

KT Corporation

**Separate Financial Statements
December 31, 2023 and 2022**

ATTACHMENT : INDEPENDENT AUDITOR'S REPORT

KT Corporation

KT Corporation
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December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

English Translation of Independent Auditor's Report Originally Issued in Korean on March 18, 2024

To the Shareholders and the Board of Directors of KT Corporation:

Audit Opinion

We have audited the financial statements of KT Corporation (the "Company"), which comprise the statement of financial position as of December 31, 2023, and the statement of profit or loss, the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows, for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the internal control over financial reporting of the Company as of December 31, 2023, based on the Conceptual Framework for Design and Operation of Internal Control over Financial Reporting, and our report dated March 18, 2024 expressed an unqualified opinion.

Basis for Audit Opinion

We conducted our audit in accordance with the KSAs. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Occurrence and accuracy of Mobile service revenue and revenue related to sale of handset for mobile service ("Mobile revenue")

(1) Reasons for Determining the matter as a Key Audit Matter

As described in Note 2.22 to the financial statements, the Company recognizes revenue at the point in time when it fulfills its performance obligations identified from contracts with customers. The Company provides various services and rate plans related to mobile revenue, and due to the large volume of transactions with customers, needs complex and elaborate information technology systems to accurately record occurrence of mobile revenue.

Given the magnitude and complexity of mobile revenue recorded by the billing system of the Company, we determined the occurrence and accuracy of mobile revenue recognized through the billing system as a key audit matter.

(2) How the matter has been addressed in the audit

Key audit procedures performed regarding the occurrence and accuracy of mobile revenue computed through the billing system include the following:

- During the audit planning phase, we obtained an understanding of the Company's accounting policies and processes related to Mobile revenue recognition.
- We performed an assessment on the environment of the general information technology systems used for collecting usage of voice, text, and data, as well as handling billing and invoicing throughout the process of recording revenue and tested manual controls and general information technology controls.
- We reconciled the mobile revenue in the billing system with the revenue in the ledger.
- We performed substantive analytical procedures using historical data on mobile revenue by rate plan and subscriber information.
- To verify the accuracy and completeness of the subscriber information used in our audit procedures, we selected subscriber information from the billing system, reconciled the selections with contractual terms between the Company and customers, and corroborated if the subscribers were valid for the respective month.
- To verify the occurrence and accuracy of revenue recognition related to sale of handset for mobile service, we selected transactions from the sub-ledger, reconciled the selection with contractual terms between the Company and customers of the Company, and compared the billed amounts to receipts.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with K-IFRS, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

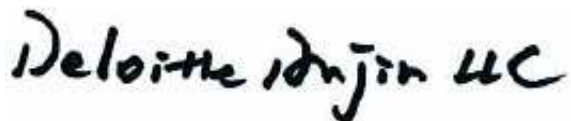
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

The financial statements for the reporting period ending December 31, 2022, were audited by another external auditor, and their audit report dated March 8, 2023, expressed an unqualified opinion.

The engagement partner on the audit resulting in this independent auditor's report is Lee, Dong Hyun.



March 18, 2024

Notice to Readers

This report is effective as of March 18, 2024, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the financial statements and may result in modifications to the auditor's report.

KT Corporation
Separate Statements of Financial Position
December 31, 2023 and 2022

(in millions of Korean won)

	Notes	December 31, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	4,5,36 ₩	1,242,005 ₩	966,307
Trade and other receivables, net	4,6,36	3,190,269	3,055,649
Other financial assets	4,7,36	279,451	232,837
Inventories, net	8	368,117	349,870
Other current assets	9	2,008,723	1,998,825
Total current assets		<u>7,088,565</u>	<u>6,603,488</u>
Non-current assets			
Trade and other receivables, net	4,6,36	370,717	526,988
Other financial assets	4,7,36	2,134,324	1,993,893
Property and equipment, net	10	11,492,776	11,540,162
Right-of-use assets	20	976,625	983,049
Investment properties, net	11,36	1,191,592	1,137,489
Intangible assets, net	12	1,487,848	1,855,679
Investments in subsidiaries, associates and joint ventures	13	4,796,606	4,879,219
Net defined benefit assets	17	60,590	180,689
Other non-current assets	9	709,276	717,118
Total non-current assets		<u>23,220,354</u>	<u>23,814,286</u>
Total assets	₩	<u>30,308,919</u>	₩ <u>30,417,774</u>

KT Corporation
Separate Statements of Financial Position
December 31, 2023 and 2022

(in millions of Korean won)

		December 31, 2023	December 31, 2022
Liabilities			
Current liabilities			
Trade and other payables	4,14,36 ₩	4,232,377 ₩	4,411,056
Borrowings	4,15,36	1,725,234	984,720
Other financial liabilities	4,7,36	660	-
Current income tax liabilities		148,136	127,944
Provisions	16	91,861	87,720
Deferred income	25	39,618	44,042
Other current liabilities	9	719,605	665,968
Total current liabilities		<u>6,957,491</u>	<u>6,321,450</u>
Non-current liabilities			
Trade and other payables	4,14,36	739,766	979,050
Borrowings	4,15,36	5,834,699	6,510,841
Other financial liabilities	4,7,36	23,819	37,566
Provisions	16	90,493	79,374
Deferred income	25	145,334	158,161
Deferred income tax liabilities	29	796,087	763,113
Other non-current liabilities	9	677,691	710,139
Total non-current liabilities		<u>8,307,889</u>	<u>9,238,244</u>
Total liabilities		<u>15,265,380</u>	<u>15,559,694</u>
Equity			
Share capital	21	1,564,499	1,564,499
Share premium		1,440,258	1,440,258
Retained earnings	22	12,544,425	12,347,403
Accumulated other comprehensive income	23	64,229	(72,672)
Other components of equity	23	(569,872)	(421,408)
Total equity		<u>15,043,539</u>	<u>14,858,080</u>
Total liabilities and equity	₩	<u>30,308,919</u>	₩ <u>30,417,774</u>

The above separate statements of financial position should be read in conjunction with the accompanying notes.

KT Corporation
Separate Statements of Profit or Loss
Years Ended December 31, 2023 and 2022

(in millions of Korean won, except per share amounts)

	Notes	2023	2022
Operating revenue	25	₩ 18,371,437	₩ 18,289,243
Operating expenses	26	17,186,045	17,121,140
Operating profit		1,185,392	1,168,103
Other income	27	327,527	408,025
Other expenses	27	319,586	228,723
Finance income	28	381,151	577,334
Finance costs	28	419,210	653,996
Profit before income tax		1,155,274	1,270,743
Income tax expense	29	221,937	506,993
Profit for the year		₩ 933,337	₩ 763,750
Earnings per share			
Basic earnings per share	30	₩ 3,741	₩ 3,153
Diluted earnings per share	30	3,739	3,152

The above separate statements of profit or loss should be read in conjunction with the accompanying notes.

KT Corporation
Separate Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

(in millions of Korean won)

	Notes	2023	2022
Profit for the year		₩ 933,337	₩ 763,750
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	17	(90,272)	114,154
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income		158,245	(149,638)
Items that may be subsequently reclassified to profit or loss:			
Loss on valuation of debt instruments at fair value through other comprehensive income	4	(26)	(13,902)
Valuation gain on cash flow hedges	4,7	16,030	56,259
Other comprehensive loss from cash flow hedges reclassified to profit or loss	4	(37,126)	(91,012)
Total other comprehensive income (loss)		₩ 46,851	₩ (84,139)
Total comprehensive income for the year		₩ 980,188	₩ 679,611

The above separate statements of comprehensive income should be read in conjunction with the accompanying notes.

KT Corporation

Separate Statements of Changes in Equity

Years Ended December 31, 2023 and 2022

(in millions of Korean won)

	Notes	Share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Other components of equity	Total
Balance at January 1, 2022		₩ 1,564,499	₩ 1,440,258	₩ 11,931,481	₩ 125,610	₩ (1,196,954)	₩ 13,864,894
Comprehensive income							
Profit for the year		-	-	763,750	-	-	763,750
Loss on valuation of financial assets							
at fair value through other comprehensive income	4,29	-	-	(11)	(163,529)	-	(163,540)
Remeasurements of net defined benefit liabilities	17,29	-	-	114,154	-	-	114,154
Valuation gain on cash flow hedge	4,29	-	-	-	(34,753)	-	(34,753)
Total comprehensive income for the year		-	-	877,893	(198,282)	-	679,611
Transactions with equity holders							
Dividends paid	31	-	-	(450,394)	-	-	(450,394)
Appropriation of retained earnings related to loss on disposal of treasury stock	22	-	-	(11,577)	-	11,577	-
Disposal of treasury stock		-	-	-	-	763,081	763,081
Others		-	-	-	#	888	888
Balance at December 31, 2022		₩ 1,564,499	₩ 1,440,258	₩ 12,347,403	₩ (72,672)	₩ (421,408)	₩ 14,858,080
Balance at January 1, 2023		₩ 1,564,499	₩ 1,440,258	₩ 12,347,403	₩ (72,672)	₩ (421,408)	₩ 14,858,080
Comprehensive income							
Profit for the year		-	-	933,337	-	-	933,337
Gain on valuation of financial assets							
at fair value through other comprehensive income	4,29	-	-	222	157,997	-	158,219
Remeasurements of net defined benefit liabilities	17,29	-	-	(90,272)	-	-	(90,272)
Valuation loss on cash flow hedge	4,29	-	-	-	(21,096)	-	(21,096)
Total comprehensive income for the year		-	-	843,287	136,901	-	980,188
Transactions with equity holders							
Dividends paid	31	-	-	(501,844)	-	-	(501,844)
Appropriation of retained earnings related to loss on disposal of treasury stock	22	-	-	(44,421)	-	44,421	-
Acquisition of treasury stock		-	-	-	-	(300,243)	(300,243)
Disposal of treasury stock		-	-	-	-	4,463	4,463
Retirement of treasury stock	22	-	-	(100,000)	-	100,000	-
Others		-	-	-	-	2,895	2,895
Balance at December 31, 2023		₩ 1,564,499	₩ 1,440,258	₩ 12,544,425	₩ 64,229	₩ (569,872)	₩ 15,043,539

The above separate statements of changes in equity should be read in conjunction with the accompanying notes.

KT Corporation
Separate Statements of Cash Flows
Years Ended December 31, 2023 and 2022

(in millions of Korean won)

	Notes	2023	2022
Cash flows from operating activities			
Cash generated from operations	32	₩ 4,657,805	₩ 4,128,185
Interest paid		(246,516)	(202,579)
Interest received		191,289	211,170
Dividends received		115,324	98,874
Income tax paid		(165,648)	(173,297)
Net cash inflow from operating activities		<u>4,552,254</u>	<u>4,062,353</u>
Cash flows from investing activities			
Collection of loans		36,724	133,864
Disposal of current financial instruments at amortized cost		343,231	900
Disposal of financial assets at fair value through profit or loss		4,155	1,695
Disposal of financial assets at fair value through other comprehensive income		306	-
Disposal of investments in subsidiaries, associates and joint ventures		73,556	36,028
Disposal of property and equipment		30,010	60,619
Disposal of intangible assets		2,860	17,047
Disposal of right-of-use assets		458	96
Loans granted		(30,107)	(125,146)
Acquisition of financial instruments at amortized cost		(304,450)	(343,794)
Acquisition of financial assets at fair value through profit or loss		(46,437)	(115,415)
Acquisition of financial assets at fair value through other comprehensive income		(10,267)	(442,176)
Acquisition of investments in subsidiaries, associates and joint ventures		(49,032)	(348,607)
Acquisition of property and equipment		(2,928,008)	(2,980,008)
Acquisition of intangible assets		(311,317)	(307,689)
Acquisition of right-of-use assets		(926)	(1,984)
Net cash outflow from investing activities		<u>(3,189,244)</u>	<u>(4,414,570)</u>
Cash flows from financing activities			
Proceeds from borrowings and bonds		2,207,827	1,741,962
Settlement of derivative instruments (inflow)		46,526	76,280
Dividend paid		(501,844)	(450,394)
Repayments of borrowings and debentures		(2,206,730)	(1,359,117)
Settlement of derivative instruments (outflow)		-	(41,197)
Acquisition of treasury stock		(300,086)	-
Decrease in lease liabilities		(333,042)	(357,337)
Net cash outflow from financing activities	33	<u>(1,087,349)</u>	<u>(389,803)</u>
Effect of exchange rate change on cash and cash equivalents		<u>37</u>	<u>(387)</u>
Net increase (decrease) in cash and cash equivalents		<u>275,698</u>	<u>(742,407)</u>
Cash and cash equivalents			
Beginning of the year	5	<u>966,307</u>	<u>1,708,714</u>
End of the year	5	<u>₩ 1,242,005</u>	<u>₩ 966,307</u>

The above separate statements of cash flows should be read in conjunction with the accompanying notes.

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Notes to the Separate Financial Statements

December 31, 2023 and 2022

1. General Information

KT Corporation (the “Company”) commenced operations on January 1, 1982, when it spun off from the Korea Communications Commission (formerly the Korean Ministry of Information and Communications) to provide telecommunication services and to engage in the development of advanced communications services under the Act of Telecommunications of Korea. The address of the Company’s registered office is 90, Buljeonga-ro, Bundang-gu, Seongnam City, Gyeonggi Province, Korea.

On October 1, 1997, upon the announcement of the Act on the Management of Government-Invested Institutions and the Privatization Law, the Company became a government-funded institution under the Commercial Code of Korea.

On December 23, 1998, the Company’s shares were listed on the Korea Exchange.

On May 29, 1999, the Company issued 24,282,195 additional shares and issued American Depositary Shares (ADS), which represents new shares and 20,813,311 government-owned shares, on the New York Stock Exchange. On July 2, 2001, additional ADS, representing 55,502,161 government-shares, were issued on the New York Stock Exchange.

In 2002, the Company acquired the entire government-owned shares in accordance with the Korean government’s privatization plan. As of December 31, 2023, the Korean government does not own any shares in the Company.

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Notes to the Separate Financial Statements

December 31, 2023 and 2022

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (K-IFRS). The accompanying separate financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The separate financial statements of the Company have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments)
- Defined benefit pension plans – plan assets measured at fair value

The preparation of the separate financial statement requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

(1) New and amended standards and interpretations adopted by the Company

The Company has applied a number of new and amended standards and new interpretations issued that are effective accounting periods beginning on January 1, 2023.

- K-IFRS 1117 Insurance Contract

K-IFRS 1117, which supersedes K-IFRS 1104 *Insurance Contracts*, establishes principles for recognition, measurement, and disclosure of insurance contracts and its main features include the measurement of insurance liabilities at present value of the fulfilment cash flows, recognition of insurance revenue based on accruals-based accounting, and separate presentation of insurance revenue, insurance service expenses, and insurance finance income or expenses.

The Company does not have any contracts that meet the definition of an insurance contract under K-IFRS 1117.

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- K-IFRS 1001 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* (Amendment) - Disclosure of Accounting Policies

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

- K-IFRS 1001 *Presentation of Financial Statements* (Amendment) - Disclosure of financial liabilities with condition to adjust exercise price

The amendments require disclosure of valuation gains or losses (limited to those recognized in the profit or loss) of the conversion options or warrants (or financial liabilities including them), if all or part of the financial instrument with exercise price that is adjusted depending on the issuer's share price change is classified as financial liability as defined in paragraph 11 (2) of K-IFRS 1032.

- K-IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment) - Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

- K-IFRS 1012 *Income Taxes* (Amendment) - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit.

Following the amendments to K-IFRS 1012, an entity is required to recognise the related deferred tax

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asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

- K-IFRS 1012 *Income Taxes* (Amendment) - International Tax Reform: Pillar Two Model Rules

The amendments clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

There is no significant impact of the amendments listed above on consolidated financial statements.

(2) New and revised standards and interpretations in issue but not yet effective or adopted by the Company

At the date of authorization of these financial statements, the Company has not applied the following new and amended K-IFRS standards that have been issued but are not yet effective:

- K-IFRS 1001 *Presentation of Financial Statements* (Amendment in 2020) – Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current and non-current is based on rights that are existing at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- K-IFRS 1001 *Presentation of Financial Statements* (Amendment in 2023) - Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date.

The amendments also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying

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with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

- K-IFRS 1007 *Cash Flow Statement* and K-IFRS 1107 *Financial Instruments Disclosure* (Amendment) - Supplier Finance Agreements

The amendments add a disclosure objective in K-IFRS 1007 *Cash Flow Statement* stating that an entity is required to disclose information about supplier finance agreements that enables users of financial statements to assess the effects of those arrangements on the Company's liabilities and cash flows. In addition, K-IFRS 1117 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance agreements' is not defined; instead, the amendment describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of an agreement
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Types of non-cash changes in the carrying amount of financial liabilities corresponding to supplier finance agreements and their impact
- Liquidity risk information

The above amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024, with early application permitted.

- K-IFRS 1116 *Leases* (Amendment) - Lease Liability in a Sale and Leaseback

The amendments add a subsequent measurement requirements for sale and leaseback transactions

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that satisfy the requirements in K-IFRS 1115 Revenue from contracts with customers. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' in such a way that the seller-lessee does not recognise a gain or loss that relates to the right of use asset retained by the seller-lessee, after the lease commencement date.

The above amendments are applicable for annual reporting periods beginning on or after 1 January 2024, with early application permitted.

- K-IFRS 1001 *Presentation of Financial Statements* (Amendment in 2023) - Disclosure of Virtual Assets

The amendments, in addition to additional disclosure requirements required by other Standards for transactions related to virtual assets, setting out the disclosure requirements in each case of 1) holding virtual assets; 2) holding virtual assets on behalf of customers; and 3) issuing virtual assets.

When holding a virtual asset, disclosure on the general information of the virtual asset, the applied accounting policy, and the acquisition method, acquisition cost, and the fair value of each virtual asset at the end of the reporting period should be disclosed. In addition, when issuing a virtual asset, the entity's obligations and the status of fulfilment of the obligation related to the issued virtual asset, the timing and amount of the recognized revenue of the sold virtual asset, the quantity of virtual assets held after issuance, and important contract details should be disclosed.

The above amendments are applicable for annual reporting periods beginning on or after 1 January 2024, with early application permitted.

The Company is reviewing the impact of the above-listed amendments on the financial statements.

2.3 Subsidiaries, Associates and Joint Ventures

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027 *Separate Financial Statements*. Investments in subsidiaries, joint ventures and associates are recognized at cost under the direct equity method. Management applied the carrying amounts under the previous K-GAAP at the time of transition to Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries, joint ventures and associates in profit or loss when its right to receive the dividend is established.

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2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (its functional currency). The financial statements are presented in Korean won, which is the functional currency of the Company and the presentation currency for the financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to financial instruments are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss within 'other income' or 'other expense'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities, such as equities held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets, such as equities classified as available-for-sale financial assets, are recognized in other comprehensive income.

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2.5 Financial Assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments when, and only when, its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Hybrid (combined) contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

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- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (and reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'finance income' or 'finance costs' and impairment loss in 'finance costs' or 'operating expenses'.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'finance income or finance costs' in the period in which it arises.

B. Equity instrument

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income' or 'finance costs' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments, measured at fair value through other comprehensive income, are not reported separately from other changes in fair value.

(c) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

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If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.6 Derivative Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting treatment for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company has hedge relationships and designates certain derivatives as:

- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges)

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 36.

The full fair value of a hedging derivative is classified as a non-current asset or non-current liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. A non-derivative financial asset and a non-derivative financial liability is classified as a current or non-current based on its expected maturity and its settlement, respectively.

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity, and the ineffective portion is recognized in 'finance income (costs)'.

Amounts of changes in fair value of effective hedging instruments accumulated in equity are recognized as 'finance income (costs)' for the periods when the corresponding transactions affect profit or loss.

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When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any accumulated cash flow hedge reserve at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cash flow hedge reserve and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

2.7 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less loss allowance. See Note 6 for further information about the Company's accounting treatment for trade receivables and Note 2.5 (c) for a description of the Company's accounting policy on impairment.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method, except for inventories in-transit (specific identification method).

2.9 Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that is directly attributable to the acquisition of the items.

Depreciation of all property and equipment, except for land, is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

	Useful Life
Buildings	10 – 40 years
Structures	10 – 40 years
Telecommunications equipment	2 – 40 years
Vehicles	4 years
Tools	4 years
Office equipment	2 – 4 years

The depreciation method, residual values, and useful lives of property and equipment are reviewed at the end of each reporting period and, if appropriate, accounted for as changes in accounting estimates.

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2.10 Investment Property

Real estate held for rental income or investment gains is classified as investment property and right-of-use asset. An investment property is measured initially at its cost. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. Investment property, except for land, is depreciated using the straight-line method over their useful lives from 10 to 40 years.

2.11 Intangible Assets

(a) Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition date fair value of the Company's previously held equity interest in the acquiree over the net acquired identifiable assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or group of CGUs, that is expected to benefit from the synergies of the combination. Goodwill is monitored at the operating segment level.

(b) Intangible assets, except for goodwill

Intangible assets, except for goodwill, are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses. Membership rights (condominium membership and golf membership) and broadcast rights that have indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Company amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful Life
Development costs	6 years
Software	6 years
Industrial property rights	5 – 50 years
Frequency usage rights	5 – 10 years
Others ¹	2 – 50 years

¹ Membership rights (condominium membership and golf membership) included in others are classified as intangible assets with indefinite useful life.

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2.12 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.13 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by setting up the grant as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset. Grants related to income are deferred and presented as a credit in the statement of profit or loss within 'other income'.

2.14 Impairment of Non-Financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Company estimates the recoverable amount for each asset, and, in cases when the recoverable amount cannot be estimated for an individual asset, the recoverable amount of the cash generating unit to which the asset belongs is estimated. Corporate assets are allocated to individual cash generating units on a reasonable and consistent basis and if they cannot be allocated to individual cash generating units, they are allocated to the smallest group of cash generating units on a reasonable and consistent basis. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount (higher of its fair value less costs of disposal and value in use). Impairment loss on non-financial assets other than goodwill are evaluated for reversal at the end of each reporting period.

2.15 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of reporting period which are unpaid. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

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2.16 Financial Liabilities

(a) Classification and measurement

Financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. Derivatives that are not designated as hedging instruments or derivatives separated from financial instruments containing embedded derivatives are also categorized as held for trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade payables and other payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

Borrowings are initially recognized as the amount obtained by subtracting the transaction cost incurred from the fair value and is then measured as amortized cost. The difference between the consideration received (net of transaction cost) and the redemption amount is recognized as profit or loss over the period using the effective interest rate method. Fees paid to receive the borrowing limit are recognized as transaction costs for loans to the extent that they are likely to be borrowed as part or all of the borrowing limit. In this case, the fee will be deferred until draw-down occurs. There is a high possibility that borrowings will be executed as part or all of the borrowing limit agreement (relevant fees to the extent that there is no evidence) are recognized as assets as advance payments for liquidity services and amortized over the relevant borrowing limit period.

Preferred shares that require mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares using the effective interest method are recognized in the statement of profit or loss as 'finance costs', together with interest expenses recognized from other financial liabilities.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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The Company's financial liabilities at fair value through profit or loss are financial instruments held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading. Financial liabilities designed as at fair value through profit or loss are structured financial liabilities containing embedded derivatives issued by the Company.

2.17 Employee Benefits

(a) Post-employment benefits

The Company operates both defined contribution and defined benefit pension plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The contributions are recognized as employee benefit expenses when an employee has rendered service.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: when the entity can no longer withdraw the offer of those benefits or when the entity recognizes costs for a restructuring.

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(c) Long-term employee benefits

Certain entities within the Company provide long-term employee benefits that are entitled to employees with service period at least five years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Company recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

2.18 Share-Based Payments

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense is recognized over the vesting period. At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.19 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.20 Leases

(a) Lessee

The Company leases various repeater server racks, offices, communication line facilities, machinery, and cars.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Company (the lessee) under residual value guarantees

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- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company (the lessee) exercising that option

Measurement of lease liability also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease.

The Company determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Company should consider a termination penalty in determining the period for which the contract is enforceable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, which is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less, such as vehicles, machinery, and others. Low-value assets are comprised of tools, office equipment, and others.

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(b) Lessor

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

(c) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. Information on critical accounting estimates and assumptions related to the determination of the lease term is presented in Note 3.

2.21 Share Capital

The Company classifies ordinary shares as equity.

Where the Company purchases its own shares, the consideration paid including any directly attributable incremental costs is deducted from equity attributable to the equity holders of the Company until the share are cancelled or reissued. When these treasury shares are reissued, any consideration received is included in equity attributable to the equity holders of the Company.

2.22 Revenue Recognition

(a) Identifying performance obligations

The Company mainly provides telecommunication services and sells handsets. The Company identifies performance obligations with a customer such as providing telecommunication services, selling handsets, and others. Revenue from handsets is recognized when a performance obligation is satisfied by transferring promised goods to customers, and the revenue from telecommunication services is recognized over the estimated contract periods of each service by transferring promised services to customers.

(b) Allocation the transaction price and revenue recognition

The Company allocates the transaction price to each performance obligation identified in the contract based on a relative stand-alone selling price of the goods or services being provided to the customer. To allocate the transaction price to each performance obligation on a relative stand-alone price basis, the Company determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price on a relative stand-alone selling price basis. The stand-alone selling price is the price at which the Company would sell a promised good or service separately to the customer. The best evidence of a stand-alone selling price is the observable price of a good or service when the Company sells that good or service separately in similar circumstances and to similar customers. The Company recognizes the allocated amount as contract assets or contract liabilities, and amortizes it through the remaining period which is adjusted in operating income.

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(c) Incremental contract acquisition costs

The Company pays commission fees when new customers subscribe to telecommunication services. The incremental contract acquisition costs are those commission fees that the Company incurs to acquire a contract with a customer that would not have been incurred if the contract had not been acquired. The Company recognizes the incremental contract acquisition costs as an asset and amortizes it over the expected period of benefit. However, as a practical expedient, the Company may recognize the incremental contract acquisition cost as an expense when it is incurred if the amortization period of the asset is one year or less.

2.23 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is measured at the amount expected to be paid to taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, the Company recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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Current tax assets and liabilities are offset when the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.24 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

2.25 Approval on Issuance of the Separate Financial Statements

The separate financial statements of 2023 were approved for issuance by the Board of Directors on February 7, 2024 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the actual results, it poses significant risk of resulting in a material adjustment.

Estimates and assumptions that have significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

3.1 Impairment of Non-Financial Assets (including Goodwill)

The Company determines the recoverable amount of a cash generating unit (CGU) based on fair value or value-in-use calculations to assess non-financial assets (including goodwill) for impairment (Notes 12 and 13).

3.2 Income Taxes

The Company's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 29).

If a certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Company is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Company's income tax is dependent on the investments as well as wage increase, there is uncertainty in measuring the final tax effects.

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3.3 Fair Value of Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 36).

3.4 Net Defined Benefit Liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 17).

3.5 Amortization of Contract Assets, Contract Liabilities and Contract Cost Assets

Contract assets, contract liabilities and contract cost assets recognized under the application of K-IFRS 1115 are amortized over the expected periods of customer relationships. The estimate of the expected terms of customer relationship is based on the historical data. If management's estimate changes, it may cause significant differences in the timing of revenue recognition and amounts recognized.

3.6 Critical Judgements in Determining the Lease Term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, machinery, and communication line facilities, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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4. Financial Instruments by Category

Financial instruments by category as of December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

Financial assets	December 31, 2023					Total
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivatives used for hedging		
Cash and cash equivalents	₩ 1,242,005	₩ -	₩ -	₩ -	₩ -	₩ 1,242,005
Trade and other receivables	3,444,788	-	116,198	-	-	3,560,986
Other financial assets	377,996	441,321	1,437,684	156,774	-	2,413,775

(in millions of Korean won)

Financial liabilities	December 31, 2023					Total
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit and loss	Derivatives used for hedging	Others		
Trade and other payables	₩ 4,659,037	₩ -	₩ -	₩ -	₩ -	₩ 4,659,037
Borrowings	7,559,933	-	-	-	-	7,559,933
Other financial liabilities	-	1,403	23,076	-	-	24,479
Lease liabilities	-	-	-	851,610	-	851,610

(in millions of Korean won)

Financial assets	December 31, 2022					Total
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivatives used for hedging		
Cash and cash equivalents	₩ 966,307	₩ -	₩ -	₩ -	₩ -	₩ 966,307
Trade and other receivables	3,453,513	-	129,124	-	-	3,582,637
Other financial assets	416,294	410,388	1,214,059	185,989	-	2,226,730

(in millions of Korean won)

Financial liabilities	December 31, 2022					Total
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit and loss	Derivatives used for hedging	Others		
Trade and other payables ¹	₩ 5,390,106	₩ -	₩ -	₩ -	₩ -	₩ 5,390,106
Borrowings	7,495,561	-	-	-	-	7,495,561
Other financial liabilities	-	5,164	32,402	-	-	37,566
Lease liabilities	-	-	-	865,280	-	865,280

¹ Amounts related to employee benefit plans are included in Trade and other payables.

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Gains and losses arising from financial instruments by category for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023	2022
Financial assets at amortized cost		
Interest income	₩ 185,116	₩ 44,248
Impairment loss	(80,757)	(63,593)
Gain on foreign currency transactions	11,904	16,421
Gain on foreign currency translation	3,780	3,868
Financial assets at fair value through profit or loss		
Interest income	7,083	326
Dividend income	7	5
Loss on valuation	(17,003)	(16,353)
Gain on disposal	1,809	1,555
Gain on foreign currency translation	3,846	15,209
Financial assets at fair value through other comprehensive income		
Interest income	18,699	190,021
Dividend income	52,170	8,974
Loss on disposal	(11,132)	(62,630)
Other comprehensive income (loss) for the year ¹	158,219	(163,540)
Gain on valuation	-	-
Derivative assets used for hedging		
Gain (loss) on transactions	10,192	27,479
Gain on valuation	33,754	150,570
Other comprehensive income for the year ¹	9,051	80,225
Reclassified to profit or loss from other comprehensive income for the year ^{1,2}	(28,977)	(106,149)
Financial liabilities at amortized cost		
Interest expense	(246,101)	(226,977)
Loss on foreign currency transactions	(20,833)	(35,483)
Loss on foreign currency translation	(47,874)	(141,768)
Financial liabilities at fair value through profit or loss		
Gain on valuation	(1,444)	166
Gain on transactions	5,205	-
Derivative liabilities used for hedging		
Loss on valuation	10,888	(20,722)
Other comprehensive loss for the year ¹ payables.	6,979	(23,966)
Reclassified to profit or loss from other comprehensive income for the year ^{1,2}	(8,149)	15,137
Lease liabilities		
Interest expense	(38,946)	(31,625)

KT Corporation
Notes to the Separate Financial Statements
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Total	₩	17,486	₩	(338,602)
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¹ The amounts directly reflected in equity are after adjustments of deferred income tax.

² During the years ended December, 31, 2023 and 2022, certain derivatives of the Company were settled and the related gain or loss on valuation of cash flow hedges in other comprehensive income was reclassified to profit or loss for the current year.

5. Cash and Cash Equivalents

Restricted cash and cash equivalents as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022		Description
Bank deposits	₩	6,395	₩	8,440	Deposits restricted for government projects and others

Cash and cash equivalents in the separate statement of financial position are equal to cash and cash equivalents in the separate statement of cash flows.

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6. Trade and Other Receivables

(1) Trade and other receivables as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023			
	Total amounts	Provision for impairment	Present value discount	Carrying amount
Current assets				
Trade receivables	₩ 3,062,159	₩ (278,716)	₩ (8,778)	₩ 2,774,665
Other receivables	447,335	(29,616)	(2,115)	415,604
Total	<u>₩ 3,509,494</u>	<u>₩ (308,332)</u>	<u>₩ (10,893)</u>	<u>₩ 3,190,269</u>
Non-current assets				
Trade receivables	₩ 275,354	₩ (927)	₩ (18,314)	₩ 256,113
Other receivables	121,958	(431)	(6,923)	114,604
Total	<u>₩ 397,312</u>	<u>₩ (1,358)</u>	<u>₩ (25,237)</u>	<u>₩ 370,717</u>
December 31, 2022				
<i>(in millions of Korean won)</i>	Total amounts	Provision for impairment	Present value discount	Carrying amount
Current assets				
Trade receivables	₩ 2,929,574	₩ (278,135)	₩ (6,872)	₩ 2,644,567
Other receivables	443,525	(30,549)	(1,894)	411,082
Total	<u>₩ 3,373,099</u>	<u>₩ (308,684)</u>	<u>₩ (8,766)</u>	<u>₩ 3,055,649</u>
Non-current assets				
Trade receivables	₩ 370,471	₩ (869)	₩ (11,180)	₩ 358,422
Other receivables	177,815	(429)	(8,820)	168,566
Total	<u>₩ 548,286</u>	<u>₩ (1,298)</u>	<u>₩ (20,000)</u>	<u>₩ 526,988</u>

(2) The fair values of trade and other receivables with original maturities less than one year are equal to their carrying amount because the discounting effect is immaterial. The fair value of trade and other receivables with original maturities longer than one year, which are mainly from sales of goods, is determined by discounting the expected future cash flow at the weighted average interest rate.

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(3) Details of changes in provisions for impairment for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	₩ 279,004	₩ 30,978	₩ 282,660	₩ 44,374
Provision	55,121	27,915	49,727	13,866
Write-off/transfer	(54,482)	(28,846)	(53,383)	(27,262)
Ending	₩ 279,643	₩ 30,047	₩ 279,004	₩ 30,978

Provision for impairment on trade and other receivables is recognized as operating expenses, other expenses and finance costs.

(4) Details of other receivables as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023	December 31, 2022
Loans	₩ 40,069	₩ 46,463
Receivables	261,692	262,557
Accrued income	5,275	6,996
Refundable deposits	253,219	294,575
Others	-	35
Provision for impairment	(30,047)	(30,978)
Total	₩ 530,208	₩ 579,648

(5) The maximum exposure of trade and other receivables to credit risks is the carrying amount of each class of receivables mentioned above as of December 31, 2023.

(6) The Company classifies a portion of the trade receivables as financial assets at fair value through other comprehensive income considering the trade receivables business model for managing the asset and the cash flow characteristics of the contract.

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7. Other Financial Assets and Liabilities

(1) Details of other financial assets and liabilities as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Other financial assets				
Financial assets measured at amortized cost ¹	₩	377,996	₩	416,294
Financial assets at fair value through profit or loss ²		441,321		410,388
Financial assets at fair value through other comprehensive income		1,437,684		1,214,059
Derivatives used for hedging		156,774		185,989
Less: Non-current		<u>(2,134,324)</u>		<u>(1,993,893)</u>
Current	<u>₩</u>	<u>279,451</u>	<u>₩</u>	<u>232,837</u>
Other financial liabilities				
Financial liabilities at fair value through profit or loss	₩	1,403	₩	5,164
Derivatives used for hedging		23,076		32,402
Less: Non-current		<u>(23,819)</u>		<u>(37,566)</u>
Current	<u>₩</u>	<u>660</u>	<u>₩</u>	<u>-</u>

¹ As of December 31, 2023, the Company's financial instruments amount to ₩ 30,464 million (December 31, 2022: ₩ 30,464 million) and consist of checking account deposits, time deposits and others which are subject to withdrawal restrictions.

² The Company provided investment in Korea Software Financial Cooperative and others amounting to ₩ 1,136 million as collateral in exchange for the payment guarantee provided by the Korea Software Financial Cooperative and others.

(2) Financial Assets at fair value through profit or loss

1) Details of financial assets at fair value through profit or loss as of December 31, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Debt instruments		440,257		387,594
Derivative liabilities held for trading ¹		1,064		22,794
Less: Non-current		<u>(441,321)</u>		<u>(410,388)</u>
Current	<u>₩</u>	<u>-</u>	<u>₩</u>	<u>-</u>

¹ Derivative assets amounting to ₩ 1,015 million, which is recognized by an agreement with LS Cable & System Ltd. in connection with LS Marine Solution Co., Ltd.(formerly KT Submarine Co., Ltd.) and a call option amounting to ₩ 49 million in connection with the acquisition of Epsilon Global Communications Pte. Ltd. are included (Note 19).

2) The maximum exposure of debt instruments of financial assets at fair value through profit or loss to credit risk is the carrying amount as of December 31, 2023.

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(3) Financial Assets at fair value through other comprehensive income

1) Details of financial assets at fair value through other comprehensive income as of December 31, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Equity instruments (Listed)	₩	1,236,495	₩	1,015,606
Equity instruments (Unlisted)		201,189		198,453
Less: Non-current		<u>(1,437,684)</u>		<u>(1,214,059)</u>
Current	<u>₩</u>	<u>-</u>	<u>₩</u>	<u>-</u>

2) Upon disposal of these equity instruments, any balance within the other comprehensive income is not reclassified to profit or loss, but to retained earnings. Upon disposal of these debt instruments, the remaining balance of the accumulated other comprehensive income is reclassified to profit or loss.

(4) Derivatives used for hedging

The company trades derivative financial instruments to avoid interest rate risk and currency risk arising from the company's debt. The company applies cash flow hedge accounting using currency swaps to avoid the risk of cash flow fluctuations caused by interest rate and exchange rate fluctuations on foreign currency bonds.

1) Details of valuation of derivatives used for hedging as of December 31, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023				December 31, 2022			
	Assets		Liabilities		Assets		Liabilities	
Currency swap ¹	₩	156,774	₩	23,076	₩	185,989	₩	32,402
Less: Non-current		<u>(105,680)</u>		<u>(22,416)</u>		<u>(143,413)</u>		<u>(32,402)</u>
Current	<u>₩</u>	<u>51,094</u>	<u>₩</u>	<u>660</u>	<u>₩</u>	<u>42,576</u>	<u>₩</u>	<u>-</u>

¹ The currency swap contract is to hedge the risk of volatility in cash flow from the borrowings due to changes in interest rate and foreign exchange rate and the expected maximum period for the Company to be exposed to risks of cash flow volatility by hedged items is until September 7, 2034.

The entire fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

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2) Details of valuation gains and losses from derivatives for risk hedging purposes for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

Type of transaction	2023			2022		
	Valuation gain	Valuation loss	Other comprehensive loss ¹	Valuation gain	Valuation loss	Other comprehensive income ¹
Currency swap	₩ 44,804	₩ 162	₩ (28,199)	₩ 150,570	₩ 20,722	₩ 75,112

¹ The amounts directly reflected in equity are before adjustments of deferred income tax.

3) The ineffective portion recognized in profit or loss concerning cash flow hedges are valuation gains of ₩ 1,267 million for the year ended December 31, 2023 (December 31, 2022: valuation gains of ₩ 3,408 million).

4) The unsettled amount of derivative instruments for the years ended December 31, 2023 and 2022, are as follows:

(i) Hedging instruments

(in millions of Korean won)

Currency	Foreign currency	Contract amount	2023		Changes in fair value to calculate the ineffective portion of hedges
			Book value of hedging instruments		
			Assets	Liabilities	
USD	1,970,000	₩ 2,362,670	₩ 156,774	₩ 22,416	₩ 44,618
JPY	400,000	4,357	-	660	(162)
Total		₩ 2,367,027	₩ 156,774	₩ 23,076	₩ 44,456

(in millions of Korean won)

Currency	Foreign currency	Contract amount	2022		Changes in fair value to calculate the ineffective portion of hedges
			Book value of hedging instruments		
			Assets	Liabilities	
USD	2,070,000	₩ 2,474,770	₩ 159,638	₩ 31,993	₩ 169,994
JPY	400,000	4,357	-	409	(308)
SGD	284,000	245,208	26,351	-	20,511
Total		₩ 2,724,335	₩ 185,989	₩ 32,402	₩ 190,197

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(ii) Hedged item

(in millions of Korean won)

Currency	2023			2022		
	Book value of hedged items	Changes in fair value to calculate the ineffective portion of hedges	Cash flow hedge reserves ¹	Book value of hedged items	Changes in fair value to calculate the ineffective portion of hedges	Cash flow hedge reserves ¹
USD	₩ 2,540,118	₩ (43,351)	₩ (30,910)	₩ 2,623,311	₩ (168,377)	₩ (13,287)
JPY	3,651	162	49	3,813	306	116
SGD				267,843	(18,720)	3,406
Total	₩ 2,543,769	₩ (43,189)	₩ (30,861)	₩ 2,894,967	₩ (186,789)	₩ (9,765)

1 The amounts directly reflected in equity are after adjustments of deferred income tax.

(5) Financial Liabilities at fair value through profit or loss

1) Details of financial liabilities at fair value through profit or loss as of December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial liabilities at fair value through profit or loss		
Derivative liabilities held for trading ¹	₩ 1,403	₩ 5,164

¹ Derivative liabilities recognized in relation to acquisition of Epsilon Global Communications Pte. Ltd. (Note 19).

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8. Inventories

Inventories as of December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023			December 31, 2022		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	₩ 448,307	₩ (80,190)	₩ 368,117	₩ 439,598	₩ (89,728)	₩ 349,870

Cost of inventories recognized as expenses for the year ended December 31, 2023 amounts to ₩ 2,568,849 million (December 31, 2022: ₩ 2,581,671 million), and reversal of inventory valuation loss amounts to ₩ 9,538 million for the year ended December 31, 2022 (December 31, 2022: reversal of loss on valuation inventories of ₩ 23,564 million).

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9. Other Assets and Liabilities

Other assets and liabilities as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Other assets				
Advance payments	₩	60,065	₩	54,315
Prepaid expenses		79,051		54,044
Contract costs		1,804,448		1,883,084
Contract assets		774,435		724,500
Less: Non-current		<u>(709,276)</u>		<u>(717,118)</u>
Current	₩	<u>2,008,723</u>	₩	<u>1,998,825</u>
Other liabilities				
Advances received ¹	₩	245,797	₩	189,780
Withholdings		39,214		38,561
Unearned revenue		951		1,051
Lease liabilities		851,610		865,280
Contract liabilities		259,724		281,435
Less: Non-current		<u>(677,691)</u>		<u>(710,139)</u>
Current	₩	<u>719,605</u>	₩	<u>665,968</u>

¹ The amounts include adjustments arising from adoption of Korean IFRS 1115 *Revenue from Contracts with Customers* (Note 25).

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10. Property and Equipment

(1) Changes in property and equipment for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023					
	Land	Buildings and structures	Telecommunications equipment	Others	Construction-in-progress	Total
Acquisition cost	₩ 866,853	₩ 2,645,631	₩ 38,883,058	₩ 630,481	₩ 932,584	₩ 43,958,607
Less: Accumulated depreciation (including accumulated impairment losses and others)	(132)	(1,607,255)	(30,258,781)	(551,779)	(498)	(32,418,445)
Beginning, net	₩ 866,721	₩ 1,038,376	₩ 8,624,277	₩ 78,702	₩ 932,086	₩ 11,540,162
Acquisitions and capital expenditures	-	1,292	19,763	12,309	2,581,114	2,614,478
Disposals and terminations	(3,651)	(4,998)	(64,153)	(1,505)	(302)	(74,609)
Depreciation	-	(72,042)	(2,231,189)	(31,858)	-	(2,335,089)
Impairment	-	-	(6,055)	-	(1,294)	(7,349)
Transfers in (out)	6,405	145,566	2,406,442	12,666	(2,715,765)	(144,686)
Others	(20,766)	(80,795)	1,432	(2)	-	(100,131)
Ending, net	<u>848,709</u>	<u>1,027,399</u>	<u>8,750,517</u>	<u>70,312</u>	<u>795,839</u>	<u>11,492,776</u>
Acquisition cost	848,841	2,677,013	40,276,446	621,966	796,489	45,220,755
Less: Accumulated depreciation (including accumulated impairment losses and others)	(132)	(1,649,614)	(31,525,929)	(551,654)	(650)	(33,727,979)

(in millions of Korean won)

	2022					
	Land	Buildings and structures	Telecommunications equipment	Others	Construction-in-progress	Total
Acquisition cost	₩ 888,928	₩ 3,326,224	₩ 37,839,901	₩ 1,106,319	₩ 997,905	₩ 44,159,277
Less: Accumulated depreciation (including accumulated impairment losses and others)	(132)	(1,761,393)	(29,350,392)	(1,005,623)	(620)	(32,138,160)
Beginning, net	₩ 888,796	₩ 1,564,831	₩ 8,494,509	₩ 80,696	₩ 997,285	₩ 12,021,117
Acquisitions and capital expenditures	-	2,015	16,512	16,760	2,901,085	2,936,372
Disposals and terminations	(2,556)	(4,292)	(66,672)	(3,985)	-	(81,044)
Depreciation	-	(80,667)	(2,178,314)	(31,493)	-	(2,290,474)
Impairment	-	-	(2,063)	-	(906)	(2,969)
Transfers in (out)	24,647	211,503	2,569,792	19,590	(2,936,585)	(111,053)
Investment in kind	(26,681)	(488,870)	(207,516)	(228)	(25,254)	(748,549)
Others	(17,485)	(166,144)	3,029	(2,638)	-	(183,238)
Ending, net	<u>₩ 866,721</u>	<u>₩ 1,038,376</u>	<u>₩ 8,624,277</u>	<u>₩ 78,702</u>	<u>₩ 932,086</u>	<u>₩ 11,540,162</u>
Acquisition cost	₩ 866,853	₩ 2,645,631	₩ 38,883,058	₩ 630,481	₩ 932,584	₩ 43,958,607
Less: Accumulated depreciation (including accumulated impairment losses and others)	(132)	(1,607,255)	(30,258,781)	(551,779)	(498)	(32,418,445)

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The borrowing costs capitalized for qualifying assets amount to ₩ 5,171 million for the year ended December 31, 2023 (December 31, 2022: ₩ 4,697 million). The interest rate applied to calculate the capitalized borrowing costs in 2023 is 2.85%~3.09% (2022: 2.05%~2.71%).

11. Investment Properties

(1) Changes in investment properties for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023			2022		
	Land	Buildings	Total	Land	Buildings	Total
Acquisition cost	₩ 209,876	₩ 1,560,143	₩ 1,770,019	₩ 192,392	₩ 1,356,769	₩ 1,549,161
Less: Accumulated depreciation	-	(632,530)	(632,530)	-	(551,817)	(551,817)
Beginning, net	209,876	927,613	1,137,489	192,392	804,952	997,344
Depreciation	-	(47,460)	(47,460)	-	(43,441)	(43,441)
Transfer increase	20,767	80,796	101,563	17,484	166,102	183,586
Ending, net	₩ 230,643	₩ 960,949	₩ 1,191,592	₩ 209,876	₩ 927,613	₩ 1,137,489
Acquisition cost	₩ 230,643	₩ 1,652,995	₩ 1,883,638	₩ 209,876	₩ 1,560,143	₩ 1,770,019
Less: Accumulated depreciation	-	(692,046)	(692,046)	-	(632,530)	(632,530)

(2) The fair value of investment properties is ₩ 4,402,271 million as of December 31, 2023 (December 31, 2022: ₩ 3,182,157 million). The fair value of investment properties is estimated based on the expected cash flow.

(3) Rental income from investment properties is ₩ 232,945 million for the year ended December 31, 2023 (December 31, 2022: ₩ 205,386 million) and direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period are recognized as operating expenses.

(4) As of December 31, 2023, the Company (Lessor) has entered into a non-cancellable operating lease contract relating to real estate lease. The future minimum lease fee under this contract is ₩ 105,499 million for one year or less, ₩ 258,112 million for more than five years, ₩ 504,125 million over five years, and ₩ 867,736 million in total.

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(5) Details of investment properties provided as collateral as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023						
	Collateral	Carrying amount	Secured amount	Related account	Related amount		
Land and buildings	₩	165,732	₩	34,952	Deposits received	₩	29,211

<i>(in millions of Korean won)</i>	December 31, 2022						
	Collateral	Carrying amount	Secured amount	Related account	Related amount		
Land and buildings	₩	168,904	₩	35,456	Deposits received	₩	29,638

12. Intangible Assets

(1) Changes in intangible assets for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023						Total
	Goodwill	Industrial rights	Development costs	Software	Frequency usage rights	Others ¹	
Acquisition cost	₩ 65,057	₩ 38,732	₩ 1,774,505	₩ 719,185	₩ 2,610,171	₩ 238,896	₩ 5,446,546
Less: Accumulated depreciation (including accumulated impairment loss and others)	-	(19,712)	(1,631,586)	(672,156)	(1,121,741)	(145,672)	(3,590,867)
Beginning, net	₩ 65,057	₩ 19,020	₩ 142,919	₩ 47,029	₩ 1,488,430	₩ 93,224	₩ 1,855,679
Acquisition and capital expenditure ¹	-	4,775	75	7	-	2,335	7,192
Disposals and terminations	-	(377)	(4,812)	(367)	-	(2,937)	(8,493)
Amortization	-	(3,223)	(55,314)	(15,346)	(350,274)	(87,058)	(511,215)
Investment in kind	-	-	41,388	9,257	-	94,040	144,685
Ending, net	₩ 65,057	₩ 20,195	₩ 124,256	₩ 40,580	₩ 1,138,156	₩ 99,604	₩ 1,487,848
Acquisition cost	₩ 65,057	₩ 40,814	₩ 1,772,283	₩ 727,991	₩ 2,408,711	₩ 332,335	₩ 5,347,191
Less: Accumulated depreciation (including accumulated impairment loss and others)	-	(20,619)	(1,648,027)	(687,411)	(1,270,555)	(232,731)	(3,859,343)

¹ Amounts include ₩ 36,460 million which is the changed effect of useful life from Media Contents Asset.

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<i>(in millions of Korean won)</i>	2022						Total
	Goodwill	Industrial rights	Development costs	Software	Frequency usage rights	Others	
Acquisition cost	₩ 65,057	₩ 34,988	₩ 1,768,049	₩ 718,107	₩ 2,610,171	₩ 218,111	₩ 5,414,483
Less: Accumulated depreciation (including accumulated impairment loss and others)	-	(17,994)	(1,594,563)	(665,813)	(771,040)	(128,509)	(3,177,919)
Beginning, net	₩ 65,057	₩ 16,994	₩ 173,486	₩ 52,294	₩ 1,839,131	₩ 89,602	₩ 2,236,564
Acquisition and capital expenditure ¹	-	5,082	55,677	17,440	-	38,657	116,856
Disposals and terminations	-	(121)	(5,502)	(4)	-	(17,397)	(23,024)
Amortization	-	(2,935)	(77,351)	(18,818)	(350,701)	(17,247)	(467,052)
Investment in kind	-	-	(3,391)	(3,883)	-	(391)	(7,665)
Ending, net	₩ 65,057	₩ 19,020	₩ 142,919	₩ 47,029	₩ 1,488,130	₩ 93,224	₩ 1,855,679
Acquisition cost	₩ 65,057	₩ 38,732	₩ 1,774,505	₩ 719,185	₩ 2,610,171	₩ 238,896	₩ 5,446,546
Less: Accumulated depreciation (including accumulated impairment loss and others)	-	(19,712)	(1,631,586)	(672,156)	(1,121,741)	(145,672)	(3,590,867)

¹ Amounts include transfer from property and equipment.

(2) The carrying amount of membership rights with an indefinite useful life not subject to amortization is ₩ 54,717 million as of December 31, 2023 (December 31, 2022: ₩ 55,319 million).

(3) The Company annually performs an assessment of goodwill impairment. The recoverable amount of all CGUs has been determined based on value-in-use. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates of 0%. The growth rate does not exceed the long-term average growth rate included in industry report specific to the industry in which the CGU operates.

The Company determines the gross margin rate based on past performance and its expectations of market changes. The average growth rates used are estimated based on historical growth rate. In addition, the Company estimated pre-tax cash flow based on past performance and its expectation of market growth. The discount rate applied is pre-tax discount rate of 6.68%, reflecting specific risks related to the relevant CGUs.

As a result of impairment tests, the Company concluded that the carrying amount of CGUs does not exceed the recoverable amount of CGUs. Therefore, the Company did not recognize any impairment loss on goodwill for the years ended December 31, 2023 and 2022.

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13. Investments in Subsidiaries, Associates and Joint Ventures

(1) Carrying amounts in investments in subsidiaries, associates and joint ventures as of December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Subsidiaries	₩	4,381,161	₩	4,492,987
Associates and joint ventures		415,445		386,232
Total	₩	4,796,606	₩	4,879,219

1) Investments in subsidiaries as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	Location	Percentage of ownership (%)	Carrying amount	
			December 31, 2023	December 31, 2022
KT Estate Inc.	Korea	100.0%	₩ 1,084,522	₩ 1,084,522
KT Sat Co., Ltd.	Korea	100.0%	390,530	390,530
KTCS Corporation ¹	Korea	8.4%	6,427	6,427
KTIS Corporation ¹	Korea	33.3%	30,633	30,633
KT Skylife Co., Ltd.	Korea	50.6%	311,696	311,696
BC Card Co., Ltd.	Korea	69.5%	633,004	633,004
KT M&S Co., Ltd.	Korea	100.0%	26,764	26,764
KT Alpha Co., Ltd.	Korea	70.5%	130,924	130,924
KT Telecom Co., Ltd.	Korea	86.8%	134,308	134,308
LS Marine Solution Co., Ltd.(formerly KT Submarine Co., Ltd.) ³	Korea	7.3%	-	24,370
Nasmedia, Inc. ¹	Korea	44.1%	23,051	23,051
KTDS Co., Ltd.	Korea	91.6%	19,616	19,616
KTGDH Co., Ltd.	Korea	100.0%	2,745	7,544
KT Strategic Investment Fund No.2	Korea	-	-	2,381
KT Sports	Korea	52.6%	27,327	19,311
KT M Mobile Co., Ltd.	Korea	100.0%	102,237	102,237
KT Service Bukbu Co., Ltd.	Korea	67.3%	3,873	3,873
KT Service Nambu Co., Ltd.	Korea	76.4%	10,160	10,160
KT Strategic Investment Fund No.3	Korea	86.7%	2,947	2,947
KT Strategic Investment Fund No.4	Korea	95.0%	-	16,720
PlayD Co., Ltd. ²	Korea	23.5%	20,000	20,000
KT MOS Bukbu Co., Ltd.	Korea	100.0%	6,334	6,334
KT MOS Nambu Co., Ltd.	Korea	98.4%	4,267	4,267
Next Connect PFV	Korea	100.0%	24,250	24,250
KT Strategic Investment Fund No.5	Korea	95.0%	19,000	19,000
KT Engineering Co., Ltd.	Korea	59.8%	28,000	28,000
KT Studio Genie Co., Ltd.	Korea	90.9%	283,620	283,620
Lolab Co., Ltd.	Korea	79.8%	21,958	21,950

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	Location	Percentage of ownership (%)	Carrying amount	
			December 31, 2023	December 31, 2022
KT ES Pte. Ltd.	Singapore	57.6%	13,640	96,878
Altimedia Corporation	Korea	100.0%	22,000	22,000
kt cloud Co., Ltd.	Korea	92.7%	901,504	901,504
Others			95,824	84,166
Total			₩ 4,381,161	₩ 4,492,987

¹ As of December 31, 2023, although sum of percentage of ownership of the Company and its subsidiaries is less than 50% ownership in these entities, these entities are included in investments in subsidiaries due to the dispersion of other shareholders excluding the Company and voting patterns at previous shareholders' meetings.

² As of December 31, 2023, this entity is included in investments in subsidiaries as Nasmedia Co., Ltd. holds ownership of 46.9% and the Company and the subsidiary holds ownership of 70.4%.

³ As of December 31, 2023, this entity is excluded from subsidiaries as substituted associates.

⁴ As of December 31, 2023, this entity is excluded from subsidiaries as liquidated.

2) Investments in associates and joint ventures as of and for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	Location	Percentage of ownership (%)	Carrying amount	
			December 31, 2023	December 31, 2022
KIF Investment Fund	Korea	33.3%	₩ 115,636	₩ 115,636
HD Hyundai Robotics Co., Ltd.(formerly Hyundai Robotics Co., Ltd.) ¹	Korea	10.0%	50,000	50,000
Megazone Cloud Corporation ¹	Korea	6.7%	130,001	130,001
KT-DSC Creative Economy Youth Start-up Investment Fund ¹	Korea	17.1%	2,220	2,520
LS Marine Solution Co., Ltd.(formerly KT Submarine Co., Ltd.) ¹	Korea	7.3%	5,409	-
Others			112,179	88,075
Total			₩ 415,445	₩ 386,232

¹ The Company has less than 20% interest in the investees, but the investments are classified as investments in associates as the Company has significant influence in determining the operational and financial policies.

(2) Changes in investments in subsidiaries, associates and joint ventures for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023	2022
Beginning	₩ 4,879,219	₩ 3,816,915
Acquisition	49,031	348,608
Disposal	(47,636)	(34,750)

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Impairment	(83,237)	(3,000)
Others ¹	(771)	751,446
Ending	<u>₩ 4,796,606</u>	<u>₩ 4,879,219</u>

¹ Others include transactions by the Company to increase investment in kind in kt cloud Co., Ltd. during the period ended December 31, 2022.

(3) The impairment test in subsidiaries, associates and joint ventures for the years ended December 31, 2023 and 2022, are as follows:

- 1) The cost method is applied to account for investments in subsidiaries, associates and joint ventures and is reviewed for any indicators that an impairment loss may have occurred at the end of each reporting period. If there are such indicators, the recoverable amount of the asset is estimated using the future cash flow discount method, and if the recoverable amount falls short of the carrying amount, the carrying amount of the asset is reduced and the impairment loss is immediately recognized as loss in the current year.
- 2) During the year ended December 31, 2023, the difference between recoverable amount and carrying amount of ₩ 83,237 million in relation to 'KT ES Pte. Ltd.', a subsidiary company, is recognized as other expenses.

14. Trade and Other Payables

(1) Details of trade and other payable as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Current liabilities				
Trade payables	₩	713,833	₩	568,260
Other payables		<u>3,518,544</u>		<u>3,842,796</u>
Total	₩	<u>4,232,377</u>	₩	<u>4,411,056</u>
Non-current liabilities				
Trade payables		-		-
Other payables		<u>739,766</u>		<u>979,050</u>
Total	₩	<u>739,766</u>	₩	<u>979,050</u>

(2) Details of other payables as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Non-trade payable	₩	2,880,385	₩	3,351,557
Accrued expenses		879,613		935,250
Operating deposits		401,271		436,485
Others		97,041		98,554
Less: Non-current		<u>(739,766)</u>		<u>(979,050)</u>
Current	₩	<u>3,518,544</u>	₩	<u>3,842,796</u>

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15. Borrowings

(1) Details of borrowings as of December 31, 2023 and 2022, are as follows:

1) Debentures

(in millions of Korean won and foreign currencies in thousands)

Type	Maturity	Annual interest rates	December 31, 2023		December 31, 2022	
			Foreign currency	Korean won	Foreign currency	Korean won
MTNP notes ¹	Sep. 7, 2034	6.500%	USD 100,000	₩ 128,940	USD 100,000	₩ 126,730
MTNP notes	Jul. 18, 2026	2.500%	USD 400,000	515,760	USD 400,000	506,920
FR notes	Aug. 23, 2023	-	-	-	USD 100,000	126,730
MTNP notes	Jul. 19, 2024	0.330%	JPY 400,000	3,651	JPY 400,000	3,813
MTNP notes	Sep. 1, 2025	1.000%	USD 400,000	515,760	USD 400,000	506,920
FR notes ²	Nov. 1, 2024	Compounded SOFR +1.210%	USD 350,000	451,290	USD 350,000	443,555
FR notes	Jun. 19, 2023	-	-	-	SGD 284,000	267,843
MTNP notes	Jan. 21, 2027	1.375%	USD 300,000	386,820	USD 300,000	380,190
MTNP notes	Aug. 8, 2025	4.000%	USD 500,000	644,700	USD 500,000	633,650
The 183-3rd Public bond	Dec. 22, 2031	4.270%	-	160,000	-	160,000
The 184-2nd Public bond	Apr. 10, 2023	-	-	-	-	190,000
The 184-3rd Public bond	Apr. 10, 2033	3.170%	-	100,000	-	100,000
The 186-3rd Public bond	Jun. 26, 2024	3.418%	-	110,000	-	110,000
The 186-4th Public bond	Jun. 26, 2034	3.695%	-	100,000	-	100,000
The 187-3rd Public bond	Sep. 2, 2024	3.314%	-	170,000	-	170,000
The 187-4th Public bond	Sep. 2, 2034	3.546%	-	100,000	-	100,000
The 188-2nd Public bond	Jan. 29, 2025	2.454%	-	240,000	-	240,000
The 188-3rd Public bond	Jan. 29, 2035	2.706%	-	50,000	-	50,000
The 189-3rd Public bond	Jan. 28, 2026	2.203%	-	100,000	-	100,000
The 189-4th Public bond	Jan. 28, 2036	2.351%	-	70,000	-	70,000
The 190-2nd Public bond	Jan. 30, 2023	-	-	-	-	150,000
The 190-3rd Public bond	Jan. 30, 2028	2.947%	-	170,000	-	170,000
The 190-4th Public bond	Jan. 30, 2038	2.931%	-	70,000	-	70,000
The 191-2nd Public bond	Jan. 15, 2024	2.088%	-	80,000	-	80,000
The 191-3rd Public bond	Jan. 15, 2029	2.160%	-	110,000	-	110,000
The 191-4th Public bond	Jan. 14, 2039	2.213%	-	90,000	-	90,000
The 192-2nd Public bond	Oct. 11, 2024	1.578%	-	100,000	-	100,000
The 192-3rd Public bond	Oct. 11, 2029	1.622%	-	50,000	-	50,000
The 192-4th Public bond	Oct. 11, 2039	1.674%	-	110,000	-	110,000
The 193-1st Public bond	Jun. 16, 2023	-	-	-	-	150,000
The 193-2nd Public bond	Jun. 17, 2025	1.434%	-	70,000	-	70,000
The 193-3rd Public bond	Jun. 17, 2030	1.608%	-	20,000	-	20,000
The 193-4th Public bond	Jun. 15, 2040	1.713%	-	60,000	-	60,000
The 194-1st Public bond	Jan. 26, 2024	1.127%	-	130,000	-	130,000
The 194-2nd Public bond	Jan. 27, 2026	1.452%	-	140,000	-	140,000

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Type	Maturity	Annual interest rates	December 31, 2023		December 31, 2022	
			Foreign currency	Korean won	Foreign currency	Korean won
The 194-3rd Public bond	Jan. 27, 2031	1.849%	-	50,000	-	50,000
The 194-4th Public bond	Jan. 25, 2041	1.976%	-	80,000	-	80,000
The 195-1st Public bond	Jun. 10, 2024	1.387%	-	180,000	-	180,000
The 195-2nd Public bond	Jun. 10, 2026	1.806%	-	80,000	-	80,000
The 195-3rd Public bond	Jun. 10, 2031	2.168%	-	40,000	-	40,000
The 196-1st Public bond	Jan. 27, 2025	2.596%	-	270,000	-	270,000
The 196-2nd Public bond	Jan. 27, 2027	2.637%	-	100,000	-	100,000
The 196-3rd Public bond	Jan. 27, 2032	2.741%	-	30,000	-	30,000
The 197-1st Public bond	Jun. 27, 2025	4.191%	-	280,000	-	280,000
The 197-2nd Public bond	Jun. 29, 2027	4.188%	-	120,000	-	120,000
The 198-1st Public bond	Jan. 10, 2025	3.847%	-	70,000	-	-
The 198-2nd Public bond	Jan. 12, 2026	3.869%	-	150,000	-	-
The 198-3rd Public bond	Jan. 12, 2028	3.971%	-	80,000	-	-
The 199-1st Public bond	Jul. 11, 2025	4.028%	-	85,000	-	-
The 199-2nd Public bond	Jul. 10, 2026	4.146%	-	160,000	-	-
The 199-3rd Public bond	Jul. 12, 2028	4.221%	-	155,000	-	-
	Subtotal			6,976,921		7,116,351
	Less: Current portion			(1,224,741)		(884,227)
	Discount on bonds			(18,468)		(22,764)
	Total			₩ 5,733,712		₩ 6,209,360

¹ As of December 31, 2023, the Company has outstanding notes in the amount of USD 100 million with fixed interest rates under Medium Term Note Program ("MTNP") registered in the Singapore Stock Exchange, which allowed issuance of notes of up to USD 2,000 million. However, the MTN program has been terminated since 2007.

² The Daily SOFR is approximately 5.380% as of December 31, 2023. Due to the recent suspension of LIBOR calculation, the Company changed the alternative indicator interest rate to Compound SOFR+1.210%.

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2) Long-Term Borrowings

(in millions of Korean won)

Financial institution	Type	Maturity	Annual interest rates	December 31,	
				2023	2022
Export-Import Bank of Korea	Inter-Korean Cooperation Fund ¹	Jul. 10, 2026	1.000%	₩ 1,480	₩ 1,974
		May. 15, 2023	-	-	100,000
CA-CIB	Long-term loan	May. 28, 2024	3.380%	100,000	100,000
		Mar. 15, 2024	4.150%	100,000	-
JPM	Long-term commercial papers	Feb. 28, 2025	2.700%	100,000	100,000
		Mar. 15, 2024	4.480%	100,000	-
DBS	Long-term commercial papers	Jun. 28, 2024	4.079%	100,000	100,000
KDB	Long-term commercial papers	Mar. 14, 2024	4.380%	100,000	-
Subtotal				601,480	401,974
Less: Current portion				(500,493)	(100,493)
Net				₩ 100,987	₩ 301,481

¹ The above Inter-Korean Cooperation Fund is repayable in installments over 13 years after a 7-year grace period.

(2) Repayment schedule of the Company's debentures and borrowings including the portion of current liabilities as of December 31, 2023, is as follows:

(in millions of Korean won)

	Bonds			Borrowings	Total
	In local currency	In foreign currency	Sub-total		
Jan. 1, 2024~Dec. 31, 2024	₩ 770,000	₩ 454,941	₩ 1,224,941	₩ 500,493	₩ 1,725,434
Jan. 1, 2025~Dec. 31, 2025	1,015,000	1,160,460	2,175,460	100,493	2,275,953
Jan. 1, 2026~Dec. 31, 2026	630,000	515,760	1,145,760	494	1,146,254
Jan. 1, 2027~Dec. 31, 2027	220,000	386,820	606,820	-	606,820
Thereafter	1,695,000	128,940	1,823,940	-	1,823,940
Total	₩ 4,330,000	₩ 2,646,921	₩ 6,976,921	₩ 601,480	₩ 7,578,401

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16. Provisions

Changes in provisions for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023			
	Litigation	Restoration cost	Others	Total
Beginning balance	₩ 30,938	₩ 96,667	₩ 38,489	₩ 167,094
Increase (transfer)	3	20,702	2,092	22,797
Usage	(5,028)	(983)	(249)	(6,260)
Reversal	(34)	(639)	(604)	(1,277)
Ending balance	₩ 25,879	₩ 115,747	₩ 40,728	₩ 182,354
Current	₩ 25,879	₩ 25,464	₩ 40,518	₩ 91,861
Non-current	-	90,283	210	90,493

(in millions of Korean won)

	2022			
	Litigation	Restoration cost	Others	Total
Beginning balance	₩ 77,119	₩ 99,548	₩ 56,227	₩ 232,944
Increase (transfer)	1,630	7,654	1,783	11,067
Usage	(5,691)	(7,689)	(15,241)	(28,621)
Reversal	(42,120)	(2,846)	(3,330)	(48,296)
Ending balance	₩ 30,938	₩ 96,667	₩ 39,489	₩ 167,094
Current	₩ 30,938	₩ 17,752	₩ 39,030	₩ 87,720
Non-current	-	78,915	459	79,374

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17. Net Defined Benefit Liabilities (Asset)

(1) The amounts recognized in the statements of in the statements of financial position as of December 31, 2023 and December 31, 2022, are determined as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Present value of defined benefit obligations	₩	1,548,588	₩	1,493,655
Fair value of plan assets		(1,609,178)		(1,674,344)
Liabilities (Assets), net	₩	(60,590)	₩	(180,689)

(2) Changes in the defined benefit obligations for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Beginning	₩	1,493,655	₩	1,721,241
Current service cost		109,110		128,218
Interest expense		73,330		41,723
Benefits paid		(256,252)		(208,060)
Others ¹		-		(21,078)
Remeasurements:				
Actuarial losses arising				
from changes in demographic assumptions		19		-
Actuarial losses arising				
from changes in financial assumptions		93,422		(228,246)
Actuarial losses arising				
from experience adjustments		35,304		59,857
Ending	₩	1,548,588	₩	1,493,655

¹ Others Include transactions by the Company to increase investment in kind to kt cloud Co., Ltd. during the period ended December 31, 2022.

(3) Changes in the fair value of plan assets for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Beginning	₩	1,674,344	₩	1,604,785
Interest income		82,603		38,900
Remeasurements		7,566		(4,949)
Employer contributions		78,501		243,900
Benefits paid		(233,836)		(192,028)
Others ¹		-		(16,264)
Ending	₩	1,609,178	₩	1,674,344

¹ Others Include transactions by the Company to increase investment in kind in kt cloud Co., Ltd. during the period ended December 31, 2022.

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(4) Amounts recognized in the separate statements of profit or loss for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Current service cost	₩	109,110	₩	128,218
Net interest expense		(9,273)		2,823
Account transfers		(13,548)		(15,305)
Total expense	₩	86,289	₩	115,736

Principal actuarial assumptions were as follows:

	December 31, 2023	December 31, 2022
Discount rate	4.16%	5.13%
Future salary increases	5.98%	5.76%

The sensitivity analysis of the defined benefit obligations as of December 31, 2023, to changes in the principal assumptions, is as follows:

<i>(in millions of Korean won)</i>	Effect on defined benefit obligation			
	Changes in assumption	Increase in assumption		Decrease in assumption
Discount rate	0.50%p	₩	(41,471)	₩ 43,926
Future salary growth rate	0.50%p		39,000	(37,202)

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The above sensitivity analysis is based on changes in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The Company reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund. Expected contributions to post-employment benefit plans, for the year ending December 31, 2024, are ₩ 116,640 million.

The expected maturity analysis of undiscounted pension benefits as of December 31, 2023, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year		Between 1-2 years		Between 2-5 years		Over 5 years		Total
Pension benefits	₩	129,590	₩	254,787	₩	611,344	₩	1,016,818	₩ 2,012,539

The weighted average duration of the defined benefit obligations is 5.7 years.

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18. Defined Contribution Plan

For the year ended December 31, 2023, recognized expense related to the defined contribution plan is ₩ 51,316 million (December 31, 2022: ₩ 45,227 million).

19. Commitments and Contingencies

(1) As of December 31, 2023, major commitments with local financial institutions are as follows:

*(in millions of Korean won and
foreign currencies in thousands)*

	Financial institution	Limit		Used amount	
Bank overdraft	Kookmin Bank and others		360,000		-
Working capital loan	DBS Bank and others		1,070,000		-
Facility loan	DBS Bank		100,000		100,000
Inter-Korean Cooperation Fund	Export-Import Bank of Korea		37,700		1,480
Economic Cooperation Business Insurance	Export-Import Bank of Korea		3,240		1,732
Collateralized loan on electronic accounts receivable-trade	Kookmin Bank and others		247,000		7,321
Plus electronic notes payable	Industrial Bank of Korea		50,000		2,558
Derivatives transaction limit	DBS Bank and others	USD	1,970,000	USD	1,970,000
	Citi Bank	JPY	400,000	JPY	400,000
		KRW	1,867,940		113,091
		USD	1,970,000		1,970,000
Total		JPY	400,000		400,000

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(2) As of December 31, 2023, guarantees received from financial institutions are as follows:

<i>(in millions of Korean won and foreign currencies in thousands)</i>	Warranty details	Limit
Hana Bank	Comprehensive credit line	3,100
	USD	8,700
Shinhan Bank	Guarantee for payment in foreign currency and others	39,517
Kookmin Bank	Guarantee for payment in foreign currency	3,186
Woori Bank	Guarantee for payment in foreign currency	5,000
Korea Development Bank	Refund guarantee for advances received	6,811
Korea Software Financial Cooperative	Advance payment/other guarantee and others	1,135,945
Seoul Guarantee Insurance Company	Performance guarantee and others	19,698
Total	KRW	1,158,743
	USD	63,214

(3) The Company is jointly and severally obligated with KT Sat Co., Ltd. to pay KT Sat Co., Ltd.'s liabilities incurred prior to its spin-off. As of December 31, 2023, the Company and KT Sat Co., Ltd. are jointly and severally liable for reimbursement of ₩ 595 million.

(4) For the year ended December 31, 2023, the Company entered into agreements with the Securitization Specialty Companies (2023: First 5G 67th to 72th Securitization Specialty Co., Ltd., 2022: First 5G 61st to 66th Securitization Specialty Co., Ltd.) and disposed of its trade receivables related to handset sales. The Company also made asset management agreements with each securitization specialty company and in accordance with the agreement, the Company will receive asset management fees upon liquidation of the securitization specialty company.

(5) As of December 31, 2023, the Company is a defendant in 123 lawsuits with the total claimed amount of ₩ 134,791 million. As of December 31, 2023, litigation provisions of ₩ 25,879 million for pending lawsuits and unasserted claims are recorded as liabilities for potential loss in the ordinary course of business. The final outcomes of the cases cannot be estimated as of December 31, 2023.

(6) According to the financial and other covenants included in certain debentures and borrowings, the Company is required to maintain certain financial ratios such as debt-to-equity ratio, use the funds for the designated purpose and report to the creditors periodically. The covenant also contains restrictions on provision of additional collateral and disposal of certain assets.

(7) As of December 31, 2023, the Company participates in Algeria Sidi Abdela new town development consortium (percentage of ownership: 2.5%) and has joint liability with other consortium participants.

(8) As of December 31, 2023, the contract amount of property and equipment acquisition agreements made but not yet recognized amounts to ₩ 449,883 million (December 31, 2022: ₩ 653,639 million).

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- (9) The Company entered into an agreement with financial investors of Epsilon Global Communications Pte., Ltd. in the acquisition of shares contract. If certain conditions are not met in the future as disclosed in the terms and conditions of the agreement, the financial investors may exercise the Tag-Along Right, Drag-Along Right, or the right to sell shares for the convertible preferred shares they own(Note 7).
- (10)The Company has an obligation for additional contributions as per agreement to Future Innovation Private Equity Fund No.3 and others. As of December 31, 2023, remaining amount of ₩ 4,132 million and USD 30,350 thousand will be invested through the Capital Call method in the future
- (11)The Company has the amount of ₩ 201,615 million (40%) of joint responsibility obligation and ₩ 302,423 million (60%) of obligation to provide financial support as a construction investor during the construction period with respect to K Defense Co., Ltd. established in accordance with the Private Investment Act on Social Infrastructure. During the operating period, the company has the amount of ₩ 438,312 million (100%) of obligation to provide financial support as an operating investor.
- (12)During the prior period, the Company entered into a stock sale contract with HYUNDAI MOBIS and HYUNDAI MOTOR COMPANY. If a certain period of time has elapsed from the date of the contract and the acquired stocks are to be disposed to a third party, HYUNDAI MOBIS and HYUNDAI MOTOR COMPANY may exercise a preferential purchase right to designate a buyer with priority.
- (13)During the prior period, the Company entered into an agreement with LS Cable & System Ltd., which participated in the stock acquisition contract of LS Marine Solution Co., Ltd.(formerly KT Submarine Co., Ltd.) Under the agreement, the company may exercise a put-option to LS Cable&System Ltd. in the future. (Note 7).
- (14)During for period, the Company entered into an agreement with equity investors which participated in the stock acquisition contract of kt cloud Co., Ltd., Under the agreement, in specific occasion, equity investors may exercise a Tag-along or put-option to the Company in the future.
- (15)The Company has the obligation of paying Minimum Guarantee as utilizing product bundling of Tving Co.,Ltd. and the right to be paid certain proportion of the excess as per agreement.

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20. Leases

Set out below is information for leases when the Company is a lessee. Information on leases when the Company is a lessor is provided in Note 11.

(1) The separate statements of financial position shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Right-of-use assets				
Property and buildings	₩	853,425	₩	889,615
Machinery and communication line facilities		50,242		38,112
Others		<u>72,958</u>		<u>55,322</u>
	₩	<u>976,625</u>	₩	<u>983,049</u>
Investment properties (building)	₩	-	₩	-

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Lease liabilities ¹				
Current	₩	226,590	₩	223,747
Non-current		<u>625,020</u>		<u>641,533</u>
	₩	<u>851,610</u>	₩	<u>865,280</u>

¹ Included in the line item 'other current liabilities and non-current liabilities' in the separate statements of financial position (Note 9).

For the years ended December 31, 2023 and 2022, right-of-use assets related to leases increased by ₩ 338,200 million and ₩ 276,784 million, respectively.

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(2) The separate statements of profit or loss shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	2023		2022	
Depreciation of right-of-use assets				
Property and building	₩	285,491	₩	299,950
Machinery and communication line facilities		25,845		29,842
Others		27,880		24,284
	₩	<u>339,216</u>	₩	<u>354,076</u>
Depreciation of investment properties	₩	-	₩	15
Interest expense relating to lease liabilities		38,946		31,625
Expense relating to Short-term leases		4,631		4,203
Expense relating to leases of low-value assets that are not short-term leases		11,527		12,562

The total cash outflow for leases for the years ended December 31, 2023 and 2022 is ₩ 385,080 million and ₩ 405,444 million, respectively.

21. Share Capital

As of December 31, 2023 and 2022, the Company has 1,000,000,000 shares authorized to issue, and the details are as follows:

	December 31, 2023			December 31, 202		
	Number of issued shares	Par value per share (in Korean won)	Ordinary shares (in millions of Korean won)	Number of issued shares	Par value per share (in Korean won)	Ordinary shares (in millions of Korean won)
Ordinary shares ¹	257,860,760	₩ 5,000	₩ 1,564,499	261,111,808	₩ 5,000	₩ 1,564,499

¹ The Company retired 55,039,007 treasury shares against retained earnings. Therefore, the ordinary shares amount differs from the amount resulting from multiplying the number of shares issued.

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22. Retained Earnings

Details of retained earnings as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Legal reserve ¹	₩	782,249	₩	782,249
Voluntary reserves ²		4,651,362		4,651,362
Unappropriated retained earnings		7,110,814		6,913,792
Total	₩	<u>12,544,425</u>	₩	<u>12,347,403</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for the payment of cash dividends but may be transferred to share capital with the approval of the Company's Board of Directors or used to reduce accumulated deficits, if any, with the ratification of the Company's majority shareholders.

² In accordance with the Restrictions on Special Taxation Act, R&D and HR related reserves under the voluntary reserves are separately accumulated when retained earnings from tax reserve funds are disposed, when income tax is recalculated from tax return adjustments. Reversal of these provisions can be paid out as dividends according to the related tax law.

The appropriation of retained earnings for the year ended December 31, 2023 is expected to be appropriated at the shareholders' meeting on March 28, 2024. The appropriation date for the year ended December 31, 2022 was March 31, 2023.

The appropriation of retained earnings for the years ended December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>	Note	2023		2022	
Unappropriated retained earnings from prior year		₩	6,367,527	₩	6,035,899
Remeasurements of net defined benefit liabilities	17, 29		(90,272)		114,154
Gain (loss) on disposal of financial assets at fair value through other comprehensive income	4		222		(11)
Profit for the year			933,337		763,750
Retirement of treasury stock			<u>(100,000)</u>		<u>-</u>
Retained earnings available for appropriation			<u>7,110,814</u>		<u>6,913,792</u>
Appropriation of loss on disposal of treasury stock	23		-		(44,421)
Dividends	31				
(Cash dividend (%): Ordinary shares:			(482,970)		(501,844)
₩ 1,960 (39.2%) in 2023					
₩ 1,960 (39.2%) in 2022					
Appropriation of retained earnings			<u>(482,970)</u>		<u>(546,265)</u>
Retained earnings after appropriation		₩	<u>6,627,844</u>	₩	<u>6,367,527</u>

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23. Accumulated Other Comprehensive Income and Other Components of Equity

(1) As of December 31, 2023 and 2022, the details of the Company's accumulated other comprehensive income, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩	95,090	₩	(62,907)
Gain (loss) on derivatives valuation		(30,861)		(9,765)
Total	₩	<u>64,229</u>	₩	<u>(72,672)</u>

(2) Changes in accumulated other comprehensive income for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023			
	Beginning	Increase (Decrease)	Reclassification to gain or loss	Ending
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ (62,907)	₩ 157,997	₩ -	₩ 95,090
Gain (loss) on derivatives valuation	(9,765)	16,030	(37,126)	(30,861)
Total	<u>₩ (72,672)</u>	<u>₩ 174,027</u>	<u>₩ (37,126)</u>	<u>₩ 64,229</u>

<i>(in millions of Korean won)</i>	2022			
	Beginning	Increase (Decrease)	Reclassification to gain or loss	Ending
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ 100,622	₩ (163,529)	₩ -	₩ (62,907)
Gain (loss) on derivatives valuation	24,988	56,259	(91,012)	(9,765)
Total	<u>₩ 125,610</u>	<u>₩ (107,270)</u>	<u>₩ (91,012)</u>	<u>₩ (72,672)</u>

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(3) As of December 31, 2023 and 2022, the Company's other components of equity, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Treasury stock ¹	₩	(398,075)	₩	(202,295)
Loss on disposal of treasury stock ¹		301		(44,422)
Share-based compensation		8,773		6,222
Other		<u>(180,871)</u>		<u>(180,913)</u>
Total	₩	<u>(569,872)</u>	₩	<u>(421,408)</u>

¹ The amount of income tax effect directly reflected in equity is ₩ 101 million for the year ended December 31, 2023 (December 31, 2022: ₩ 14,886 million).

(4) As of December 31, 2023 and 2022, details of treasury stock, are as follows:

	December 31, 2023		December 31, 2022	
Number of shares <i>(in shares)</i>		11,447,338		5,069,130
Amount <i>(in millions of Korean won)</i>	₩	398,075	₩	202,295

Treasury stock is expected to be used for stock compensation for the Company's directors, employees, and other purposes.

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24. Share-Based Compensation

Details of share-based compensation granted by the Company to executives and employees, including the CEO, by the resolution the Board of Directors as of December 31, 2023 and 2022, are as follows:

	2023
<i>(in share)</i>	17th grant
Grant date	June 15, 2023, Oct 17, 2023
Grantee	CEO, internal directors, external directors, executives
Vesting conditions	Service condition: 1 year Non-market performance condition: achievement of performance
Fair value per option <i>(in Korean won)</i>	₩ 30,205
Total compensation costs	₩ 7,262 million
Estimated exercise date	During 2024
Valuation method	Fair value method
	2022
<i>(in share)</i>	16th grant
Grant date	June 9, 2022
Grantee	CEO, internal directors, external directors, executives
Vesting conditions	Service condition: 1 year Non-market performance condition: achievement of performance
Fair value per option <i>(in Korean won)</i>	₩ 36,941
Total compensation costs	₩ 9,442 million
Estimated exercise date	July 17, 2023
Valuation method	Fair value method

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Changes in the number of share-based compensation for the years ended December 31, 2023 and 2022, are as follows:

(in shares)

	2023					
	Beginning	Granted	Expired	Exercised¹	Ending	Number of shares exercisable
16th grant	258,509	-	(105,859)	(131,690)	20,960	-
17th grant	-	307,182	-	-	307,182	-
Total	<u>258,509</u>	<u>307,182</u>	<u>(105,859)</u>	<u>(131,690)</u>	<u>328,142</u>	<u>-</u>

(in shares)

	2022					
	Beginning	Granted	Expired	Exercised¹	Ending	Number of shares exercisable
15th grant	284,209	-	(155,286)	(128,923)	-	-
16th grant	-	258,509	-	-	258,509	-
Total	<u>284,209</u>	<u>258,509</u>	<u>(155,286)</u>	<u>(128,923)</u>	<u>258,509</u>	<u>-</u>

¹ The weighted average price of ordinary shares at the time of exercise, during the year ended December 31, 2023, is ₩ 29,550 (2022: ₩ 35,450).

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25. Revenue from Contracts with Customers and Relevant Contract Assets and Liabilities

(1) The Company has recognized the following amounts relating to revenue in the separate statement of profit or loss:

<i>(in millions of Korean won)</i>	2023		2022	
Revenue from contracts with customers	₩	18,138,492	₩	18,083,857
Revenue from other sources		<u>232,945</u>		<u>205,386</u>
Total revenue	₩	<u>18,371,437</u>	₩	<u>18,289,243</u>

(2) Operating revenues for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Services provided	₩	15,932,421	₩	15,766,188
Sales of goods		<u>2,439,016</u>		<u>2,523,055</u>
Total	₩	<u>18,371,437</u>	₩	<u>18,289,243</u>

Revenue from services provided are recognized over time and revenue from sales of goods are recognized at a point in time.

(3) The Contract assets, liabilities and deferred revenue recognized in relation to the revenues from contracts with customers, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Contract assets ¹	₩	1,069,514	₩	885,380
Contract liabilities ¹		291,997		342,196
Deferred revenue ²		70,314		70,369

¹ Company recognized contract assets of ₩ 295,079 and, contract liabilities of ₩ 32,273 million for long-term construction contracts as of December 31, 2023 (2022: contract assets and liabilities of ₩ 160,880 million and ₩ 60,761 million, respectively). The Company recognizes contract asset as trade receivables, and other receivables, and contract liabilities as other current liabilities.

² Deferred revenue recognized relating to government grant is excluded.

(4) The contract costs recognized as assets are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Incremental cost of obtaining a contract	₩	1,647,156	₩	1,729,567
Cost of contract performance		157,292		153,517

The Company recognized ₩ 1,881,164 million (2022: ₩ 1,908,543 million) of operating expenses during the year end December 31, 2023, which relates to contract cost assets.

The Company did not recognize an impairment loss in anticipation of full recovery of costs recognized as assets.

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(5) For the year ended December 31, 2023 and 2022, revenue recognition arising from carried-forward contract liabilities and deferred revenue from prior year, is as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Revenue recognized that was included in the contract liabilities balance at the beginning of the year				
Allocation of the transaction price	₩	188,533	₩	227,331
Deferred revenue of joining/installment fee		36,708		37,984
Total	₩	<u>225,241</u>	₩	<u>265,315</u>

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26. Operating Expenses

(1) Operating expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Salaries and wages	₩	2,278,535	₩	2,380,672
Depreciation		2,335,992		2,286,741
Depreciation of intangible assets		508,200		464,991
Depreciation of right-of-use assets		339,216		354,076
Commissions		1,892,485		1,815,415
Interconnection charges		436,906		479,644
International interconnection fees		140,434		186,258
Purchase of inventories		2,577,559		2,618,632
Changes of inventories		(18,248)		(60,524)
Sales promotion expense and sales commission		2,543,731		2,574,457
Service costs		755,918		832,843
Purchase of contents		658,230		653,265
Utilities		387,006		323,821
Taxes and dues		196,384		222,568
Rent		125,292		116,112
Insurance premiums		54,783		57,340
Installation fees		470,900		491,461
Advertising expenses		110,899		148,493
Research and development expenses		226,771		186,212
Bad debt expenses		55,121		49,727
Others		1,109,931		938,936
Total	₩	<u>17,186,045</u>	₩	<u>17,121,140</u>

(2) Details of employee benefits for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Short-term employee benefits	₩	2,092,954	₩	2,187,465
Post-employment benefits (defined benefits)		86,289		115,736
Post-employment benefits (defined contributions)		51,316		45,227
Share-based compensation		10,481		14,192
Others		37,495		18,052
Total	₩	<u>2,278,535</u>	₩	<u>2,380,672</u>

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27. Other Income and Other Expenses

(1) Other income for the years ended December 31, 2023 and 2022, are as follows

<i>(in millions of Korean won)</i>	2023		2022	
Gain on disposal of property and equipment	₩	21,860	₩	52,175
Gain on disposal of right-of-use assets		3,338		2,935
Gain on disposal of intangible assets		-		263
Compensation on property and equipment		152,712		159,849
Gain on disposal of investments in subsidiaries, associates and joint ventures		25,920		1,278
Dividends received		64,654		89,895
Gains on government subsidies		40,725		44,473
Others		18,318		57,157
Total	₩	<u>327,527</u>	₩	<u>408,025</u>

(2) Other expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Loss on disposal of property and equipment	₩	66,459	₩	72,600
Impairment loss on property and equipment		7,349		2,969
Loss on disposal of right-of-use assets		2,047		1,991
Impairment loss on intangible assets		5,280		6,240
Impairment loss on investments in subsidiaries, associates and joint ventures		83,237		3,000
Donations		21,397		10,576
Others		133,817		131,347
Total	₩	<u>319,586</u>	₩	<u>228,723</u>

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28. Finance Income and Costs

(1) Details of financial income for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Interest income	₩	210,898	₩	234,595
Gain on foreign currency transactions		16,196		54,875
Gain on foreign currency translation		9,318		40,046
Gain on derivative transactions		10,192		50,518
Gain on valuation of derivatives		44,804		150,570
Gain on disposal of trade receivable		3,441		-
Gain on valuation of financial instruments		24,831		36,197
Others		61,471		10,533
Total	₩	<u>381,151</u>	₩	<u>577,334</u>

(2) Details of financial costs for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Interest expenses	₩	286,505	₩	258,504
Loss on foreign currency transactions		25,124		73,937
Loss on foreign currency translation		49,567		162,737
Loss on derivative transactions		-		23,039
Loss on valuation of derivatives		162		20,722
Loss on disposal of trade receivables		14,574		62,630
Loss on valuation of financial instruments		43,278		52,385
Others		-		42
Total	₩	<u>419,210</u>	₩	<u>653,996</u>

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29. Deferred Income Tax and Income Tax Expense

Deferred tax assets and deferred tax liabilities as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Deferred tax assets				
Deferred tax assets to be recovered within 12 months	₩	283,496	₩	307,377
Deferred tax assets to be recovered after more than 12 months		954,493		1,042,833
		1,237,989		1,350,210
Deferred tax liabilities				
Deferred tax liabilities to be recovered within 12 months		(523,094)		(529,259)
Deferred tax liabilities to be recovered after more than 12 months		(1,510,982)		(1,584,064)
		(2,034,076)		(2,113,323)
Deferred tax assets (liabilities), net	₩	(796,087)	₩	(763,113)

The movement in deferred income tax assets and liabilities as of December 31, 2023 and 2022, before taking into consideration the offsetting of balances, is as follows:

<i>(in millions of Korean won)</i>	2023							
	Beginning		Statement of profit or loss		Other comprehensive income		Ending	
Deferred tax liabilities								
Investment in subsidiaries, associates and joint ventures	₩	(32,900)	₩	(2,898)	₩	(7)	₩	(35,805)
Depreciation expense and impairment loss		(148,709)		39,228		-		(109,481)
Plan assets		(420,261)		15,393		-		(404,868)
Deferred tax gain on disposal of fixed assets		(529,868)		3,859		-		(526,009)
Contract assets		(654,551)		5,642		-		(648,909)
Financial assets at fair value through other comprehensive income		(31,198)		10,195		(45,301)		(66,304)
Others		(295,836)		48,786		4,350-		(242,700)
Total		₩ (2,113,323)		₩ 120,205		₩ (40,958)		₩ (2,034,076)

KT Corporation
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in millions of Korean won)

	2023			
	Beginning	Statement of profit or loss	Other comprehensive income	Ending
Deferred tax assets				
Investments in subsidiaries, associates and joint ventures	3,533	3,732	51	7,316
Depreciation expense and impairment loss	88,231	(62,210)	-	26,021
Contract liabilities	121,393	(9,513)	-	111,880
Defined benefit liabilities	374,907	(16,191)	30,907	389,623
Provisions	279,811	(18,881)	-	260,930
Financial assets at fair value through other comprehensive income	19,548	(11,801)	(7,747)	-
Trade receivables	1,575	(37)	-	1,538
Others	358,760	(49,948)	2,752	311,564
Total	<u>₩ 1,247,758</u>	<u>₩ (164,849)</u>	<u>₩ 25,963</u>	<u>₩ 1,108,872</u>
Temporary difference, net	(865,565)	(44,644)	(14,995)	(925,204)
Tax credit carryforwards	102,452	26,665	-	129,117
Total net balance	<u>₩ (763,113)</u>	<u>₩ (17,979)</u>	<u>₩ (14,995)</u>	<u>₩ (796,087)</u>

(in millions of Korean won)

	2022			
	Beginning	Statement of profit or loss	Other comprehensive income	Ending
Deferred tax liabilities				
Investment in subsidiaries, associates and joint ventures	₩ (31,304)	₩ (1,596)	₩ -	₩ (32,900)
Depreciation expense and impairment loss	(83,769)	(64,940)	-	(148,709)
Plan assets	(418,207)	(2,054)	-	(420,261)
Deferred tax gain on disposal of fixed assets	(346,934)	(182,934)	-	(529,868)
Contract assets	(664,255)	9,704	-	(654,551)
Financial assets at fair value through other comprehensive income	(64,742)	(3,453)	36,997	(31,198)
Others	(272,863)	(25,458)	2,485	(295,836)
Total	<u>₩ (1,882,074)</u>	<u>₩ (270,731)</u>	<u>₩ 39,482</u>	<u>₩ (2,113,323)</u>

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(in millions of Korean won)

	2022			
	Beginning	Statement of profit or loss	Other comprehensive income	Ending
Deferred tax assets				
Investments in subsidiaries, associates and joint ventures	5,038	(1,505)	-	3,533
Depreciation expense and impairment loss	69,327	18,904	-	88,231
Contract liabilities	148,693	(27,300)	-	121,393
Defined benefit liabilities	448,555	(24,362)	(49,286)	374,907
Provisions	276,508	3,304	-	279,812
Financial assets at fair value through other comprehensive income	-	-	19,548	19,548
Trade receivables	1,635	(60)	-	1,575
Others	311,212	37,953	9,594	358,759
Total	<u>₩ 1,260,968</u>	<u>₩ 6,934</u>	<u>₩ (20,144)</u>	<u>₩ 1,247,758</u>
Temporary difference, net	(621,106)	(263,797)	19,338	(865,565)
Tax credit carryforwards	133,999	(31,547)	-	102,452
Total net balance	<u>₩ (487,107)</u>	<u>₩ (295,344)</u>	<u>₩ 19,338</u>	<u>₩ (763,113)</u>

Total unrecognized temporary differences as deferred tax liabilities as of December 31, 2023 is ₩ 536,902 million (2022: ₩ 559,164 million), relating to investment in subsidiaries, associates and joint ventures, and the total of unrecognized temporary differences as deferred tax assets as of December 31, 2023 is ₩ 3,382,443 million (2022: ₩ 3,328,478 million), relating to investment in subsidiaries, associates and joint ventures.

The tax impact recognized directly to equity as of December 31, 2023 and 2022, is as follows:

(in millions of Korean won)

	2023			2022		
	Before recognition	Tax effect	After recognition	Before recognition	Tax effect	After recognition
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ 211,046	₩ (53,049)	₩ 157,997	₩ (220,074)	₩ 56,545	₩ (163,529)
Hedge instruments valuation gain (loss)	(28,199)	7,103	(21,096)	(46,832)	12,079	(34,753)
Remeasurements of net defined benefit liabilities	(121,180)	30,907	(90,273)	163,440	(49,286)	114,154
Loss on disposal of treasury stock	402	(101)	301	(59,308)	14,886	(44,422)
Total	<u>₩ 62,069</u>	<u>₩ (15,140)</u>	<u>₩ 46,929</u>	<u>₩ (162,774)</u>	<u>₩ 34,224</u>	<u>₩ (128,550)</u>

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Notes to the Separate Financial Statements
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Details of income tax expenses for the years ended December 31, 2023 and 2022, are calculated as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Current income tax expenses	₩	203,958	₩	211,649
Impact of change in temporary differences		<u>17,979</u>		<u>295,344</u>
Total income tax expense	₩	<u>221,937</u>	₩	<u>506,993</u>

The relationship between the Company profit before tax and income tax expense for the years ended December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Profit before income tax	₩	<u>1,155,275</u>	₩	<u>1,270,743</u>
Expected tax expense at statutory tax rate	₩	294,630	₩	339,092
Tax effects of				
Income not taxable for tax purposes		(11,952)		(3,515)
Expenses not deductible for tax purposes		8,157		20,089
Tax credit and deferred tax effects due to consolidated tax return		(64,177)		(49,393)
Temporary difference not recognized as deferred tax		17,803		245,871
Deferred tax due to tax rate changes		-		(39,602)
Others		<u>(22,524)</u>		<u>(5,549)</u>
Income tax expense	₩	<u>221,937</u>	₩	<u>506,993</u>

KT Corporation
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30. Earnings per Share

(1) Basic Earnings per Share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares purchased by the Company and held as treasury stock.

Basic earnings per share for the years ended December 31, 2023 and 2022, is calculated as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Profit attributable to ordinary shares	₩	933,337	₩	763,750
Weighted average number of ordinary shares outstanding in shares		249,470,072		242,235,332
Basic earnings per share <i>(in Korean won)</i>		3,741		3,153

(2) Diluted Earnings per Share

Diluted earnings per share from operations is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares from other share-based compensation.

Diluted earnings per share for the years ended December 31, 2023 and 2022, is calculated as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Profit attributable to ordinary shares <i>(in millions of Korean won)</i>	₩	933,337	₩	763,750
Adjusted profit for the year attributable to ordinary shares <i>(in millions of Korean won)</i>		933,337		763,750
Number of dilutive potential ordinary shares outstanding		119,263		91,931
Weighted-average number of ordinary shares outstanding and dilutive ordinary shares		249,589,335		242,327,263
Diluted earnings per share <i>(in Korean won)</i>		3,739		3,152

Diluted earnings per share is earnings per outstanding of ordinary shares and dilutive potential ordinary shares. Diluted earnings per share is calculated by dividing adjusted profit for the year by the sum of the number of ordinary shares and dilutive potential ordinary shares.

KT Corporation
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31. Dividends

The dividends paid by the Company in 2023 were ₩ 501,844 million (₩ 1,960 per share). The dividends paid by the Company in 2022 were ₩ 450,394 million (₩ 1,910 per share). A dividend in respect of the year ended December 31, 2023, of ₩ 1,960 per share, amounting to a total dividend of ₩ 482,970 million, is to be proposed at the shareholders' meeting on March 28, 2024.

32. Cash Generated from Operations

(1) Cash flows from operating activities for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
1. Profit for the year	₩	933,337	₩	763,750
2. Adjustments for:				
Income tax expense		221,937		506,993
Interest income		(210,898)		(234,595)
Interest expense		285,048		258,504
Dividends income		(116,832)		(98,874)
Depreciation		2,382,549		2,333,915
Amortization of intangible assets		511,215		467,052
Depreciation of right-of-use assets		339,216		354,076
Provisions for post-employment		99,837		131,041
Allowance for bad debts		83,036		63,593
Loss (gain) on disposal of subsidiaries, associates and joint ventures		(25,920)		(1,278)
Impairment loss on interests in subsidiaries, associates and joint ventures		83,237		3,000
Loss on disposal of property and equipment		44,599		20,425
Loss on disposal of intangible assets		5,280		5,977
Gain on disposal of right-of-use assets		(1,291)		(944)
Loss on foreign currency translation		40,249		122,691
Gain on valuation of derivatives, net		(36,865)		(177,600)
Loss (gain) on valuation of financial assets at fair value through profit or loss		(4,727)		37,256
Gain on disposal of financial assets at fair value through profit or loss		(1,809)		(1,555)
Others		5,600		(122,170)
3. Changes in operating assets and liabilities				
Decrease in trade receivables		(63,926)		118,814
Decrease in other receivables		10,779		67,940

KT Corporation
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Increase in other current assets	(9,897)	(26,665)
Decrease(increase) in other non-current assets	7,842	(13,886)
Increase in inventories	(12,924)	(39,879)
Increase (decrease) in trade payables	146,065	(313,744)
Increase in other payables	28,147	314,512
Increase (decrease) in other current liabilities	50,794	(69,292)
Decrease in other non-current liabilities	(15,935)	(17,018)
Decrease in provisions	(3,292)	(26,519)
Decrease in deferred revenue	(17,251)	(34,083)
Payment of post-employment benefits	(229,675)	(238,219)
Decrease (increase) in plan assets	130,280	(25,033)
4. Cash generated from operations (1+2+3)	<u>₩ 4,657,805</u>	<u>₩ 4,128,185</u>

(2) Significant transactions not affecting cash flows for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023	2022
Reclassification of current portion of borrowings	₩ 1,717,151	₩ 957,218
Reclassification of construction-in-progress to property and equipment	2,715,765	2,936,585
Reclassification of accounts payable from property and equipment	(313,921)	(46,638)
Reclassification of accounts payable from intangible assets	(304,125)	(304,125)
Reclassification of payable from net defined benefit liabilities	1,522	(3,320)
Disposal of treasury stock related to the acquisition of financial instrument	-	747,161
Increase of in subsidiary shares due to investment in kind	-	751,504

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33. Cash Generated from Financing Activities

Details of changes in liabilities related to cash flows that have been classified as financing activities, or will be classified as financing activities in the separate statement of cash flows for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023						
	Beginning	Financing activities cash flows	Others				Ending
			Newly acquired	Exchange difference	Fair value change	Other changes	
Borrowing	₩ 7,495,561	₩ 1,097	₩ -	₩ 44,938	₩ -	₩ 18,337	₩ 7,559,933
Lease liabilities	865,280	(333,042)	352,687	-	-	(33,315)	851,610
Derivative liabilities	32,402	-	-	10,888	9,326	(29,540)	23,076
Derivative assets	(185,989)	46,525	-	32,487	5,850	(55,647)	(156,774)
Total	<u>₩ 8,207,254</u>	<u>₩ (285,420)</u>	<u>₩ 352,687</u>	<u>₩ 88,313</u>	<u>₩ 15,176</u>	<u>₩ (100,165)</u>	<u>₩ 8,277,845</u>

(in millions of Korean won)

	2022						
	Beginning	Financing activities cash flows	Others				Ending
			Newly acquired	Exchange difference	Fair value change	Other changes	
Borrowing	₩ 6,949,654	₩ 382,845	₩ -	₩ 136,787	₩ -	₩ 26,275	₩ 7,495,561
Lease liabilities	966,700	(357,337)	295,207	-	-	(39,290)	865,280
Derivative liabilities	18,050	(41,197)	-	19,858	11,788	23,903	32,402
Derivative assets	(97,021)	76,280	-	(147,161)	31,636	(49,723)	(185,989)
Total	<u>₩ 7,837,383</u>	<u>₩ 60,591</u>	<u>₩ 295,207</u>	<u>₩ 9,484</u>	<u>₩ 43,424</u>	<u>₩ (38,835)</u>	<u>₩ 8,207,254</u>

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34. Related Party Transactions

(1) The list of related parties of the Company as of December 31, 2023, is as follows:

Relationship	Name of Entity
Subsidiaries	84 entities including KT Estate Inc., KT Skylife Co., Ltd., BC Card Co., Ltd.
Associates and joint ventures	54 entities including K Bank Inc., KIF Investment Fund, Megazone Cloud Corporation
Others ¹	Goody Studio Co., Ltd., Rebellion Inc., Digital Pharm Co., Ltd., Mastern No.127 Logispoin Daegu Co., Ltd., KORAMKO No. 143 General Private Real Estate Investment Company

¹ Despite the significant influence, treated as investment changes in FV under IFRS 9 instead of using equity method.

(2) The amount of the installment handset sales receivable inherited from KTIS Corporation, KTCS Corporation, KT Commerce Inc., KT Telecop Co., Ltd., KT M&S Co., Ltd. and KT Service Nambu Co., Ltd. for the year ended December 31, 2023 is ₩ 526,955 million.

(3) The Company has entered into an additional agreement in relation to providing communication service in wholesale with KT M Mobile Co., Ltd. in connection with the agreement, the Company offsets all or partial receivables against payables for joining mobile telecommunication services and usage of network arising from telecommunication operations.

(4) Outstanding balances of receivables and payables in relation to transaction with related parties as of December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023					
	Receivables			Payables		
	Trade receivables	Loans and others	Other receivables	Trade payables	Other payables	Lease liabilities
Subsidiaries						
KT Linkus Co., Ltd.	13	-	3	-	13,404	-
KT Telecop Co., Ltd.	426	-	644	2,534	26,002	-
KTCS Corporation	140	-	8,316	-	52,542	5
KTIS Corporation	11,258	-	25	-	47,246	-
KT Service Bukbu Co., Ltd.	19	-	4	-	24,375	-
KT Service Nambu Co., Ltd.	-	-	9	-	24,653	-
KT Skylife Co., Ltd.	37,070	-	11,062	-	8,457	-
KTDS Co., Ltd.	1,633	-	3,361	1,107	132,711	-
KT Estate Inc.	1,202	-	42,614	-	22,861	1,677
Skylife TV Co., Ltd.	54	-	-	-	2,289	-
BC Card Co., Ltd. ¹	699	-	6,443	-	1,123	3
KT Sat Co., Ltd.	1,272	-	1	-	1,908	-

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(in millions of Korean won)

	December 31, 2023					
	Receivables			Payables		
	Trade receivables	Loans and others	Other receivables	Trade payables	Other payables	Lease liabilities
KT Alpha Co., Ltd. (KT Hitel Co., Ltd.)	4,684	-	79	-	9,226	-
KT Commerce Inc.	167	-	2	8,124	19,296	-
KT M&S Co., Ltd.	240	8,400	243	-	95,671	-
GENIE Music Corporation	13,714	-	434	-	17,741	-
KT M Mobile Co., Ltd.	47,214	-	48	-	5,812	-
Nasmedia, Inc.	1,992	-	3	-	686	-
KT MOS Bukbu Co., Ltd.	10	-	8	-	15,605	-
KT MOS Nambu Co., Ltd.	-	-	119	-	12,899	-
KT Engineering Co., Ltd	18	-	809	2,370	82,831	-
KT Studio Genie Co., Ltd.	9	-	1,339	-	30,737	-
kt cloud Co., Ltd.	11,403	-	10	-	61,919	330
East Telecom LLC	5,045	12,704	-	69	-	-
Others	5,571	-	136	1,906	11,848	23
Associates and joint ventures						
K Bank Inc.	203	-	101,267	-	1	-
Others	256	-	3	-	521	1,331
Total	₩ 144,312	₩ 21,104	₩ 176,982	₩ 16,110	₩ 722,364	₩ 3,369

(in millions of Korean won)

	December 31, 2022					
	Receivables			Payables		
	Trade receivables	Loans and others	Other receivables	Trade payables	Other payables	Lease liabilities
Subsidiaries						
KT Linkus Co., Ltd.	₩ 13	₩ -	₩ -	₩ -	₩ 11,241	₩ -
KT Telecop Co., Ltd.	673	-	382	2,043	25,528	-
KTCS Corporation	173	-	11,221	-	60,045	7
KTIS Corporation	7,634	-	255	-	46,722	-
KT Service Bukbu Co., Ltd.	114	-	6	-	23,105	-
KT Service Nambu Co., Ltd.	-	-	1	-	25,998	-
KT Skylife Co., Ltd.	7,091	-	27,642	-	11,411	-
KTDS Co., Ltd.	1,245	-	1,421	-	107,863	-
KT Estate Inc.	3,011	-	42,267	-	50,563	3,062
Skylife TV Co., Ltd.	23	-	-	-	2,528	-
BC Card Co., Ltd. ¹	323	-	4,201	-	1,077	4
KT Sat Co., Ltd.	1,552	-	-	-	1,724	-

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(in millions of Korean won)

	December 31, 2022					
	Receivables			Payables		
	Trade receivables	Loans and others	Other receivables	Trade payables	Other payables	Lease liabilities
KT Alpha Co., Ltd. (KT Hitel Co., Ltd.)	5,869	-	77	-	9,812	-
KT Commerce Inc.	163	-	-	8,017	21,996	-
KT M&S Co., Ltd.	340	8,400	-	-	111,718	-
GENIE Music Corporation	17,308	-	1,106	-	28,658	-
KT M Mobile Co., Ltd.	30,663	-	131	-	6,160	-
Nasmedia, Inc.	3,079	-	3	-	1,522	-
KT MOS Bukbu Co., Ltd.	13	-	829	-	14,086	-
KT MOS Nambu Co., Ltd.	-	-	264	-	14,098	-
KT Engineering Co., Ltd	547	-	620	753	85,174	2
KT Studio Genie Co., Ltd.	8	-	1,442	-	52,912	-
kt cloud Co., Ltd.	15,844	-	2	-	31,816	290
East Telecom LLC	5,048	11,974	-	-	525	-
Others	9,253	-	156	121	26,266	29
Associates and joint ventures						
K Bank Inc.	204	-	100,253	-	-	-
Others	124	-	2	-	685	1,666
Total	₩ 110,315	₩ 20,374	₩ 192,281	₩ 10,934	₩ 773,233	₩ 5,060

¹ As of December 31, 2023, the unsettled amount of ₩ 1,002 million (2022: ₩ 1,062 million) in credit card transaction with BC Card Co., Ltd. is included in trade payables.

KT Corporation

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(5) Significant transactions with related parties for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023												
	Sales		Purchases		Acquisition of right-of-use assets	Finance income	Finance costs	Dividends received					
	Operating revenue	Other income	Operating expenses	Others ¹									
Subsidiaries													
KT Linkus Co., Ltd.	₩ 6,136	₩ 3	₩ 61,329	₩ -	₩ 1	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
KT Telecop Co., Ltd. ¹	6,705	41	142,170	20	15	10	-	-	-	-	-	-	-
KTCS Corporation	81,571	12	340,547	2	-	-	-	-	-	-	-	381	-
KTIS Corporation ¹	73,885	42	332,931	381	-	-	-	-	-	-	-	-	1,224
KT Service Bukbu Co., Ltd.	13,249	3	229,500	-	-	-	-	-	-	-	-	-	-
KT Service Nambu Co., Ltd. ¹	14,000	9	264,362	374	-	-	-	-	-	-	-	-	-
KT Skylife Co., Ltd.	129,070	17	22,420	-	-	-	-	-	-	-	-	-	8,368
KTDS Co., Ltd. ¹	12,626	172	482,505	1,006	-	2	-	-	-	-	-	-	7,560
KT Estate Inc. ¹	56,459	25	84,057	4,865	24,492	-	617	-	-	-	-	-	17,500
Skylife TV Co., Ltd.	14,756	-	11,314	-	-	-	-	-	-	-	-	-	-
BC Card Co., Ltd.	9,157	14	33,458	-	-	5	-	-	-	-	-	-	11,320
KT Sat Co., Ltd.	7,924	1	11,009	-	-	-	-	-	-	-	-	-	7,000
KT Alpha Co., Ltd. (KT Hitel Co., Ltd.)	62,069	3	45,253	-	-	1	-	-	-	-	-	-	-
KT Commerce Inc. ¹	1,244	1	103,495	98,176	-	-	-	-	-	-	-	-	-
KT M&S Co., Ltd.	340,290	43	259,051	-	-	-	-	-	-	-	-	-	-
GENIE Music Corporation	360	1	53,657	-	-	-	-	-	-	-	-	-	-
KT M Mobile Co., Ltd.	224,136	48	5,679	-	-	-	-	-	-	-	-	-	-
Nasmedia, Co., Ltd.	422	-	3,969	-	-	1	-	-	-	-	-	-	3,170
KT MOS Nambu Co., Ltd.	1,863	8	100,176	-	-	-	-	-	-	-	-	-	-
KT MOS Bukbu Co., Ltd.	2,840	8	100,747	-	-	-	-	-	-	-	-	-	-
KT Engineering Co., Ltd. ¹	3,635	2	39,144	154,098	-	-	-	-	-	-	-	-	-
KHS Corporation	4	-	7,296	-	-	-	-	-	-	-	-	-	-
KT Studio Genie Co., Ltd. ¹	113	-	13,708	99,732	-	-	-	-	-	-	-	-	-
kt cloud Co., Ltd. ¹	92,451	5	161,475	10,021	751	-	15	-	-	-	-	-	-
Others ^{2,3,4}	27,461	14	87,857	-	9	1	1	1	-	-	-	-	6,992
Associates and joint ventures													
K Bank Inc.	2,611	-	159	-	-	3,211	-	-	-	-	-	-	-
Others ⁵	1,664	100	5,330	-	7	-	84	-	-	-	-	-	1,139
Others													
Digital Pharm Co., Ltd.	1	-	-	-	-	-	-	-	-	-	-	-	-
Total	₩ 1,186,702	₩ 572	₩ 3,002,598	₩ 368,675	₩ 25,275	₩ 3,231	₩ 717	₩ 64,654					

¹ Amounts include acquisition of property and equipment and others.

² Transaction amount before being excluded from subsidiaries (KT Strategic Investment Fund No.2).

³ Transaction amount before being included in associates (LS Marine Solution Co., Ltd.).

⁴ Transaction amount before being excluded from subsidiaries (KT-Michigan Global Contents Fund).

⁵ Transaction amount before being included in subsidiaries (KD Living, Inc.)

KT Corporation

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(in millions of Korean won)

2022

	Sales		Purchases		Acquisition of right-of-use assets	Finance income	Finance costs	Dividends received
	Operating revenue	Other income	Operating expenses	Others ¹				
Subsidiaries								
KT Linkus Co., Ltd.	₩ 6,962	₩ 3	₩ 57,043	₩ -	₩ -	₩ -	₩ -	₩ -
KT Telecop Co., Ltd.	8,543	-	164,091	-	-	13	-	-
KTCS Corporation	88,579	69	331,560	8	-	-	1	318
KTIS Corporation	71,136	345	319,531	-	-	-	-	1,020
KT Service Bukbu Co., Ltd.	13,611	2	238,377	-	-	-	-	-
KT Service Nambu Co., Ltd.	12,582	2	280,857	-	-	-	-	-
KT Skylife Co., Ltd.	104,188	-	38,664	-	-	4	-	8,368
KTDS Co., Ltd. ¹	14,753	1	442,263	108	-	3	-	4,920
KT Estate Inc.	34,246	-	152,000	-	44	-	481	-
Skylife TV Co., Ltd.	416	-	12,030	-	-	-	-	-
BC Card Co., Ltd.	11,742	4	31,515	-	-	5	-	17,439
KT Sat Co., Ltd.	12,042	-	10,106	-	-	-	-	-
KT Alpha Co., Ltd. (KT Hitel Co., Ltd.)	64,318	5	83,262	-	-	2	-	-
KT Commerce Inc. ¹	1,710	-	128,254	92,128	-	-	-	-
KT M&S Co., Ltd. ¹	339,590	23	251,867	79	-	-	-	-
GENIE Music Corporation	6,545	-	54,925	-	-	-	-	-
KT M Mobile Co., Ltd.	192,654	-	25,825	-	-	-	-	-
Nasmedia, Co., Ltd.	647	-	5,306	-	-	1	-	3,293
KT MOS Nambu Co., Ltd. ¹	1,742	-	82,108	98	-	-	-	-
KT MOS Bukbu Co., Ltd.	2,540	-	82,560	-	-	-	-	-
KT Engineering Co., Ltd. ¹	2,094	-	40,160	173,025	-	-	-	-
KHS Corporation	13	-	13,834	-	-	-	-	-
KT Studio Genie Co., Ltd.	78	-	-	49,263	-	-	-	-
kt cloud Co., Ltd.	77,641	150	86,884	-	775	937	14	-
kt seezn Co., Ltd. ²	36,185	-	78,952	-	-	-	-	-
Others	22,065	-	103,440	97	-	2	1	243
Associates and joint ventures								
K-REALTY CR REITs No.1 ³	-	-	-	-	-	-	-	45,549
K Bank Inc.	10,287	-	167	-	-	599	-	-
Others ¹	816	100	6,868	3,170	1,966	-	48	8,741
Others								
Digital Pharm Co., Ltd.	1	-	-	-	-	-	-	-
Total	₩ 1,137,726	₩ 704	₩ 3,122,449	₩ 317,976	₩ 2,785	₩ 1,566	₩ 545	₩ 89,891

¹ Amounts include acquisition of property and equipment and others.

² Transaction amount before being excluded from subsidiaries.

³ Transaction amount before being excluded from associates.

KT Corporation
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(6) Key management compensation for the years ended December 31, 2023 and 2022, consists of:

<i>(in millions of Korean won)</i>	2023		2022	
Salaries and other short-term benefits	₩	1,494	₩	1,855
Post-employment benefits		153		294
Stock-based compensation		569		976
Total	₩	<u>2,216</u>	₩	<u>3,125</u>

(7) Fund transactions with related parties for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023				
	Loan transactions		Borrowing transactions¹		Equity contributions in cash and others
	Loans	Collections	Borrowings	Repayments	
Subsidiaries					
KT M&S Co., Ltd.	62,300	62,300	-	-	-
KT Estate Inc.	-	-	29	25,218	-
KT HEALTHCARE VINA COMPANY LIMITED.	-	-	-	-	13,001
K-Realty Qualified Private Real Estate Investment Trust No. 4	-	-	-	-	(16,720)
Others ²	730	-	-	757	(2,008)
Associates					
K-Realty 11th Real Estate Investment Trust Company	-	-	-	423	-
Kiamco Data Center Blind Fund	-	-	-	-	7,500
Telco Credit Bureau	-	-	-	-	6,500
Others	-	-	-	-	11,305
Others					
Rebellions Co.,Ltd.					19,998
Total	<u>₩ 63,030</u>	<u>₩ 62,300</u>	<u>₩ 29</u>	<u>₩ 26,398</u>	<u>₩ 39,576</u>

¹ Lease transactions are included in borrowing transactions

² Transaction amount before being excluded from subsidiaries (KT Strategic Investment Fund No.2).

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(in millions of Korean won)

	2022					
	Loan transactions		Borrowing transactions ¹		Equity contributions in cash and others	
	Loans	Collections	Borrowings	Repayments		
Subsidiaries						
KT Strategic Investment Fund 6	₩ -	₩ -	₩ -	₩ -	₩ 9,200	
KT M&S Co., Ltd.	62,300	60,988	-	-	-	
KT Estate Inc.	-	-	44	37,452	-	
kt cloud Co., Ltd.	95,900	95,900	775	500	901,504	
Others	995	-	-	33	5,837	
Associates						
K-Realty 11th Real Estate Investment Trust Company	-	-	1,916	176	-	
Megazone Cloud Corporation	-	-	-	-	130,001	
IBK-KT Emerging Digital Industry	-	-	-	-	9,000	
Others	-	-	-	-	39,753	
Total	₩ 159,195	₩ 156,888	₩ 2,735	₩ 38,161	₩ 1,095,295	

¹ Lease transactions are included in borrowing transactions.

(8) As of December 31, 2023, the Company entered into a credit card agreement with a limit of ₩ 10,923 million (2022: ₩ 8,995 million) with BC Card Co., Ltd.

(9) The Company has an obligation to invest in Kiamco Data Center Blind Fund, a related party, and others according to the agreement. As of December 31, 2023 the Company is planning make an additional investment of ₩ 59,135 million.

KT Corporation
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35. Financial Risk Management

(1) Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivatives to hedge certain financial risk exposures such as cash flow risk.

The Company's financial policy is set up in the long-term perspective and annually reported to the Board of Directors. The financial risk management is carried out by the Value Management Office, which identifies, evaluates and hedges financial risks. The treasury department in the Value Management Office considers various market conditions to estimate the effect from the market changes.

1) Market risk

The Company's market risk management focuses on controlling the extent of exposure to the risk in order to minimize revenue volatility. Market risk is a risk that decreases value or profit of the Company's portfolio due to changes in market interest rate, foreign exchange rate and other factors.

(i) Sensitivity analysis

Sensitivity analysis is performed for each type of market risk to which the Company is exposed. Reasonably possible changes in the relevant risk variable such as prevailing market interest rates, currency rates, equity prices or commodity prices are estimated and if the rate of change in the underlying risk variable is stable, the Company does not alter the chosen reasonably possible change in the risk variable. The reasonably possible change does not include remote or 'worst case' scenarios or 'stress tests'.

(ii) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from operating, investing and financing activities. Foreign exchange risk is managed within the range of the possible effect on the Company's cash flows. Foreign exchange risk (i.e. foreign currency translation of overseas operating assets and liabilities) not affecting the Company's cash flows is not hedged but can be hedged at a particular situation.

As of December 31, 2023 and 2022, if the foreign exchange rate had strengthened or weakened by 10% with all other variables held constant, the effects on profit before income tax and equity would have been as follows:

<i>(in millions of Korean won)</i>	Fluctuation of foreign exchange rate		Impact on profit before income tax ¹		Impact on equity
2023.12.31	+ 10%	₩	(8,253)	₩	(14,603)
	- 10%		8,253		14,603
2022.12.31	+ 10%	₩	(7,672)	₩	(17,684)
	- 10%		7,672		17,684

¹ Computed with consideration of derivatives hedging effect applied by the Company to hedge foreign exchange risk of liabilities in foreign currencies.

KT Corporation
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The analysis above is a simple sensitivity analysis, which assumes that all the variables other than foreign exchange rates are held constant. Therefore, the analysis does not reflect any correlation between foreign exchange rates and other variables, nor management's decision to decrease the risk.

Details of financial assets and liabilities in foreign currencies as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of foreign currencies)</i>	December 31, 2023		December 31, 2022	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
USD	48,568	2,083,110	55,617	2,186,739
SDR	254	722	255	722
JPY	-	400,000	-	400,000
EUR	1	6	1	6
RWF	402	-	462	-
VND	169,366	-	280,226	-
TZS	21,958	-	1,464	-
BWP	680	-	183	-
SGD	-	-	-	284,000
PKR	114,025	-	-	-
THB	244	-	265	-

(iii) Price risk

As of December 31, 2023 and 2022, the Company is exposed to equity securities price risk because the securities held by the Company are traded in active markets. If the increased or decreased by 10% with all other variables held constant, the effects on profit before income tax and equity would have been as follows:

<i>(in millions of Korean won)</i>	Fluctuation of price	Impact on profit before tax		Impact on equity	
2023.12.31	+ 10%	₩	-	₩	120,533
	- 10%		-		(120,533)
2022.12.31	+ 10%	₩	-	₩	112,222
	- 10%		-		(112,222)

The analysis above is based on the assumption that the equity index increased or decreased by 10% with all other variables held constant and all the Company's marketable equity instruments moved according to the historical correlation with the index. Equity would increase or decrease as a result of gain or loss on equity securities classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

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(iv) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from liabilities in foreign currency such as foreign currency debentures. Debentures in foreign currency issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by swap transactions. Debentures and borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company sets the policy and operates to minimize the uncertainty of changes in interest rates and financial costs.

As of December 31, 2023 and 2022, if the market interest rate increased or decreased by 100bp with other variables held constant, the effects on profit before income tax and equity would be as follows:

<i>(in millions of Korean won)</i>	Fluctuation of interest rate	Impact on profit before tax		Impact on equity	
2023.12.31	+ 100 bp	₩	(31)	₩	(2,745)
	- 100 bp		34		3,047
2022.12.31	+ 100 bp	₩	(30)	₩	(2,338)
	- 100 bp		(4)		2,361

The analysis above is a simple sensitivity analysis which assumes that all the variables other than market interest rates are held constant. Therefore, the analysis does not reflect any correlation between market interest rates and other variables, nor the management's decision to decrease the risk.

2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables from customers, debt securities and others.

- *Risk management*

Credit risk is managed on the Company basis with the purpose of minimizing financial loss. Credit risk arises from the normal transactions and investing activities, where clients or other party fails to discharge an obligation on contract conditions. To manage credit risk, the Company considers the counterparty's credit based on the counterparty's financial conditions, default history and other important factors.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as outstanding receivables. To minimize such risk, only financial institutions with strong credit ratings are accepted.

The Company's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

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- *Security*

For some trade receivables, the Company may obtain security in the form of guarantees or letters of credit, etc. which can be called upon if the counterparty defaults under the terms of the agreement.

- *Impairment of financial assets*

The Company has three types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of goods and provision of services,
- contract assets relating to provision of services, and
- other financial assets carried at amortized cost.

While cash equivalents are also subject to the impairment requirement, the identified expected credit loss is immaterial.

The maximum exposure to credit risk of the Company's financial instruments without considering the value of collaterals as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Cash and cash equivalents (except for cash on hand)	₩	1,232,004	₩	954,935
Trade and other receivables				
Financial assets at amortized costs		3,444,788		3,453,513
Financial assets at fair value through other comprehensive income		116,198		129,124
Contract assets		774,435		724,500
Other financial assets				
Derivatives financial assets for hedging purposes		156,774		185,989
Financial assets at fair value through profit or loss		441,321		410,388
Financial assets at amortized costs		377,996		416,294
Total	₩	<u>6,543,516</u>	₩	<u>6,274,743</u>

The Company is exposed to credit risk for financial guarantee contracts. As of December 31, 2023, the Company's maximum exposure amount is ₩ 595 million (2022: ₩ 653 million).

KT Corporation
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(i) *Trade receivables at amortized costs*

The Company applies the simplified approach to measuring expected credit loss allowance, which uses lifetime expected credit loss for all trade receivables at amortized costs.

The Company measures the expected credit loss by considering the future irrecoverability rate of the remaining balance of trade receivables and other receivables at the end of the reporting period. Each trade receivables and other receivables are classified considering the credit risk characteristics and overdue periods in order to measure expected credit loss. The expected credit loss rate calculation is based on historical payment and credit loss information in relation to revenue for 36 months period up to December 31, 2023.

The expected credit losses reflect forward-looking information. Provision for impairment as of December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023			
	Less than 6 months	7-12 months	More than 1 years	Total
Expected credit loss rate	5.87%	16.17%	47.95%	
Gross carrying amount	₩ 2,929,384	₩ 60,298	₩ 204,541	₩ 3,194,223
Provision for impairment	(171,816)	(9,752)	(98,075)	(279,643)

(in millions of Korean won)

	December 31, 2022			
	Less than 6 months	7-12 months	More than 1 years	Total
Expected credit loss rate	5.72%	17.38%	63.85%	
Gross carrying amount	₩ 2,952,701	₩ 38,246	₩ 161,922	₩ 3,152,869
Provision for impairment	(168,974)	(6,646)	(103,384)	(279,004)

Details of changes in provisions for impairment the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023		2022	
Beginning balance	₩	279,004	₩	282,661
Increase in loss allowance recognized in profit or loss during the year		55,121		49,727
Receivables written off during the year as uncollectible		(54,482)		(53,384)
Ending balance	₩	279,643	₩	279,004

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As of December 31, 2023, the maximum exposure of the trade receivables carrying amount to credit risk is ₩ 2,914,580 million (2022: ₩ 2,873,865 million).

Losses recognized in profit or loss in relation to impaired trade receivables for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Impairment loss				
Bad debt expenses	₩	55,121	₩	49,727

(ii) Cash equivalents (except for cash on hand)

The Company is also exposed to credit risk in relation to cash equivalents. The maximum exposure, as of December 31, 2023, is the carrying amount of these investments.

(iii) Other financial assets at amortized costs

Other financial assets at amortized cost include time deposits, other long-term financial instruments, and others.

All of the financial assets at amortized costs are considered to have low credit risk, and the loss allowance recognized during the period was, therefore, limited to 12 months expected losses. Management considers 'low credit risk' for other instruments when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Details of changes in provisions for impairment the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Beginning balance	₩	30,978	₩	44,374
Increase in loss allowance recognized in profit or loss during the year		25,636		13,866
Receivables written off during the year as uncollectible		(26,568)		(27,262)
Ending balance	₩	30,046	₩	30,978

(iv) Financial assets at fair value through profit or loss

The Company is also exposed to credit risk in relation to financial assets that are measured at fair value through profit or loss. The maximum exposure, as of December 31, 2023, is the carrying amount of these investments.

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3) *Liquidity risk*

The Company manages its liquidity risk by liquidity strategy and plans. The Company considers the maturity of financial assets and financial liabilities and the estimated cash flows from operations.

The table below analyzes the Company's liabilities (including interest expenses) into relevant maturity groups based on the remaining period at the report date to the contractual maturity date and these amounts are contractual undiscounted cash flows and can differ from the amount in the separate financial statement:

(in millions of Korean won)

	December 31, 2023			
	Less than 1 year	1-5 years	More than 5 years	Total
Trade and other payables	₩ 4,241,409	₩ 726,864	₩ 3,030	₩ 4,971,303
Borrowings (including debentures)	1,873,302	4,750,825	1,665,353	8,289,480
Lease liabilities	224,478	171,022	275,584	671,084
Others ¹	595	-	-	595
Total	<u>₩ 6,339,784</u>	<u>₩ 5,648,711</u>	<u>₩ 1,943,967</u>	<u>₩ 13,932,462</u>

(in millions of Korean won)

	December 31, 2022			
	Less than 1 year	1-5 years	More than 5 years	Total
Trade and other payables	₩ 4,422,798	₩ 927,888	₩ 80,715	₩ 5,431,401
Borrowings (including debentures)	1,180,004	5,367,808	1,877,126	8,424,938
Lease liabilities	240,518	441,836	321,393	1,003,747
Others ¹	653	-	-	653
Total	<u>₩ 5,843,973</u>	<u>₩ 6,737,532</u>	<u>₩ 2,279,234</u>	<u>₩ 14,860,739</u>

¹ Consists of the maximum limit related to joint responsibility and agreement of assumption of debts. The cash flows on agreements are classified based on the earliest period that the agreement can be executed (Note 19).

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As of December 31, 2023, the cash outflows and inflows by maturity of the Company's derivatives held for trading and gross-settled derivatives, are as follows:

(in millions of Korean won)

	December 31, 2023						
	Less than 1 year		1-5 years		More than 5 years		Total
Derivatives held for trading ¹							
Inflows	₩	-	₩	-	₩	1,403	₩ 1,403
Outflows		-		-		1,064	1,064
Derivatives settled gross ²							
Outflows	₩	686,077	₩	1,169,902	₩	8,126	₩ 1,864,105
Inflows		534,176		2,139,775		35,845	2,709,796

¹ During the year ended December 31, 2023, derivative liabilities held-for-trading are classified under the 'more than 5 years' category as they are relevant to the fair value of derivatives liabilities in the amount of ₩ 1,403 million, which is recognized in connection with the acquisition of Epsilon Global Communications Pte. Ltd. (Note 19).

As these derivatives held-for-trading are managed based on net fair value, their contractual maturities are not necessarily taking into consideration to understand the timing of cash flows.

² Cash outflow and inflow of gross-settled derivatives are undiscounted contractual cash flow and may differ from the amount in the separate statement of financial position.

(in millions of Korean won)

	December 31, 2022						
	Less than 1 year		1-5 years		More than 5 years		Total
Derivatives held for trading ¹							
Outflows	₩	-	₩	-	₩	5,164	₩ 5,164
Derivatives settled gross ²							
Outflows	₩	407,526	₩	2,451,015	₩	28,786	₩ 2,887,327
Inflows		483,374		2,622,968		36,878	3,143,220

¹ During the year ended December 31, 2022, derivative liabilities held-for-trading are classified under the 'more than 5 years' category as they are relevant to the fair value of derivatives liabilities in the amount of ₩ 4,234 million, which is recognized in connection with the acquisition of Epsilon Global Communications Pte. Ltd. (Note 19).

As these derivatives held-for-trading are managed based on net fair value, their contractual maturities are not necessarily taken into consideration to understand the timing of cash flows.

² Cash outflow and inflow of gross-settled derivatives are undiscounted contractual cash flow and may differ from the amount in the separate statement of financial position.

Meanwhile, as of December 31, 2023, the Company has an investment obligation of ₩ 59,135 million to invest Kiamco Data Center Blind Fund, a related party, and others, and ₩ 4,132 million and USD 30,350 thousand to make payment using the future Capital Call method (Notes 19 and 34).

KT Corporation

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(2) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's capital structure consists of liabilities including borrowings, cash and cash equivalents, and shareholders' equity. The treasury department monitors the Company's capital structure and considers cost of capital and risks related to each capital component.

The Company's debt-to-equity ratios as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Total liabilities	₩	15,265,380	₩	15,559,694
Total equity		15,043,539		14,858,080
Debt-to-equity ratio		101%		105%

The Company manages capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the separate statement of financial position plus net debt.

The Company's gearing ratios as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
Total borrowings	₩	7,559,933	₩	7,495,561
Less: cash and cash equivalents		<u>(1,242,005)</u>		<u>(966,307)</u>
Net debt		6,317,928		6,529,254
Total equity		<u>15,043,539</u>		<u>14,858,080</u>
Total capital	₩	<u>21,361,467</u>	₩	<u>21,387,334</u>
Gearing ratio		30%		31%

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(3) Offsetting Financial Assets and Financial Liabilities

Details of the Company's financial assets recognized, subject to enforceable master netting arrangements or similar agreements, as of December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

		December 31, 2023					
		Gross assets	Gross liabilities offset	Net amounts presented in the statement of financial position	Amounts not offset		Net amount
					Financial instruments	Cash collateral	
Trade receivables	₩ 62,483	₩ (4,595)	₩ 57,888	₩ (56,194)	₩ -	₩ 1,694	
Total	₩ 62,483	₩ (4,595)	₩ 57,888	₩ (56,194)	₩ -	₩ 1,694	

(in millions of Korean won)

		December 31, 2022					
		Gross assets	Gross liabilities offset	Net amounts presented in the statement of financial position	Amounts not offset		Net amount
					Financial instruments	Cash collateral	
Trade receivables	₩ 48,282	₩ (2,206)	₩ 46,076	₩ (44,518)	₩ -	₩ 1,558	
Total	₩ 48,282	₩ (2,206)	₩ 46,076	₩ (44,518)	₩ -	₩ 1,558	

These include price subject to netting arrangements on facility interconnection and data sharing among telecommunication companies.

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Details of the Company's financial liabilities recognized, subject to enforceable master netting arrangements or similar agreements, as of December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023						
	Gross liabilities	Gross assets offset	Net amounts presented in the statement of financial position	Amounts not offset		Net amount	
				Financial instruments	Cash collateral		
Trade payables	₩ 74,515	₩ (4,594)	₩ 69,921	₩ (56,194)	₩ -	₩ 13,727	
Total	₩ 74,515	₩ (4,594)	₩ 69,921	₩ (56,194)	₩ -	₩ 13,727	

(in millions of Korean won)

	December 31, 2022						
	Gross liabilities	Gross assets offset	Net amounts presented in the statement of financial position	Amounts not offset		Net amount	
				Financial instruments	Cash collateral		
Trade payables	₩ 62,551	₩ (2,206)	₩ 60,345	₩ (44,518)	₩ -	₩ 15,827	
Total	₩ 62,551	₩ (2,206)	₩ 60,345	₩ (44,518)	₩ -	₩ 15,827	

These include price subject to netting arrangements on facility interconnection and data sharing among telecommunication companies.

KT Corporation
Notes to the Separate Financial Statements
December 31, 2023 and 2022

36. Fair Value

(1) Fair Value by Financial Instruments Category

Carrying amounts and fair values of the financial assets and financial liabilities by category as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 1,242,005	1	₩ 966,307	1
Trade and other receivables				
Financial assets measured at amortized cost	3,444,788	1	3,453,513	1
Financial assets at fair value through other comprehensive income	116,198	116,198	129,124	129,124
Other financial assets				
Financial assets measured at amortized cost	377,996	1	416,294	1
Financial assets at fair value through profit or loss	441,321	441,321	410,388	410,388
Financial assets at fair value through other comprehensive income	1,437,684	1,437,684	1,214,059	1,214,059
Derivative financial assets for hedging purpose	156,774	156,774	185,989	185,989
Total	7,216,766		₩ 6,775,674	
Financial liabilities				
Trade and other payables ²	₩ 4,659,037	1	₩ 5,390,106	1
Borrowings	7,559,933	7,328,734	7,495,561	6,968,828
Other financial liabilities				
Financial assets at fair value through profit or loss	1,403	1,403	5,164	5,164
Derivative financial liabilities for hedging purpose	23,076	23,076	32,402	32,402
Total	₩ 12,243,449		₩ 12,923,233	

¹ The Company did not conduct fair value estimation since the book amount is a reasonable approximation of the fair value.

² Amounts related to employee benefit plans are included in trade and other payables at the end of the previous year

KT Corporation
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(2) Fair Value Hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

- Level 1: The quoted (unadjusted) price in active markets for identical assets or liabilities that an entity can access at the measurement date.
- Level 2: All inputs other than quoted prices included in Level 1 that are observable (either directly that is, or indirectly that is, derived from prices) for the asset or liability.
- Level 3: The unobservable inputs for the asset or liability.

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured or disclosed at fair value or its fair value is disclosed as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Trade and other receivables				
Financial assets at fair value through other comprehensive income	₩ -	₩ 116,198	₩ -	₩ 116,198
Other financial assets				
Financial assets at fair value through profit or loss	-	-	441,321	441,321
Financial assets at fair value through other comprehensive income	1,236,495	-	201,189	1,437,684
Derivative financial assets for hedging	-	156,774	-	156,774
Investment properties	-	-	4,402,271	4,402,271
Total	₩ 1,236,495	₩ 272,972	₩ 5,044,781	₩ 6,554,248
Liabilities				
Borrowings	₩ -	₩ 7,328,734	₩ -	₩ 7,328,734
Other financial liabilities				
Financial assets at fair value through profit or loss	-	-	1,403	1,403
Derivative financial liabilities for hedging	-	23,077	-	23,077
Total	₩ -	₩ 7,351,811	₩ 1,403	₩ 7,353,214

KT Corporation
Notes to the Separate Financial Statements
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(in millions of Korean won)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Trade and other receivables				
Financial assets at fair value through other comprehensive income	₩ -	₩ 129,124	₩ -	₩ 129,124
Other financial assets				
Financial assets at fair value through profit or loss	-	-	410,388	410,388
Financial assets at fair value through other comprehensive income	1,015,606	-	198,453	1,214,059
Derivative financial assets for hedging	-	185,989	-	185,989
Investment properties	-	-	3,182,157	3,182,157
Total	₩ 1,015,606	₩ 315,113	₩ 3,790,998	₩ 5,121,717
Liabilities				
Borrowings	₩ -	₩ 6,968,828	₩ -	₩ 6,968,828
Other financial liabilities				
Financial assets at fair value through profit or loss	-	-	5,164	5,164
Derivative financial liabilities for hedging	-	32,402	-	32,402
Total	₩ -	₩ 7,001,230	₩ 5,164	₩ 7,006,394

KT Corporation
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(3) Transfers between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

- 1) Details of transfers between Level 1 and Level 2 of the fair value hierarchy for recurring fair value measurements.

There are no transfers between Level 1 and Level 2 of the fair value hierarchy for the recurring fair value measurements.

- 2) Details of changes in Level 3 of the fair value hierarchy for the recurring fair value measurements .

Details of changes in Level 3 of the fair value hierarchy for recurring fair value measurements for the years ended December 31, 2023 and 2022 are as follows

(in millions of Korean won)

	2023					
	Financial assets			Financial liabilities		
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial liabilities at fair value through profit or loss		
Beginning balance	₩	410,388	₩	198,453	₩	5,164
Amount recognized in profit or loss		(13,158)		-		1,444
Amount recognized in other comprehensive income		-		(5,141)		-
Acquisition		46,437		10,267		-
Disposal		(2,347)		(6)		(5,205)
Replacement		-		(2,384)		-
Ending balance	₩	441,320	₩	201,189	₩	1,403

KT Corporation
Notes to the Separate Financial Statements
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(in millions of Korean won)

	2022			
	Financial assets			Financial liabilities
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivatives used for hedging	Financial liabilities at fair value through profit or loss
Beginning balance	₩ 299,263	₩ 190,821	₩ 31,565	₩ 5,329
Amount recognized in profit or loss	(1,150)	-	-	(165)
Amount recognized in other comprehensive income	-	(14)	-	-
Acquisition	115,415	4,646	-	-
Disposal	(140)	-	(31,565)	-
Replacement	(3,000)	3,000	-	-
Ending balance	<u>₩ 410,388</u>	<u>₩ 198,453</u>	<u>₩ -</u>	<u>₩ 5,164</u>

KT Corporation
Notes to the Separate Financial Statements
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(4) Valuation Techniques and Inputs

Valuation methods used in recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy as of December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023			
	Fair value	Level	Valuation techniques	Inputs
Assets				
Trade and other receivables				
Financial assets at fair value through other comprehensive income	₩ 116,198	2	DCF Model	Guaranteed bond interest rate
Other financial assets				
Financial assets at fair value through profit or loss	441,321	3	DCF Model, Adjusted Net Asset Model, Binomial Option Pricing Model, Monte Carlo Simulation	
Financial assets at fair value through other comprehensive income	201,189	3	Market Approach Model	
Derivative financial assets for hedging	156,774	2	DCF Model	Market observation discount rate
Investment properties	4,402,271	3	DCF Model	
Liabilities				
Borrowings	7,328,734	2	DCF Model	Corporate bond interest rate
Other financial liabilities				
Financial assets at fair value through profit or loss	1,403	3	Binomial Option Pricing Model	
Derivative financial liabilities for hedging	23,077	2	DCF Model	Market observation discount rate

KT Corporation
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in millions of Korean won)

	December 31, 2022			
	Fair value	Level	Valuation techniques	Inputs
Assets				
Trade and other receivables				
Financial assets at fair value through other comprehensive income	₩ 129,124	2	DCF Model	Guaranteed bond interest rate
Other financial assets				
Financial assets at fair value through profit or loss	410,388	3	DCF Model, Adjusted Net Asset Model, Binomial Option Pricing Model, Monte Carlo Simulation	
Financial assets at fair value through other comprehensive income	198,453	3	Market Approach Model	
Derivative financial assets for hedging purpose	185,989	2	DCF Model	Market observation discount rate
Investment properties	3,182,157	3	DCF Model	
Liabilities				
Borrowings	6,968,828	2	DCF Model	Corporate bond interest rate
Other financial liabilities				
Financial assets at fair value through profit or loss	5,164	3	Binomial Option Pricing Model, Monte Carlo Simulation	
Derivative financial liabilities for hedging purpose	32,402	2	DCF Model	Market observation discount rate

KT Corporation
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(5) Valuation Processes for Fair Value Measurements Categorized Within Level 3

The Company uses external experts that perform the fair value measurements required for financial reporting purposes. External experts report directly to the chief financial officer (CFO), and discusses valuation processes and results with the CFO in line with the Company's closing dates.

(6) Gains and Losses on Valuation at the Transaction Date

In the case that the Company values derivative financial instruments using inputs not based on observable market data, and the fair value calculated by the said valuation technique differs from the transaction price, then the fair value of the financial instruments is recognized as the transaction price. The difference between the fair value at initial recognition and the transaction price is deferred and amortized using a straight-line method by maturity of the financial instrument. However, in the case where inputs of the valuation techniques become observable in markets, the remaining deferred difference is immediately recognized in full as profit for the year.

Changes in deferred amount for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
	Derivatives used for hedging		Derivatives used for hedging	
I. Beginning balance	₩	-	₩	832
II. New transactions		-		-
III. Recognized at fair value through profit or loss		-		(832)
IV. Ending balance (I + II + III)	₩	-	₩	-

37. Events After the Reporting Period

(1) The Company has decided to acquire treasury stocks (₩ 27,100 million) in accordance with a resolution of the Board of Directors dated February 7, 2024, to enhance shareholder value. The acquired treasury stocks will be retired in March 2024.

(2) The company issued the following bonds after the end of the reporting period (unit: ₩ million).

Type	Issued Date	Annual interest rates	Maturity	Korean won
The 200-1st Public bond	Feb. 27, 2024	3.552%	Feb. 27, 2026-	120,000
The 200-2nd Public bond	Feb. 27, 2024	3.608%	Feb. 26, 2027-	200,000
The 200-3rd Public bond	Feb. 27, 2024	3.548%	Feb. 27, 2029-	80,000

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

English Translation of Independent Auditor's Report on Internal Control over Financial Reporting Originally Issued in Korean on March 18, 2024

To the shareholders and the Board of Directors of KT Corporation

Audit Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of KT Corporation (the "Company") as of December 31, 2023, based on 'Conceptual Framework for Design and Operation of Internal Control over Financial Reporting'.

In our opinion, the Company's internal control over financial reporting is designed and operated effectively as of December 31, 2023, in all material respects, in accordance with the 'Conceptual Framework for Design and Operation of Internal Control over Financial Reporting'.

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the financial statements of the Company, which comprise the statement of financial position as of December 31, 2023, and the statement of profit or loss, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows, for the year then ended, and notes to the financial statements, including material accounting policy information, and our report dated March 18, 2024, expressed an unqualified opinion.

Basis for Audit Opinion

We conducted our audits in accordance with the KSAs. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the internal control over financial reporting in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting

Management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on the Effectiveness of the Internal Control over Financial Reporting by CEO.

Those Charged with Governance is responsible for the oversight of internal control over financial reporting of the Company.

Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with the KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Deloitte.

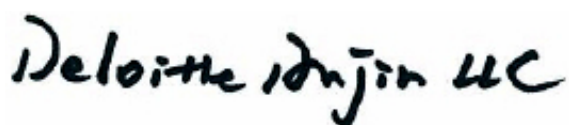
The audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks of that a material weakness exists. The audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risks.

Definition and Limitations of Internal Control over Financial Reporting

A group's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A group's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the group; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with K-IFRS, and that receipts and expenditures of the group are being made only in accordance with authorizations of management and directors of the group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the group's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Lee, Dong Hyun.



March 18, 2024

Notice to Readers

This report is effective as of March 18, 2024, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the Company's internal control over financial reporting and may result in modifications to the auditor's report.

**Report on the Effectiveness of
the Internal Control over Financial Reporting**

To the Shareholders, Audit Committee and Board of Directors of
KT Corporation

We, as the Chief Executive Officer ("CEO") and the Internal Control over Financial Reporting ("ICFR") Officer of KT Corporation ("the Company"), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting for the year ended December 31, 2023.

The Company's management, including ourselves, is responsible for designing and operating ICFR.

We assessed the design and operating effectiveness of the ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements.

We designed and operated ICFR in accordance with Conceptual Framework for Designing and Operating Internal Control over Financial Reporting established by the Operating Committee of Internal Control over Financial Reporting in Korea ("the ICFR Committee"). And, we conducted an evaluation of ICFR based on Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting established by the ICFR Committee.

Based on the assessment results, we believe that the Company's ICFR, as at December 31, 2023, is designed and operating effectively, in all material respects, in conformity with the Conceptual Framework for Designing and Operating Internal Control over Financial Reporting

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

February 20, 2024

Chief Executive Officer

Young Shub Kim

Internal Control over Financial Reporting Officer

Min Jang

