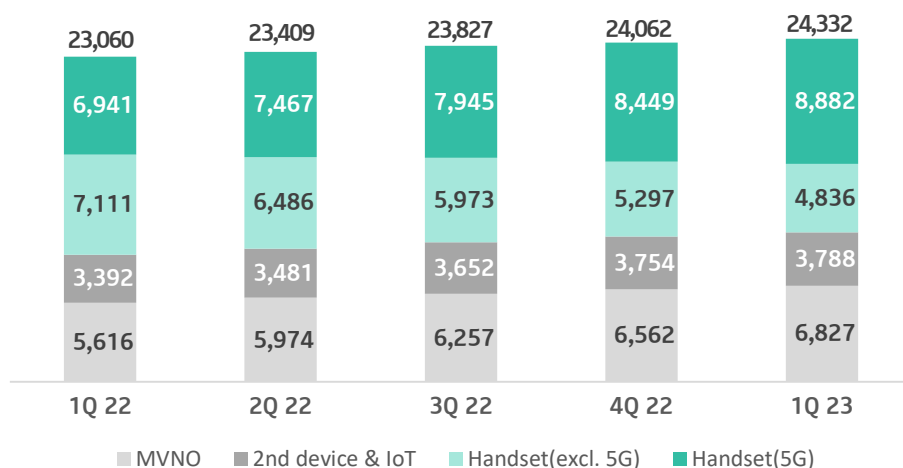
- Revenue up +1.2% YoY due to premium mobile/broadband subs acq and growth in roaming service
- 5G penetration ratio reached 65% among handset subs, and GiGA subs portion reached 67%

(Unit: KRW bn)

	1Q22	4Q22	1Q23	QoQ	YoY
Telco B2C	2,353.5	2,382.3	2,381.1	-0.1%	1.2%
Wireless	1,537.6	1,548.3	1,554.8	0.4%	1.1%
Broadband	591.1	605.3	607.9	0.4%	2.8%
Telephony	224.8	228.7	218.4	-4.5%	-2.8%

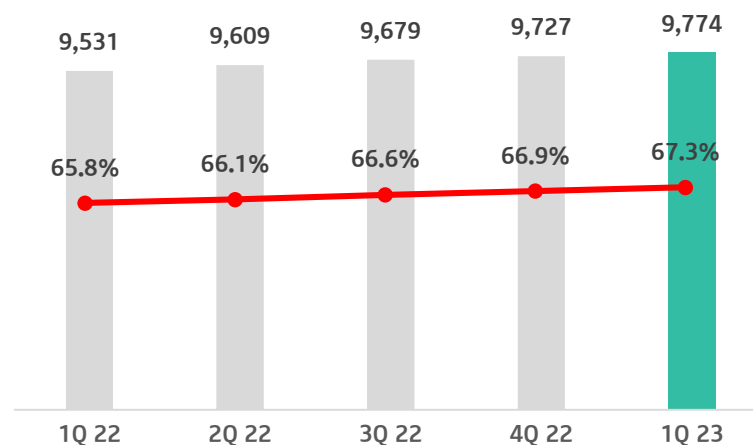
Wireless Subscribers

(Unit: Thousands)



Broadband Subscribers (GiGA portion)

(Unit: Thousands)



2 KT - DIGICO B2C

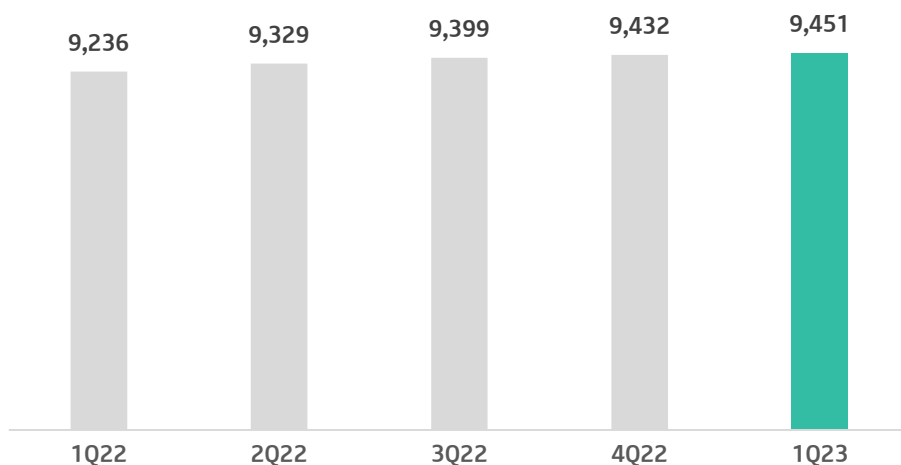
- DIGICO B2C revenue up +3.1% YoY based on balanced growth of media and mobile platform biz
- IPTV revenue up +2.8% YoY with consistent growth of subscriber base

(Unit: KRW bn)

	1Q22	4Q22	1Q23	QoQ	YoY
DIGICO B2C	549.3	565.5	566.1	0.1%	3.1%
Media	496.0	509.8	506.9	-0.6%	2.2%
Mobile Platform	53.3	55.7	59.1	6.1%	10.9%

IPTV

(Unit: Thousands)



※ Number of IPTV subscribers above deviates from MSIT's released figure below following IPTV law
 - Number of KT pay TV subscriber is 8,586,837 in 1H 2022 (6 month average)

DIGICO B2C

Media	IPTV
	Media and etc.
Mobile Platform	*Finance Platform
	**Contents Market
	IoT

* Finance Platform : Mobile payment, Authentication, Fintech and etc.

** Contents Market : App market payment, One-store, Contents distribution and etc.

3 KT - TELCO B2B

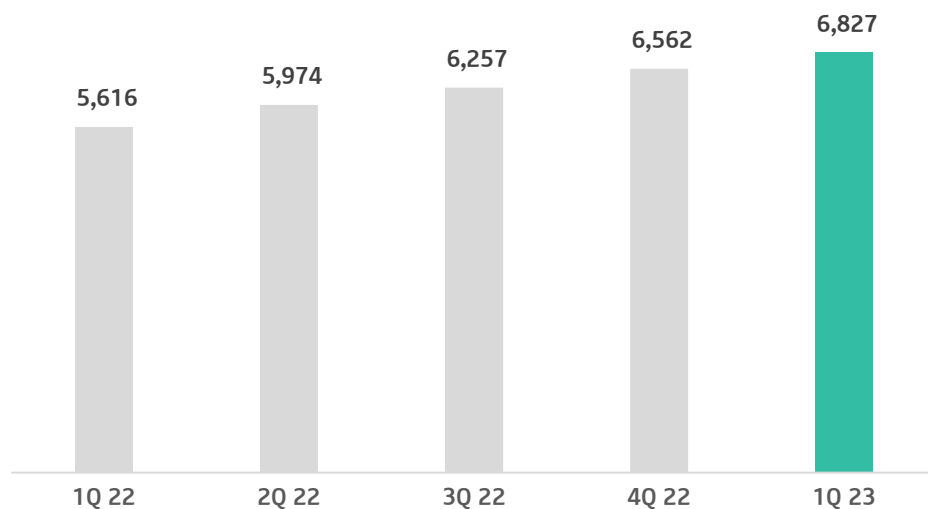
- Corporate broadband/data revenue up +3.4% YoY based on increased data traffic of B2B clients
- Corporate telephony revenue up +5.4% YoY due to steep growth in MVNO market

(Unit: KRW bn)

	1Q22	4Q22	1Q23	QoQ	YoY
Telco B2B	519.7	516.6	540.8	4.7%	4.1%
Corp. BB/data	341.5	342.7	352.9	3.0%	3.4%
Corp. telephony	178.3	173.9	187.9	8.1%	5.4%

MVNO Subscribers

(Unit: Thousands)



TELCO B2B

Corp. Broadband/Data	Leased Line, KORNET, VPN
	Global Data, Wholesale
	Internet Exchange
Corp. Telephony	MVNO
	Corporate Telephony
	Corporate Intelligent Network

4 KT - DIGICO B2B

- Revenue generated from B2B DX orders secured, such as Shinhan AICC, Construction of M-BCN
- Le-meridian & Moxy hotel open('22.Nov) and growth of real estate rev. due to recovery in hotel business

(Unit: KRW bn)

	1Q22	4Q22	1Q23	QoQ	YoY
DIGICO B2B	539.6	458.9	464.6	1.2%	-13.9%
Enterprise DX	262.5	277.4	263.9	-4.9%	0.5%
Cloud/IDC	124.4	43.3	38.8	-10.5%	-68.8%
AI/New Biz	107.4	89.2	112.1	25.7%	4.4%
Real Estate	45.4	49.0	49.9	1.9%	10.0%

DIGICO B2B

Enterprise DX	Enterprise Messaging
	Managed, Enterprise IoT
	Global ICT
	ICT and etc.
Cloud/IDC	Cloud
	IDC

AI/ New Biz	AICC, AI Robot
	Smart Mobility
	Smart Space solution
	Blockchain, Energy, Video Security
Real Estate	New Biz and etc.

5 Major Subsidiaries

- BC card revenue up +5.6% YoY with increased credit card transaction and finance biz expansion
- Contents subsidiaries revenue -7.6% YoY owing to sluggish advertising market due to recession
- OP of subsidiaries recorded KRW 98 bn despite recession, inflation and expense increase for expansion

Major Subsidiaries consolidated(each subsidiary)

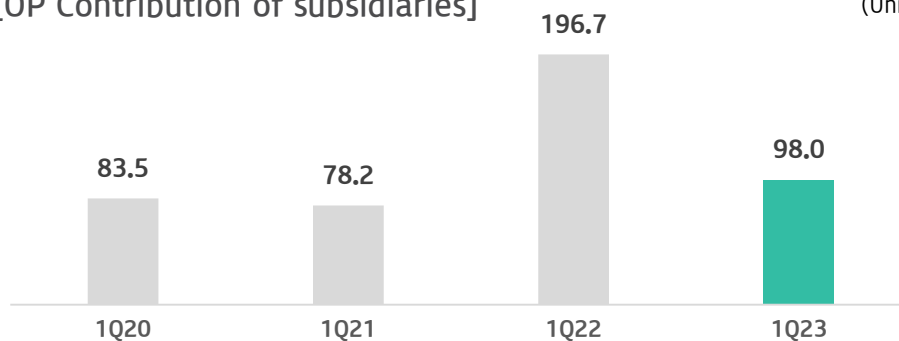
(Unit: KRW bn)

	1Q22	4Q22	1Q23	QoQ	YoY
BC card	902.2	1,018.2	953.2	-6.4%	5.6%
Skylife	240.8	271.1	254.8	-6.0%	5.8%
Contents Subsidiaries	270.4	308.8	249.9	-19.1%	-7.6%
KT Estate	150.5	130.9	112.8	-13.8%	-25.1%
kt cloud	-	158.3	148.7	-6.1%	-

※ Contents Subsidiaries : Nasmedia(PlayD incl.), KT alpha, KT Studiogenie(Genie music, Storywiz, and others incl.)

[OP Contribution of subsidiaries]

(Unit: KRW bn)



※ Including following one-off profit : KRW74.6bn (sale of Mapo Solution Center) in 1Q22

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1 K-IFRS Income Statement

(Unit: KRW bn)

Consolidated	1Q 22	2Q 22	3Q 22	4Q22	1Q 23	KT Separate	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23
Operating revenue	6,277.7	6,312.2	6,477.2	6,583.0	6,443.7	Operating revenue	4,608.4	4,517.8	4,590.2	4,572.8	4,619.0
Service revenue	5,565.5	5,670.5	5,744.8	5,705.0	5,713.9	Service revenue	3,962.1	3,937.3	3,944.4	3,923.3	3,952.6
Handset revenue	712.2	641.7	732.4	878.0	729.7	Handset revenue	646.2	580.5	645.8	649.5	666.4
Operating expense	5,651.1	5,853.0	6,024.3	6,431.5	5,957.6	Operating expense	4,178.5	4,214.3	4,266.6	4,461.7	4,230.9
Service expense	4,884.2	5,150.1	5,197.3	5,558.1	5,104.2	Service expense	3,516.0	3,655.4	3,607.9	3,783.7	3,491.5
Labor cost	1,040.4	1,120.9	1,075.3	1,259.3	1,069.1	Labor cost	549.3	605.8	535.8	689.7	530.2
General expense	2,471.0	2,560.2	2,586.0	2,771.2	2,604.0	General expense	1,692.8	1,719.4	1,743.6	1,824.0	1,720.5
Cost of svc provided	799.6	863.0	887.6	885.9	830.2	Cost of svc provided	646.4	660.2	666.7	605.1	601.6
Selling expense	573.2	606.0	648.4	641.7	600.9	Selling expense	627.4	670.0	661.8	664.9	639.3
Cost of device sold	766.9	703.0	827.0	873.5	853.3	Cost of device sold	662.5	558.9	658.7	678.0	739.4
Operating income	626.6	459.2	452.9	151.4	486.1	Operating income	429.9	303.5	323.6	111.1	388.1
N-OP income (loss)	15.6	80.5	-13.9	121.8	-48.5	N-OP income (loss)	99.2	23.0	1.5	-21.1	39.6
N-OP income	223.2	445.1	515.8	101.6	242.3	N-OP income	268.7	359.1	468.3	-110.8	265.1
N-OP expense	204.0	385.7	520.8	-46.1	287.0	N-OP expense	169.6	336.0	466.8	-89.7	225.5
Equity Method (G/L)	-3.6	21.0	-8.9	-25.9	-3.8						
Income bf tax	642.2	539.7	439.0	273.2	437.6	Income bf tax	529.1	326.5	325.1	90.1	427.7
Income tax	186.8	176.3	112.8	30.5	128.0	Income tax	138.1	302.1	84.9	-18.0	107.8
Net income	455.4	363.4	326.2	242.7	309.6	Net income	391.0	24.4	240.3	108.1	319.9
NI contribution to KT	409.8	313.1	297.6	242.0	296.6						
EBITDA	1,518.3	1,387.2	1,359.7	1,080.8	1,415.5	EBITDA	1,217.1	1,070.9	1,096.5	889.4	1,167.4
EBITDA Margin	24.2%	22.0%	21.0%	16.4%	22.0%	EBITDA Margin	26.4%	23.7%	23.9%	19.5%	25.3%

2 K-IFRS Balance Sheet

(Unit: KRW bn)

Consolidated	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23
Assets	37,301.1	39,066.3	40,651.5	40,980.7	40,214.4
Current assets	12,189.9	12,563.7	13,042.2	12,681.6	12,202.0
Cash & cash equi.	2,682.2	2,821.7	3,095.1	2,449.1	2,109.2
Trade & other rec	4,074.7	3,857.6	4,095.0	3,951.8	4,098.7
Inventories	592.9	513.3	675.7	709.2	779.6
Other current asset	4,840.0	5,371.2	5,176.5	5,571.5	5,214.5
- Prepaid_Contract cost	1,304.2	1,316.8	1,313.5	1,307.2	1,284.2
- Contract assets	522.9	551.9	565.8	565.8	560.0
Non-current assets	25,111.3	26,502.5	27,609.3	28,299.1	28,012.6
Trade & other rec	671.6	670.3	578.0	609.4	473.9
Tangible assets	14,272.6	14,540.4	14,466.0	14,772.2	14,562.2
Other current assets	10,167.0	11,291.8	12,565.2	12,917.5	12,976.5
- Prepaid_Contract cost	486.8	514.8	515.8	510.4	484.7
- Contract assets	225.5	242.8	249.3	236.4	232.7
Liabilities	20,707.3	22,161.7	22,745.9	22,566.0	22,062.4
Current liabilities	9,883.5	11,070.8	10,583.6	10,699.3	10,164.8
Trade & other payables	6,548.3	6,545.1	6,795.4	7,371.0	6,424.7
Short-term borrowings	1,583.7	2,773.7	2,052.0	1,827.0	2,224.2
Others	1,751.6	1,752.1	1,736.3	1,501.2	1,515.9
- Contract liabilities	276.1	274.8	251.6	242.4	264.3
Non-current liabilities	10,823.7	11,090.9	12,162.3	11,866.7	11,897.7
Trade & other payables	1,061.8	1,070.6	1,087.9	1,064.1	833.6
Long-term borrowings	7,311.3	7,300.9	8,314.6	8,179.6	8,352.9
Others	2,450.7	2,719.4	2,759.8	2,622.9	2,711.2
- Contract liabilities	44.7	35.0	34.1	41.7	44.5
Equity	16,593.8	16,904.6	17,905.6	18,414.7	18,152.0
Retained earnings	13,234.9	13,551.0	13,857.3	14,257.3	14,008.3

KT Separate	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23
Assets	29,305.6	30,169.5	31,055.2	30,417.8	30,386.9
Current assets	7,443.7	7,352.7	7,612.4	6,603.5	6,972.1
Cash & cash equi.	1,496.0	1,592.4	1,645.1	966.3	866.3
Trade & other rec	3,326.0	3,135.9	3,294.1	3,055.6	3,283.3
Inventories	333.6	238.7	300.4	349.9	380.1
Other current asset	2,288.0	2,385.7	2,372.9	2,231.7	2,442.4
- Prepaid_Contract cost	1,383.2	1,394.1	1,391.1	1,386.3	1,378.0
- Contract assets	459.1	484.6	499.5	493.4	493.4
Non-current assets	21,861.9	22,816.8	23,442.8	23,814.3	23,414.8
Trade & other rec	608.6	595.2	485.8	527.0	399.4
Tangible assets	11,806.6	11,405.0	11,209.0	11,540.2	11,240.4
Other current assets	9,446.7	10,816.5	11,748.0	11,747.1	11,775.0
- Prepaid_Contract cost	476.3	499.1	500.7	496.8	477.6
- Contract assets	164.3	184.3	194.2	186.0	184.9
Liabilities	15,509.5	16,405.9	16,401.5	15,559.7	15,766.5
Current liabilities	6,910.1	7,580.4	6,848.2	6,321.4	6,582.7
Trade & other payables	4,631.1	4,603.9	4,628.6	4,672.6	4,477.0
Short-term borrowings	1,267.7	1,990.4	1,358.0	984.7	1,359.5
Others	1,011.3	986.2	861.6	664.1	746.2
- Contract liabilities	283.4	266.2	249.7	241.0	256.4
Non-current liabilities	8,599.4	8,825.5	9,553.4	9,238.2	9,183.8
Trade & other payables	1,644.4	1,651.9	1,644.0	1,620.6	1,342.5
Long-term borrowings	6,007.6	6,048.3	6,850.7	6,510.8	6,675.8
Others	947.4	1,125.2	1,058.7	1,106.8	1,165.5
- Contract liabilities	43.7	34.2	33.1	40.4	43.1
Equity	13,796.1	13,763.6	14,653.7	14,858.1	14,620.4
Retained earnings	11,859.8	11,882.2	12,121.9	12,347.4	12,123.3

3 Subscribers

Wireless	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23	QoQ	YoY
Subscribers (Unit: Thousands) ¹⁾							
Total	23,060	23,409	23,827	24,062	24,332	1.1%	5.5%
Net additions	261	349	418	235	270	14.5%	3.3%
Gross additions	1,039	1,010	984	990	979	-1.2%	-5.8%
Deactivation²⁾	778	661	566	755	709	-6.1%	-8.9%
Churn rate	1.1%	0.9%	0.8%	1.1%	1.0%	-0.1%p	-0.1%p
LTE	14,454	14,357	14,392	14,261	14,230	-0.2%	-1.5%
5G	6,949	7,479	7,962	8,483	8,937	5.3%	28.6%
LTE+5G Penetration rate	92.8%	93.3%	93.8%	94.5%	95.2%	0.7%p	2.4%p
ARPU (KRW)³⁾	32,308	32,446	32,917	33,542	33,771	0.7%	4.5%

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 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 (IoT/M2M excluded)

Fixed Line/IPTV	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23	QoQ	YoY
Subscribers (Unit: Thousands)							
Telephony	12,969	12,842	12,709	12,581	12,445	-1.1%	-4.0%
PSTN	9,768	9,634	9,500	9,376	9,226	-1.6%	-5.5%
VoIP	3,201	3,208	3,209	3,206	3,219	0.4%	0.6%
Broadband	9,531	9,609	9,679	9,727	9,774	0.5%	2.5%
IPTV (OTV+OTS)	9,236	9,329	9,399	9,432	9,451	0.2%	2.3%

※ Number of IPTV subscribers above deviates from MSIT's released figure below following IPTV law

- Number of KT pay TV subscriber is 8,586,837 in 1H 2022 (6 month average) according to the Ministry of Science and Technology

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