

# **KT Corporation and Subsidiaries**

**Consolidated Interim Financial Statements  
December 31, 2023 and 2022**

**ATTACHMENT : INDEPENDENT AUDITOR'S REPORT**

**KT Corporation**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group 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 consolidated internal control over financial reporting of the Group 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 audits in accordance with the KSAs. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 2.26 to the consolidated financial statements, the Group recognizes revenue at the point in time when it fulfills its performance obligations identified from contracts with customers. The Group 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 Group, 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 Group'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 service 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 Group 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 Group and customers of the Group, and compared the billed amounts to receipts.

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

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

In preparing the consolidated financial statements, management of the Group is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

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.

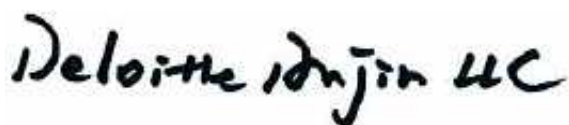
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 consolidated financial statements for the reporting period ending December 31, 2022, were audited by other 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 consolidated financial statements and may result in modifications to the auditor's report.

**KT Corporation and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**Years Ended December 31, 2023 and 2022**

<i>(in millions of Korean won)</i>	Notes	December 31, 2023	December 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,5,37	₩ 2,879,554	₩ 2,449,062
Trade and other receivables, net	4,6,37	7,170,289	6,098,072
Other financial assets	4,7,37	1,440,200	1,322,452
Current income tax assets		3,299	1,543
Inventories, net	8	912,262	709,191
Other current assets	9	2,112,553	2,101,212
Total current assets		14,518,157	12,681,532
<b>Non-current assets</b>			
Trade and other receivables, net	4,6,37	1,404,168	1,491,046
Other financial assets	4,7,37	2,724,761	2,501,484
Property and equipment, net	10	14,872,079	14,772,179
Right-of-use assets	20	1,304,963	1,280,334
Investment properties, net	11,37	2,198,135	1,933,358
Intangible assets, net	12	2,533,861	3,129,833
Investments in associates and joint ventures	13	1,556,889	1,480,722
Deferred income tax assets	29	608,924	578,443
Net defined benefit assets	17	160,748	311,142
Other non-current assets	9	827,297	820,608
Total non-current assets		28,191,825	28,299,149
<b>Total assets</b>		₩ 42,709,982	₩ 40,980,681

**KT Corporation and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**Years Ended December 31, 2023 and 2022**

<i>(in millions of Korean won)</i>	Notes	December 31, 2023	December 31, 2022
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4,14,37	₩ 8,054,922	₩ 7,333,165
Borrowings	4,15,37	3,058,564	1,827,042
Other financial liabilities	4,7,37	322,099	8,791
Current income tax liabilities		236,463	232,382
Other provisions	16	115,209	109,133
Deferred income	25	51,537	55,737
Other current liabilities	9	1,308,615	1,133,018
Total current liabilities		13,147,409	10,699,268
<b>Non-current liabilities</b>			
Trade and other payables	4,14,37	819,558	1,064,099
Borrowings	4,15,37	7,159,601	8,179,643
Other financial liabilities	4,7,37	753,739	412,650
Net defined benefit liabilities	17	63,616	51,654
Other provisions	16	107,014	91,233
Deferred income	25	153,563	165,186
Deferred income tax liabilities	29	994,330	967,650
Other non-current liabilities	9	950,015	934,575
Total non-current liabilities		11,001,436	11,866,690
<b>Total liabilities</b>		24,148,845	22,565,958
<b>Equity attribute to owners of the Controlling Company</b>			
Share capital	21	1,564,499	1,564,499
Share premium		1,440,258	1,440,258
Retained earnings	22	14,494,430	14,257,343
Accumulated other comprehensive income	23	52,407	(77,776)
Other components of equity	23	(802,418)	(572,152)
		16,749,176	16,612,172
<b>Non-controlling interest</b>		1,811,961	1,802,551
<b>Total equity</b>		18,561,137	18,414,723
<b>Total liabilities and equity</b>		₩ 42,709,982	₩ 40,980,681

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

**KT Corporation and Subsidiaries**  
**Consolidated Statements of Profit or Loss**  
**Years Ended December 31, 2023 and 2022**

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

	Notes	2023	2022
<b>Operating revenue</b>	25	₩ 26,376,273	₩ 25,650,011
<b>Operating expenses</b>	26	<u>24,726,499</u>	<u>23,959,923</u>
<b>Operating profit</b>		1,649,774	1,690,088
Other income	27	308,044	595,351
Other expenses	27	507,904	314,607
Finance income	28	486,277	690,428
Finance costs	28	568,682	749,908
Share of net losses of associates and joint ventures	13	<u>-43,424</u>	<u>-17,285</u>
<b>Profit before income tax expense</b>		1,324,085	1,894,067
Income tax expense	29	<u>335,367</u>	<u>506,404</u>
<b>Profit for the year</b>		<u>₩ 988,718</u>	<u>₩ 1,387,663</u>
<b>Profit for the year attributable to:</b>			
Owners of the Controlling Company:		₩ 1,009,861	₩ 1,262,498
Non-controlling interest:		-21,143	125,165
<b>Earnings per share attributable to the equity holders of the Controlling Company during the year (in Korean won):</b>			
	30		
Basic earnings per share		₩ 4,043	₩ 5,209
Diluted earnings per share		4,038	5,205

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

**KT Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2023 and 2022**

(in millions of Korean won)

	Notes	2023	2022
<b>Profit for the year</b>		₩ 988,718	₩ 1,387,663
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of net defined benefit liabilities	17	-137,465	181,429
Share of remeasurement loss of associates and joint ventures		-105	-332
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	4	121,271	-141,944
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Gain(Loss) on valuation of debt instruments at fair value through other comprehensive income	4	534	-16,630
Valuation gain on cash flow hedge	4,7	15,329	64,091
Other comprehensive loss from cash flow hedges reclassified to profit or loss	4	-37,942	-95,421
Share of other comprehensive loss from associates and joint ventures		21,595	-10,851
Exchange differences on translation of foreign operations		24,230	17,464
<b>Total comprehensive income for the year</b>		₩ 996,165	₩ 1,385,469
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Controlling Company		₩ 1,013,535	₩ 1,236,679
Non-controlling interest		-17,370	148,790

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

**KT Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2023 and 2022**

	Notes	Attributable to owners of the Controlling Company					Total	Non-controlling interest	Total equity
		Share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Other components of equity			
<i>(in millions of Korean won)</i>									
<b>Balance as at January 1, 2022</b>		₩ 1,564,499	₩ 1,440,258	₩ 13,287,390	₩ 117,469	₩ (1,433,080)	₩ 14,976,536	₩ 1,590,625	₩ 16,567,161
<b>Comprehensive income</b>									
Profit for the year		-	-	1,262,498	-	-	1,262,498	125,165	1,387,663
Remeasurements of net defined benefit liabilities	17, 29	-	-	165,524	-	-	165,524	15,905	181,429
Share of gain on remeasurements of associates and joint ventures		-	-	(189)	-	-	(189)	(143)	(332)
Share of other comprehensive loss of associates and joint ventures		-	-	-	(8,291)	-	(8,291)	(2,560)	(10,851)
Valuation gain on cash flow hedge	4, 29	-	-	-	(32,140)	-	(32,140)	810	(31,330)
Gain on valuation of financial instruments at fair value through other comprehensive income	4, 29	-	-	4,091	(160,785)	-	(156,694)	(1,880)	(158,574)
Exchange differences on translation of foreign operations		-	-	-	5,971	-	5,971	11,493	17,464
<b>Total comprehensive income for the year</b>		-	-	1,431,924	(195,245)	-	1,236,679	148,790	1,385,469
<b>Transactions with owners</b>									
Dividends paid by the Controlling Company	31	-	-	(450,394)	-	-	(450,394)	-	(450,394)
Dividends paid to non-controlling interest of subsidiaries		-	-	-	-	-	-	(26,407)	(26,407)
Effect of change in connection range		-	-	-	-	-	-	3,152	3,152
Change in ownership interest in subsidiaries		-	-	-	-	88,924	88,924	32,695	121,619
Appropriations of loss on disposal of treasury stock		-	-	(11,577)	-	11,577	-	-	-
Acquisition of treasury stock		-	-	-	-	763,081	763,081	-	763,081
Conversion of redeemable convertible preferred shares of subsidiaries to common shares		-	-	-	-	-	-	51,476	51,476
Others		-	-	-	-	(2,654)	(2,654)	2,220	(434)
<b>Subtotal</b>		-	-	(461,971)	-	860,928	398,957	63,136	462,093
<b>Balance as at December 31, 2022</b>		₩ 1,564,499	₩ 1,440,258	₩ 14,257,343	₩ (77,776)	₩ (572,152)	₩ 16,612,172	₩ 1,802,551	₩ 18,414,723

**KT Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2023 and 2022**

		Attributable to owners of the Controlling Company									
		(in millions of Korean won)									
	Notes	Share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Other components of equity	Total	Non-controlling interest	Total equity		
<b>Balance as at January 1, 2023</b>		₩ 1,564,499	₩ 1,440,258	₩ 14,257,343	₩ (77,776)	₩ (572,152)	₩ 16,612,172	₩ 1,802,551	₩ 18,414,723		
<b>Comprehensive income</b>											
Profit for the year		-	-	1,009,861	-	-	1,009,861	(21,143)	988,718		
Remeasurements of net defined benefit liabilities	17, 29	-	-	(126,613)	-	-	(126,613)	(10,852)	(137,465)		
Share of gain on remeasurements of associates and joint ventures		-	-	(118)	-	-	(118)	13	(105)		
Share of other comprehensive loss of associates and joint ventures		-	-	-	15,775	-	15,775	5,820	21,595		
Valuation loss on cash flow hedge	4, 29	-	-	-	(22,252)	-	(22,252)	(361)	(22,613)		
Gain(Loss) on valuation of financial instruments at fair value through other comprehensive income	4, 29	-	-	222	126,028	-	126,250	(4,445)	121,805		
Exchange differences on translation of foreign operations		-	-	-	10,632	-	10,632	13,598	24,230		
<b>Total comprehensive income for the year</b>		-	-	883,352	130,183	-	1,013,535	(17,370)	996,165		
<b>Transactions with owners</b>											
Dividends paid by the Controlling Company	31	-	-	(501,844)	-	-	(501,844)	-	(501,844)		
Dividends paid to non-controlling interest of subsidiaries		-	-	-	-	-	-	(24,964)	(24,964)		
Effect of change in connection range		-	-	-	-	-	-	(79,134)	(79,134)		
Change in ownership interest in subsidiaries		-	-	-	-	216,841	216,841	128,526	345,367		
Appropriations of loss on disposal of treasury stock		-	-	(44,421)	-	44,421	-	-	-		
Acquisition of treasury stock		-	-	-	-	(300,243)	(300,243)	-	(300,243)		
Disposal of treasury stock		-	-	-	-	4,463	4,463	-	4,463		
Retirement of treasury stock		-	-	(100,000)	-	100,000	-	-	-		
Accounting for Acquisitions of Interests in Joint Operations		-	-	-	-	(298,196)	(298,196)	-	(298,196)		
Others		-	-	-	-	2,448	2,448	2,352	4,800		
<b>Subtotal</b>		-	-	(646,265)	-	(230,266)	(876,531)	26,780	(849,751)		
<b>Balance as at December 31, 2023</b>		₩ 1,564,499	₩ 1,440,258	₩ 14,494,430	₩ 52,407	₩ (802,418)	₩ 16,749,176	₩ 1,811,961	₩ 18,561,137		

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

**KT Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

(in millions of Korean won)

	Notes	2023	2022
<b>Cash flows from operating activities</b>			
Cash generated from operations	32	₩ 5,747,195	₩ 3,835,879
Interest paid		(361,741)	(263,520)
Interest received		360,614	307,091
Dividends received		60,987	68,827
Income tax paid		(303,766)	(351,212)
<b>Net cash inflow from operating activities</b>		<u>5,503,289</u>	<u>3,597,065</u>
<b>Cash flows from investing activities</b>			
Collection of loans		53,885	44,287
Disposal of financial assets at fair value through profit or loss		90,487	1,298,621
Disposal of financial assets at amortized cost		1,543,663	1,046,115
Disposal of financial assets at fair value through other comprehensive income		306	97,932
Disposal of investments in associates and joint ventures		6,890	34,828
Disposal of assets held-for-sale		-	4,600
Disposal of property and equipment and investment properties		100,348	178,063
Disposal of intangible assets		7,078	20,088
Disposal of right-of-use assets		529	97
Settlement of derivative assets and liabilities		4,888	-
Increase in cash due to changes in scope of consolidation and others		46,642	6,754
Loans granted		(37,771)	(43,694)
Acquisition of financial assets at fair value through profit or loss		(220,989)	(1,317,175)
Acquisition of financial assets at amortized cost		(1,875,525)	(1,450,442)
Acquisition of financial assets at fair value through other comprehensive income		(10,267)	(449,504)
Acquisition of investments in associates and joint ventures		(106,389)	(280,988)
Acquisition of property and equipment and investment properties		(3,692,972)	(3,439,857)
Acquisition of intangible assets		(478,685)	(545,190)
Acquisition of right-of-use assets		(1,065)	(2,090)
Decrease in cash due to changes in scope of consolidation and others		(51,561)	(41,088)
<b>Net cash outflow from investing activities</b>		<u>(4,620,508)</u>	<u>(4,838,643)</u>

**KT Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

(in millions of Korean won)

	Notes	2023	2022
<b>Cash flows from financing activities</b>	33		
Proceeds from borrowings		5,381,231	4,234,570
Cash inflows under derivatives contracts		48,183	76,280
Cash inflow from consolidated equity transaction		632,776	125,066
Cash inflow from other financing activities		2,082	2,193
Repayments of borrowings		(5,275,113)	(2,843,249)
Dividends paid		(526,826)	(476,800)
Decrease in lease liabilities		(407,051)	(378,684)
Cash outflow under derivatives contracts		-	(41,197)
Acquisition of treasury stock		(300,086)	-
Cash outflow from consolidated equity transaction		(7,988)	(28,848)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(452,792)</u>	<u>669,331</u>
<b>Effect of exchange rate change on cash and cash equivalents</b>		<u>503</u>	<u>1,717</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		430,492	(570,530)
<b>Cash and cash equivalents</b>			
Beginning of the year	5	<u>2,449,062</u>	<u>3,019,592</u>
End of the year	5	<u>₩ 2,879,554</u>	<u>₩ 2,449,062</u>

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

# **KT Corporation and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2023 and 2022**

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#### **1. General Information**

The consolidated financial statements have been prepared by KT Corporation, the “Controlling company” as defined under Korean IFRS 1110 *Consolidated Financial Statements*, by consolidating 84 subsidiaries (collectively referred to as the “Group”) including BC Card Co., Ltd., etc. as described in Note 1.2

##### **1.1 The Controlling Company**

KT Corporation (the “Controlling 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 headquarters are located in Seongnam City, Gyeonggi Province, Republic of Korea, and the address of its registered head office is 90, Buljeong-ro, Bundang-gu, Seongnam City, Gyeonggi Province.

On October 1, 1997, upon the announcement of the Government-Investment Enterprises Management Basic Act and the Privatization Law, the Controlling Company became a government-funded institution under the Commercial Code of Korea.

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

On May 29, 1999, the Controlling Company issued 24,282,195 additional shares and issued American Depository 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-owned shares were issued on the New York Stock Exchange.

In 2002, the Controlling 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 Controlling Company.

# KT Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

#### 1.2 Consolidated Subsidiaries

(1) The consolidated subsidiaries as of December 31, 2023 and 2022, are as follows:

Subsidiary	Type of business	Location	Controlling Interest <sup>1</sup> (%)		Closing month
			December 31, 2023	December 31, 2022	
KT Linkus Co., Ltd.	Public telephone maintenance	Korea	92.4%	92.4%	December
KT Telecop Co., Ltd.	Security service	Korea	86.8%	86.8%	December
KT Alpha Co., Ltd. <sup>5</sup>	Data communication	Korea	73.0%	73.0%	December
KT Service Bukbu Co., Ltd	Opening services of fixed line	Korea	67.3%	67.3%	December
KT Service Nambu Co., Ltd.	Opening services of fixed line	Korea	77.3%	77.3%	December
KT Commerce Inc.	B2C, B2B service	Korea	100.0%	100.0%	December
KT Strategic Investment Fund No.3	Investment fund	Korea	100.0%	100.0%	December
KT Strategic Investment Fund No.4	Investment fund	Korea	100.0%	100.0%	December
KT Strategic Investment Fund No.5	Investment fund	Korea	100.0%	100.0%	December
BC-VP Strategic Investment Fund No.1	Investment fund	Korea	100.0%	100.0%	December
BC Card Co., Ltd.	Credit card business	Korea	69.5%	69.5%	December
VP Inc. <sup>5</sup>	Payment security service for credit card, others	Korea	72.2%	69.7%	December
H&C Network	Call center for financial sectors	Korea	100.0%	100.0%	December
BC Card China Co., Ltd.	Software development and data processing	China	100.0%	100.0%	December
INITECH Co., Ltd. <sup>5</sup>	Internet banking ASP and security solutions	Korea	63.9%	61.3%	December
Smartro Co., Ltd.	VAN (Value Added Network) business	Korea	64.5%	64.5%	December
KTDS Co., Ltd. <sup>5</sup>	System integration and maintenance	Korea	91.6%	95.6%	December
KT M&S Co., Ltd.	PCS distribution	Korea	100.0%	100.0%	December
GENIE Music Corporation <sup>2</sup>	Online music production and distribution	Korea	36.0%	36.0%	December
KT MOS Bukbu Co., Ltd. <sup>5</sup>	Telecommunication facility maintenance	Korea	100.0%	100.0%	December
KT MOS Nambu Co., Ltd. <sup>5</sup>	Telecommunication facility maintenance	Korea	98.4%	98.4%	December
KT Skylife <sup>5</sup>	Satellite TV	Korea	50.6%	50.2%	December
Skylife TV Co., Ltd.	TV contents provider	Korea	100.0%	100.0%	December
KT Estate Inc.	Residential building development and supply	Korea	100.0%	100.0%	December
KT Investment Management Inc.	Asset management, real estate and consulting services	Korea	100.0%	100.0%	December
NEXR Co., Ltd.	Cloud system implementation	Korea	100.0%	100.0%	December
KTGDH Co., Ltd.	Data center development and related service	Korea	100.0%	100.0%	December
KT Sat Co., Ltd.	Satellite communication business	Korea	100.0%	100.0%	December
Nasmedia, Co., Ltd. <sup>2,5</sup>	Solution provider and IPTV advertisement sales business	Korea	44.1%	44.0%	December
KT Sports Co., Ltd.	Management of sports teams	Korea	100.0%	100.0%	December
KT Music Contents Fund No.2	Music and contents investment business	Korea	100.0%	100.0%	December
KTCS Corporation <sup>2,5</sup>	Database and online information provider	Korea	34.1%	34.1%	December

# KT Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

Subsidiary	Type of business	Location	Controlling Interest <sup>1</sup> (%)		Closing month
			December 31, 2023	December 31, 2022	
KTIS Corporation <sup>2,5</sup>	Database and online information provider	Korea	33.3%	33.3%	December
KT M Mobile Co., Ltd.	Special category telecommunications operator and sales of communication device	Korea	100.0%	100.0%	December
KT Investment Co., Ltd.	Financing business for new technology	Korea	100.0%	100.0%	December
PlayD Co., Ltd.	Advertising agency	Korea	70.4%	70.4%	December
Next Connect PFV	Residential building development and supply	Korea	100.0%	100.0%	December
KT Rwanda Networks Ltd.	Network installation and management	Rwanda	51.0%	51.0%	December
AOS Ltd.	System integration and maintenance	Rwanda	51.0%	51.0%	December
KT Japan Co., Ltd.	Foreign investment business and local counter work	Japan	100.0%	100.0%	December
East Telecom LLC	Wireless/fixed line internet business	Uzbekistan	91.6%	91.6%	December
KT America, Inc.	Foreign investment business and local counter work	USA	100.0%	100.0%	December
PT. BC Card Asia Pacific	Software development and supply	Indonesia	99.9%	99.9%	December
KT Hongkong Telecommunications Co., Ltd.	Fixed line telecommunication business	Hong Kong	100.0%	100.0%	December
Korea Telecom Singapore Pte. Ltd.	Foreign investment business and local counter work	Singapore	100.0%	100.0%	December
Texnoprosistem LLC	Fixed line internet business	Uzbekistan	100.0%	100.0%	December
Nasmedia Thailand Co., Ltd.	Internet advertising solution	Thailand	99.9%	99.9%	December
KT Huimangjjeum	Manufacturing	Korea	100.0%	100.0%	December
K-REALTY RENTAL HOUSING REIT <sup>3</sup>	Residential building	Korea	88.6%	88.6%	December
Storywiz Co., Ltd.	Contents and software development and supply	Korea	100.0%	100.0%	December
KT Engineering Co., Ltd.	Telecommunication facility construction and maintenance	Korea	100.0%	100.0%	December
KT Studio Genie Co., Ltd.	Data communication service and data communication construction business	Korea	90.9%	90.9%	December
KHS Corporation	Operation and maintenance of facilities	Korea	100.0%	100.0%	December
Lolab Co., Ltd.	Truck transportation and trucking arrangement business	Korea	79.8%	79.8%	December
HCN Co., Ltd.	Cable television service	Korea	100.0%	100.0%	December
Millie Seojae <sup>2</sup>	Book contents service	Korea	30.2%	38.6%	December
KT ES Pte. Ltd.	Foreign investment business	Singapore	57.6%	57.6%	December
Epsilon Global Communications PTE. Ltd.	Network service industry	Singapore	100.0%	100.0%	December
Epsilon Telecommunications (SP) PTE. Ltd.	Fixed line telecommunication business	Singapore	100.0%	100.0%	December
Epsilon Telecommunications (US) PTE. Ltd.	Fixed line telecommunication business	Singapore	100.0%	100.0%	December
Epsilon Telecommunications Limited	Fixed line telecommunication business	UK	100.0%	100.0%	December
Epsilon Telecommunications (HK) Limited	Fixed line telecommunication business	Hong Kong	100.0%	100.0%	December
Epsilon US Inc.	Fixed line telecommunication business	USA	100.0%	100.0%	December
Epsilon Telecommunications	Employee support service	Bulgaria	100.0%	100.0%	December

# KT Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

Subsidiary	Type of business	Location	Controlling Interest <sup>1</sup> (%)		Closing month
			December 31, 2023	December 31, 2022	
(BG) EOOD					
Nasmedia-KT Alpha Future Growth Strategic Investment Fund	Investment fund	Korea	100.0%	100.0%	December
KT Strategic Investment Fund 6	Investment fund	Korea	100.0%	100.0%	December
Altimedia Corporation	Software development and delivery	Korea	100.0%	100.0%	December
Altimidia B.V. (formerly Alticast B.V.)	Software development and delivery	Netherlands	100.0%	100.0%	December
Altimidia Vietnam (formerly Alticast Company Limited)	Software development and delivery	Vietnam	100.0%	100.0%	December
BCCARD VIETNAM LTD.	Software sales business	Vietnam	100.0%	100.0%	December
KTP SERVICES INC.	Fixed line telecommunication business	Philippines	100.0%	100.0%	December
KT RUS LLC	Foreign investment business	Russia	100.0%	100.0%	December
Hangang Real Estate Investment Trust No. 24	Investment fund	Korea	75.0%	75.0%	December
KT DX Vietnam Company Limited	Software development	Vietnam	100.0%	100.0%	December
KT Cloud Co., Ltd.	Information and communications development	Korea	92.7%	100.0%	December
Pocheon Jeonggyori Development Co., Ltd.	Residential building development	Korea	80.9%	80.9%	December
PT CRANIUM ROYAL ADITAMA	Software development	Indonesia	67.0%	67.0%	December
Juice Inc. <sup>3,5</sup>	Online information provider/Software development and delivery	Korea	42.6%	41.2%	December
open cloud lab Co., Ltd (formerly SPARK AND ASSOCIATES INC.)	IT consulting service and Telecommunication equipment sales	Korea	100.0%	100.0%	December
KD Living, Inc.	Residential building management	Korea	100.0%	-	December
KT HEALTHCARE VINA COMPANY LIMITED	Medical service	Vietnam	100.0%	-	December
K-Realty Qualified Private Real Estate Investment Trust No. 1 <sup>4</sup>	Real estate management	Korea	6.5%	-	December
AQUA RETAIL VIETNAM COMPANY LIMITED	E-voucher issuance and trading business	Vietnam	100.0%	-	December
K-Realty Qualified Private Real Estate Investment Trust No. 4	Real estate management	Korea	93.9%	-	December

<sup>1</sup> Sum of the interests owned by the Controlling Company and subsidiaries.

<sup>2</sup> Although the Controlling Company owns less than 50% interest in Nasmedia, Co., Ltd., KTCS Corporation and KTIS Corporation, Millie Seojae, and GENIE Music Corporation these entities are consolidated as the Controlling Company can exercise the majority of the voting rights in its decision-making process at all times considering voting patterns at previous shareholders' meetings.

<sup>3</sup> Although the Controlling Company owns less than 50% interest in, Juice Inc., this entity is consolidated as the Controlling Company holds the majority of the voting right based on an agreement with other investors.

<sup>4</sup> Although the Controlling Company owns less than 50% interest in K-Realty Qualified Private Real Estate Investment Trust No. 1, these entities are consolidated by comprehensively considering the criteria for determining control, such as 'power', 'variable profit', and 'relationship between power and variable profit', rather than simply judging by the interests owned by the company.

<sup>5</sup> The number of treasury stocks held by subsidiaries are deducted from the total number of shares when calculating the controlling percentage interest.

**KT Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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(2) Changes in Scope of Consolidation

Subsidiaries newly included and excluded in the consolidation during the year ended December 31, 2023:

<b>Changes</b>	<b>Location</b>	<b>Name of subsidiary</b>	<b>Reason</b>
Included	Korea	KD Living, Inc.	Transferred
Included	Vietnam	KT HEALTHCARE VINA COMPANY LIMITED	Newly established
Included	Korea	K-Realty Qualified Private Real Estate Investment Trust No. 1	Transferred
Included	Vietnam	AQUA RETAIL VIETNAM COMPANY LIMITED	Newly established
Included	Korea	K-Realty Qualified Private Real Estate Investment Trust No. 4	Newly established
Excluded	United Arab Emirates	Epsilon M E A General Trading LLC	Liquidated
Excluded	Korea	Alpha DX Solution Co., Ltd.	Merged
Excluded	Korea	KT Strategic Investment Fund No.2	Liquidated
Excluded	Korea	LS Marine Solution Co., Ltd. (formerly KT Submarine Co., Ltd.)	Excluded
Excluded	Korea	KT-Michigan Global Contents Fund	Liquidated
Excluded	Russia	KT Primorye IDC LLC	Liquidated

**KT Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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(3) Summarized information for consolidated subsidiaries as at and for the years ended December 31, 2023 and 2022, is as follows:

(in millions of Korean won)

	December 31, 2023		2023 <sup>3</sup>	
		Total assets	Total liabilities	Operating revenues
KT Linkus Co., Ltd.	₩ 64,178	₩ 63,452	₩ 81,139	₩ 821
KT Telecop Co., Ltd.	375,596	235,947	525,946	5,728
KT Alpha Co., Ltd.	443,639	191,254	434,839	19,352
KT Service Bukbu Co., Ltd.	63,760	55,360	241,792	1,212
KT Service Nambu Co., Ltd.	71,576	58,745	290,985	1,354
BC Card Co., Ltd. <sup>1</sup>	6,352,878	4,722,432	4,025,023	76,545
H&C Network	81,107	4,863	27,204	1,814
Nasmedia Co., Ltd. <sup>1</sup>	513,311	262,336	146,769	17,703
KTDS Co., Ltd. <sup>1</sup>	393,667	202,067	727,261	33,971
KT M&S Co., Ltd.	258,477	209,075	695,134	3,783
KT MOS Bukbu Co., Ltd.	50,750	28,431	101,237	8,457
KT MOS Nambu Co., Ltd.	46,839	26,012	101,071	5,749
KT Skylife Co., Ltd. <sup>1</sup>	1,220,842	479,369	1,027,986	(109,407)
KT Estate Inc. <sup>1</sup>	2,664,880	1,021,741	594,526	17,407
KT GDH Co., Ltd.	7,760	1,501	4,346	648
KT Sat Co., Ltd.	699,607	88,524	182,149	30,502
KT Sports Co., Ltd.	26,615	11,299	66,251	(12,386)
KT Music Contents Fund No.2	5,558	1,772	534	(992)
KT M Mobile Co., Ltd.	176,838	69,317	300,523	5,605
KT Investment Co., Ltd. <sup>1</sup>	83,638	57,420	24,976	2,180
KTCS Corporation <sup>1</sup>	434,900	234,850	1,035,366	15,804
KTIS Corporation	447,609	243,519	592,960	13,922
Next Connect PFV	946,687	629,809	-	(29,889)
KT Japan Co., Ltd. <sup>1</sup>	2,015	3,341	2,770	(110)
KT America, Inc.	6,013	701	8,928	133
KT Rwanda Networks Ltd. <sup>2</sup>	134,847	313,787	26,750	(57,628)
AOS Ltd. <sup>2</sup>	10,763	1,983	8,252	128
KT Hong Kong Telecommunications Co., Ltd.	11,142	5,121	19,279	143
KT Huimangjjeum <sup>1</sup>	8,073	2,715	16,280	1,012

**KT Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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(in millions of Korean won)

	December 31, 2023	2023 <sup>3</sup>			
		Total assets	Total liabilities	Operating revenues	Profit (loss) for the period
KT Engineering Co., Ltd.	160,243	104,005		250,483	5,327
KT Studio Genie Co., Ltd. 1	989,187	259,413		540,256	13,507
Lolab Co., Ltd.	42,744	37,838		172,543	(12,938)
East Telecom LLC <sup>1</sup>	48,483	22,632		30,212	7,723
KT ES Pte. Ltd. <sup>1</sup>	117,009	90,392		87,837	(124,850)
KTP SERVICES INC.	2,967	919		671	235
Altimedia Corporation <sup>1</sup>	48,381	12,374		45,013	7,352
KT RUS LLC	501	10		-	(378)
KT DX Vietnam Company Limited	1,694	102		82	(207)
KT Cloud Co., Ltd. <sup>1</sup>	1,983,972	503,241		678,313	63,956
KT Healthcare Vina Co., Ltd.	12,730	439		-	(721)
K-Realty Qualified Private Real Estate Investment Trust No. 1	80,266	50,693		4,682	(1,037)
AQUA RETAIL VIETNAM COMPANY LIMITED	1,202	62		14	(248)

<sup>1</sup> As intermediate controlling companies, financial information from their consolidated financial statements is presented.

<sup>2</sup> Convertible preferred stock issued by subsidiaries as of the end of the reporting period is included in liabilities.

<sup>3</sup> Profit or loss from the date of acquisition of control to the end of the reporting period is included

**KT Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2023 and 2022**

(in millions of Korean won)

	December 31, 2022		2022 <sup>3</sup>	
	Total assets	Total liabilities	Operating revenues	Profit (loss) for the period
KT Linkus Co., Ltd.	₩ 47,734	₩ 47,498	₩ 75,907	₩ (614)
KT Submarine Co., Ltd. (formerly KT Submarine Co., Ltd.)	120,255	7,884	42,787	(12,126)
KT Telecop Co., Ltd.	370,004	230,965	516,434	4,267
KT Alpha Co., Ltd. <sup>1</sup>	406,236	172,211	515,372	13,115
KT Service Bukbu Co., Ltd.	74,673	65,820	251,852	3,227
KT Service Nambu Co., Ltd.	80,450	66,479	301,431	3,067
BC Card Co., Ltd. <sup>1</sup>	5,666,075	4,109,200	3,895,764	148,341
H&C Network	82,737	6,640	27,392	992
Nasmedia Co., Ltd. <sup>1</sup>	516,945	275,730	152,394	27,691
KTDS Co., Ltd. <sup>1</sup>	401,932	228,474	715,527	30,941
KT M&S Co., Ltd.	255,310	204,336	728,531	8,105
KT MOS Bukbu Co., Ltd.	38,684	22,553	82,984	4,607
KT MOS Nambu Co., Ltd.	42,011	25,416	83,034	5,035
KT Skylife Co., Ltd. <sup>1</sup>	1,359,166	503,679	1,034,236	20,941
KT Estate Inc. <sup>1</sup>	2,480,489	836,672	488,290	61,454
KT GDH Co., Ltd.	12,059	1,596	4,318	451
KT Sat Co., Ltd.	677,980	89,644	180,075	28,073
KT Sports Co., Ltd.	28,220	15,461	65,283	(7,302)
KT Music Contents Fund No.2	15,718	277	1,040	735
KT-Michigan Global Content Fund	2,371	27	33	(1,095)
KT M Mobile Co., Ltd.	152,114	49,816	262,407	4,731
KT Investment Co., Ltd. <sup>1</sup>	103,354	79,182	15,136	2,840
KTCS Corporation <sup>1</sup>	419,726	228,618	1,030,158	17,634
KTIS Corporation	396,208	199,204	535,783	15,917
Next Connect PFV	624,734	277,967	-	(3,712)
KT Japan Co., Ltd. <sup>1</sup>	1,888	3,141	1,734	226
KT America, Inc.	5,945	843	8,070	37
KT Rwanda Networks Ltd. <sup>2</sup>	126,721	267,369	30,823	(27,467)
AOS Ltd. <sup>2</sup>	10,972	905	7,966	1,274
KT Hong Kong Telecommunications Co., Ltd.	10,505	4,768	20,384	51
KT Huimangjjeum <sup>1</sup>	6,984	2,582	21,644	494
KT Engineering Co., Ltd.	141,463	89,853	258,103	10,302
KT Studio Genie Co., Ltd. <sup>1</sup>	987,270	268,911	497,998	189,498
Lolab Co., Ltd.	35,091	17,247	74,176	(7,985)

# KT Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

(in millions of Korean won)

	December 31, 2022		2022 <sup>3</sup>	
	Total assets	Total liabilities	Operating revenues	Profit (loss) for the period
East Telecom LLC <sup>1</sup>	42,691	21,645	26,910	6,419
KT ES Pte. Ltd. <sup>1</sup>	240,721	88,640	78,815	(23,957)
KTP SERVICES INC.	3,832	2,044	776	(255)
Altimedia Corporation <sup>1</sup>	44,861	15,777	47,062	6,035
KT RUS LLC <sup>1</sup>	967	16	-	(871)
KT DX Vietnam Company Limited	1,815	6	-	26
kt cloud Co., Ltd. <sup>1</sup>	1,348,684	245,872	432,074	14,712

<sup>1</sup> These companies are the intermediate controlling companies of other subsidiaries and the above financial information is from their consolidated financial statements.

<sup>2</sup> Convertible preferred stock issued by subsidiaries as of the end of the reporting period is included in liabilities.

<sup>3</sup> Profit or loss is included from the date of acquisition of control to the end of the reporting period.

## 2 Material Accounting Policies

The principal accounting policies applied in the preparation of these consolidated 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 Group 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 consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The consolidated financial statements of the Group 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 consolidated financial statements requires the use of critical accounting

# KT Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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

#### 2.2 Changes in Accounting Policy and Disclosures

##### *(1) New and amended standards and interpretations adopted by the Group*

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

##### *- 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*

# KT Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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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 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 IASB amends the scope of IAS 12 to 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 Group*

# KT Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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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 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 effect of those arrangements on the Group'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.

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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 for which the suppliers have already received payment from the finance providers
- 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 *Lease* (Amendment) - Lease Liabilities in a Sale and Leaseback

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

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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 fulfillment 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 applied retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted.

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

### 2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

#### (a) Subsidiaries

Subsidiaries are all entities (including special purpose entities ("SPEs")) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions among group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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#### *(b) Changes in ownership interests in subsidiaries without loss of control*

Any differences between the amount of the adjustment to non-controlling interest that do not result in loss of control and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Controlling Company.

#### *(c) Disposal of subsidiaries*

When the Group ceases to have control over a subsidiary, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognized in profit or loss.

#### *(d) Associates*

Associates are entities over which the Group has significant influence but does not possess control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

#### *(e) Joint arrangements*

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues, and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues, and expenses. A joint venture has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

## **2.4 Segment Reporting**

Information of each operating segment is reported in a manner consistent with the business segment reporting provided to the chief operating decision-maker (Note 34). The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

## **2.5 Foreign Currency Translation**

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#### *(a) Functional and presentation currency*

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

## **2.6 Financial Assets**

#### *(a) Classification*

The Group 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
- those to be measured at amortized cost

The classification depends on the Group'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

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model in which the investment is held. The Group 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 Group 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 Group 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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets 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 Group's business model for managing the asset and the cash flow characteristics of the asset. The Group 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.
- **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.

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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 instruments*

The Group subsequently measures all equity investments at fair value. Where the Group'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 Group'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 Group 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 Group 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 Group 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 Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group 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 Group or the counterparty.

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#### 2.7 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 Group 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 Group 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 37.

The full fair value of a hedging derivative is classified as a non-current asset or 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 to the limit of the cumulative change in fair value (present value) of the hedge item (the present value of the cumulative change in the future expected cash flows of the hedged item) from the inception of the hedge. 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.

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.

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#### 2.8 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 subsequently measured at amortized cost using the effective interest method, less loss allowance. See Note 6 for further information about the Group's accounting treatment for trade receivables and Note 2.6 (c) for a description of the Group's accounting policy on impairment.

#### 2.9 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).

#### 2.10 Non-Current Assets Held-for-Sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount will be recovered principally through a sale transaction rather than through continued use and when a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less selling costs.

#### 2.11 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:

	<b>Useful Life</b>
Buildings	5 – 40 years
Structures	5 – 40 years
Machinery and equipment (Telecommunications equipment and others)	2 – 40 years
Vehicles	4 – 10 years
Tools	2 – 6 years
Office equipment	2 – 8 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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#### 2.12 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 5 to 40 years.

#### 2.13 Intangible Assets

##### (a) Goodwill

Goodwill is measured as explained in Note 2.3 (a) and goodwill arising from acquisition of subsidiaries and businesses is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of subsidiaries and business include the carrying amount of goodwill relating to the subsidiaries and businesses sold.

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 excluding 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), subscription rights, broadcast license, facility-use rights, and transportation 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 Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	<b>Useful Life</b>
Development costs	3 - 10 years
Software	3 - 10 years
Frequency usage rights	5 - 10 years
Others <sup>1</sup>	1 - 50 years

<sup>1</sup> Membership rights (condominium membership and golf membership), subscription rights, broadcast license, facility usage rights and transportation license included in others are classified as intangible assets with indefinite useful life.

#### 2.14 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 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.

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#### **2.15 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 Group 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 are presented as a credit in the statement of profit or loss within 'other income'.

#### **2.16 Impairment of Non-Financial Assets**

Goodwill and intangible assets with indefinite useful life are tested annually for impairment at the end of each reporting period. If certain assets are deemed to be impaired, their recoverable amount is estimated in order to determine the impairment loss. The Group estimates the recoverable amount for each asset, and, in cases when the recoverable amount cannot be estimated for an 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.

#### **2.17 Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group 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.

#### **2.18 Financial Liabilities**

##### *(a) Classification and measurement*

The Group's 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 Group 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.

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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 the 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 Group 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.

The Group'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 designated as at fair value through profit or loss are structured financial liabilities containing embedded derivatives issued by the Group.

#### **2.19 Financial Guarantee Contracts**

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of the following amount, and the related liability is recognized as 'other financial liabilities' in the consolidated statement of financial position:

- the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments*
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

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#### 2.20 Compound Financial Instruments

Compound financial instruments are convertible notes that can be converted into equity instruments at the option of the holder.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option, and subsequently measured at amortized cost until extinguished on conversion or maturity of the bonds. The equity component is recognized initially on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

#### 2.21 Employee Benefits

##### *(a) Post-employment benefits*

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

A defined contribution plan is a pension plan under which the Group 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 Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group 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 Group provide long-term employee benefits that are entitled to employees with service period for ten 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 Group 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.

#### **2.22 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 Group 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.

The acquiree may have outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions. If vested, those acquiree share-based payment transactions are part of the non-controlling interest in the acquiree and are measured at their market-based measure. If unvested, the market-based measure of unvested share-based payment transactions is allocated to the non-controlling interest on the basis of the ratio of the portion of the vesting period completed to the greater of the total vesting period and the original vesting period of the share-based payment transaction. The balance is allocated to post-combination service.

#### **2.23 Provisions**

Provisions for service warranties, recoveries, litigations and claims, and others are recognized when the Group presently hold legal or constructive obligation as a result of past events, and when 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.

#### **2.24 Leases**

##### *(a) Lessee*

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

Contracts may contain both lease and non-lease components. The Group 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

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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 Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (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 Group 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 Group 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 Group 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 (leasehold deposits)
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on

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a straight-line basis. If the Group 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.

#### *(b) Lessor*

Lease income from operating leases where the Group 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 option*

Extension and termination options are included in a number of property and equipment leases across the Group. 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 Group 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.

## **2.25 Share Capital**

The Controlling Company classifies ordinary shares as equity.

Where the Controlling Company purchases its own shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity 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 Controlling Company.

## **2.26 Revenue Recognition**

#### *(a) Identifying performance obligations*

The Group mainly provides telecommunication services and sells handsets. The Group 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 Group allocates the transaction price to each performance obligation identified in the contract

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based on a relative stand-alone selling prices 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 Group 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 Group 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 Group sells that good or service separately in similar circumstances and to similar customers. The Group recognizes the allocated amount as contract assets or contract liabilities, and amortizes it through the remaining period which is adjusted in operating income.

#### *(c) Incremental contract acquisition costs*

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

#### *(d) Commission fees*

Commission fees are recognized when it is probable that future economic benefits will flow to the entity and these benefits can be reliably measured. Revenues are measured at the fair value of the consideration received.

## **2.27 Current and Deferred Income 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 Group 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

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between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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 amount will be available to utilize those temporary differences and losses.

The Group 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 Group 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 Group 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. Current tax assets and liabilities are offset when the Group 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.

#### **2.28 Dividend**

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

#### **2.29 Approval on Issuance of the Consolidated Financial Statements**

The consolidated 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.

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### **3 Critical Accounting Estimates and Assumptions**

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group'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 Group 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 (Note 12, 13).

#### **3.2 Income Taxes**

The Group'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 30).

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 Group 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 tax system. As the Group's income tax is dependent on the investments as well as wage increase, there is uncertainty in measuring the final tax effects (Note 29).

#### **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 Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 37).

#### **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).

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## **Notes to the Consolidated Financial Statements**

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#### **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 Judgments 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 property, machinery, and communication line facilities, the following factors are normally the most relevant:

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

Most extension options in offices, retail stores and vehicles leases have not been included in the lease liability, because the Group can replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group 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**

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

(in millions of Korean won)

Financial assets	December 31, 2023					
	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	Total	
Cash and cash equivalents	₩ 2,879,554	₩ -	₩ -	₩ -	₩ 2,879,554	
Trade and other receivables	8,458,259	-	116,198	-	8,574,457	
Other financial assets	1,385,921	939,661	1,680,168	159,211	4,164,961	

(in millions of Korean won)

Financial liabilities	December 31, 2023				
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit and loss	Derivatives used for hedging	Others	Total
Trade and other payables	₩ 8,317,822	₩ -	₩ -	₩ -	₩ 8,317,822
Borrowings	10,218,165	-	-	-	10,218,165
Other financial liabilities	915,185	136,106	24,547	-	1,075,838
Lease liabilities	-	-	-	1,179,909	1,179,909

(in millions of Korean won)

Financial assets	December 31, 2022				
	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	Total
Cash and cash equivalents	₩ 2,449,062	₩ -	₩ -	₩ -	₩ 2,449,062
Trade and other receivables	7,459,994	-	129,124	-	7,589,118
Other financial assets	1,060,058	1,064,856	1,508,192	190,830	3,823,936

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(in millions of Korean won)

December 31, 2022

Financial liabilities	Financial liabilities at amortized cost		Financial liabilities at fair value through profit and loss		Derivatives used for hedging	Others	Total
	₩		₩		₩	₩	₩
Trade and other payables <sup>1</sup>	₩	8,397,264	₩	-	₩	-	₩ 8,397,264
Borrowings		10,006,685		-		-	10,006,685
Other financial liabilities		246,606		141,280		33,555	421,441
Lease liabilities		-		-		1,172,038	1,172,038

<sup>1</sup> Amounts related to employee benefit plans are included in Trade and other payables.

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

(in millions of Korean won)

2023

2022

**Financial assets at amortized cost**

Interest income <sup>1</sup>	₩	360,134	₩	144,505
Gain on foreign currency transactions <sup>4</sup>		22,782		23,824
Gain (loss) on foreign currency translation		5,741		(2,151)
Loss on disposal		(3,409)		(81)
Loss on valuation		(172,966)		(132,102)

**Financial assets at fair value through profit or loss**

Interest income <sup>1</sup>		13,480		6,008
Dividend income <sup>5</sup>		6,918		4,600
Loss on valuation <sup>6</sup>		(31,965)		(29,282)
Gain on disposal		14,237		2,347
Gain on foreign currency transactions <sup>4</sup>		-		1,100
Gain on foreign currency translation		3,396		13,711

**Financial assets at fair value through other comprehensive income**

Interest income <sup>1</sup>		18,966		190,281
Dividend income <sup>5</sup>		52,813		9,522
Loss on valuation		-		(61)
Loss on disposal		(11,193)		(62,183)
Other comprehensive income (loss) for the year <sup>2</sup>		121,805		(158,574)

**Derivative used for hedging**

Gain on transactions		10,192		27,628
Gain on valuation <sup>7</sup>		34,092		150,699
Other comprehensive income for the year <sup>2</sup>		7,772		88,048
Reclassified to profit or loss from other comprehensive income for the year <sup>2,3</sup>		(29,178)		(110,616)

**Financial liabilities at fair value through profit or loss**

Gain (loss) on valuation		(7,394)		30,031
Gain on disposal		4,788		-
Interest expense <sup>1</sup>		(44)		(4,046)

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Gain (loss) on foreign currency transactions <sup>4</sup>	(5)	24
<b>Derivatives used for hedging</b>		
Loss on transactions	-	(1,291)
Gain (loss) on valuation	11,503	(17,237)
Other comprehensive income (loss) for the year <sup>2</sup>	7,557	(23,957)
Reclassified to profit or loss from other comprehensive income for the year <sup>2,3</sup>	(8,764)	15,195
<b>Financial liabilities at amortized cost</b>		
Interest expense <sup>1</sup>	(358,486)	(275,302)
Gain on valuation <sup>8</sup>	3,411	-
Loss on foreign currency transactions <sup>4</sup>	(24,054)	(34,574)
Loss on foreign currency translation	(93,004)	(168,577)
<b>Lease liabilities</b>		
Interest expense <sup>1</sup>	(52,035)	(41,469)
Total	₩ (92,910)	₩ 353,980

<sup>1</sup> BC Card Co., Ltd., etc., subsidiaries of the Group, recognized interest income and expenses as operating revenue and expenses, respectively. Related interest income recognized as operating revenue is ₩ 112,973 million (2022: ₩ 68,869 million) and related interest expense recognized as operating expense is ₩ 55,677 million (2022: ₩ 27,060 million) for the year ended December 31, 2023.

<sup>2</sup> The amounts directly reflected in equity after adjustments of deferred income tax.

<sup>3</sup> During the years ended December 31, 2023 and 2022, certain derivatives of the Group were settled and the related gain or loss on valuation of cash flow hedge in other comprehensive income was reclassified to profit or loss for the year.

<sup>4</sup> BC Card Co., Ltd., a subsidiary of the Group, recognized foreign currency transaction gain and loss and as operating revenue and expense. In relation to this, foreign currency transaction gain and loss recognized as operating revenue and expense amount to foreign exchange gain ₩ 5,597 million (2022 foreign exchange gain and loss: ₩ 3,569 million), respectively, for the year ended December 31, 2023.

<sup>5</sup> BC Card Co., Ltd., a subsidiary of the Group, recognized dividend income as operating revenue. Related dividend income recognized as operating revenue is ₩ 1,759 million (2022: ₩ 2,299 million) for the year ended December 31, 2023.

<sup>6</sup> KT Investment Co., Ltd., etc., subsidiaries of the Group, recognized gain and loss on valuation of financial instruments measured at fair value through profit or loss as operating income and expenses. In relation to this, valuation gain and loss recognized as operating revenue and expense amount to valuation loss ₩ 11,112 million (2022 valuation loss: ₩ 7,860 million), for the year ended December 31, 2023.

<sup>7</sup> BC Card Co., Ltd., a subsidiary of the Group, recognized gain and loss on valuation of derivatives as operating income and expenses. Related valuation gain recognized as operating revenue and expense is ₩ 48 million (2022 valuation loss: ₩ 418 million), for the year ended December 31, 2023.

<sup>8</sup> KT Cloud Co., Ltd., a subsidiary of the Group, recognized gain on valuation as convertible preferred stock of ₩ 311,312 million for the year ended December 31, 2023.

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**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>	<b>December 31, 2023</b>		<b>December 31, 2022</b>		<b>Description</b>
Bank deposits	₩	49,555	₩	29,874	Deposit restricted for government project and others

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

**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>	<b>December 31, 2023</b>				
	<b>Total amounts</b>	<b>Provision for impairment</b>	<b>Present value discount</b>	<b>Carrying amount</b>	
<b>Current assets</b>					
Trade receivables	₩ 3,596,899	₩ (330,002)	₩ (9,165)	₩ 3,257,732	
Other receivables	3,990,900	(76,089)	(2,254)	3,912,557	
Total	₩ 7,587,799	₩ (406,091)	₩ (11,419)	₩ 7,170,289	
<b>Non-current assets</b>					
Trade receivables	₩ 318,429	₩ (1,288)	₩ (19,476)	₩ 297,665	
Other receivables	1,227,929	(107,547)	(13,879)	1,106,503	
Total	₩ 1,546,358	₩ (108,835)	₩ (33,355)	₩ 1,404,168	
<i>(in millions of Korean won)</i>					
	<b>December 31, 2022</b>				
	<b>Total amounts</b>	<b>Provision for impairment</b>	<b>Present value discount</b>	<b>Carrying amount</b>	
<b>Current assets</b>					
Trade receivables	₩ 3,439,542	₩ (342,539)	₩ (6,926)	₩ 3,090,077	
Other receivables	3,092,261	(82,243)	(2,023)	3,007,995	
Total	₩ 6,531,803	₩ (424,782)	₩ (8,949)	₩ 6,098,072	
<b>Non-current assets</b>					
Trade receivables	₩ 408,098	₩ (1,199)	₩ (11,540)	₩ 395,359	
Other receivables	1,249,096	(136,300)	(17,109)	1,095,687	
Total	₩ 1,657,194	₩ (137,499)	₩ (28,649)	₩ 1,491,046	

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(2) The fair values of trade and other receivables with original maturities less than one year are equal to their carrying amounts 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.

(3) 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	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning balance	₩ 343,738	₩ 218,543	₩ 349,725	₩ 201,387
Provision	69,972	114,501	64,522	65,941
Reversal	-	(14,941)	-	(850)
Write-off/transfer	(69,246)	(129,108)	(69,430)	(49,904)
Changes in consolidation scope	(310)	(17)	(43)	-
Others	(12,864)	(5,342)	(1,036)	1,969
Ending balance	₩ 331,290	₩ 183,636	₩ 343,738	₩ 218,543

Provisions for impairment on trade and other receivables are 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	₩	51,854	₩	98,953
Receivables <sup>1</sup>		3,539,742		2,668,545
Accrued income		43,920		32,218
Refundable deposits		299,935		339,450
Loans receivable		1,067,005		1,013,428
Finance lease receivables		141,883		105,690
Others		58,357		63,941
Less: Provision for impairment		(183,636)		(218,543)
	₩	5,019,060	₩	4,103,682

<sup>1</sup> As of December 31, 2023, credit sales asset of ₩ 2,696,505 million (December 31, 2022: ₩1,960,579 million) held by BC Card Co., Ltd. are included..

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

(6) The Group classifies a certain portion of 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.

**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>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Other financial assets				
Financial assets at amortized cost <sup>1</sup>	₩	1,385,921	₩	1,060,058
Financial assets at fair value through profit or loss <sup>1,2</sup>		939,661		1,064,856
Financial assets at fair value through other comprehensive income <sup>1</sup>		1,680,168		1,508,192
Derivatives used for hedging		159,211		190,830
Less: Non-current		<u>(2,724,761)</u>		<u>(2,501,484)</u>
Current	₩	<u>1,440,200</u>	₩	<u>1,322,452</u>
Other financial liabilities				
Financial liabilities at amortized cost <sup>3</sup>	₩	915,185	₩	246,606
Financial liabilities at fair value through profit or loss		136,106		141,280
Derivatives used for hedging		24,547		33,555
Less: Non-current		<u>(753,739)</u>		<u>(412,650)</u>
Current	₩	<u>322,099</u>	₩	<u>8,791</u>

<sup>1</sup> As of December 31, 2023, the Group's other financial assets amounting to ₩ 98,309 million (December 31, 2022: ₩ 102,215 million), which consist of checking account deposits, time deposits and others, are subject to withdrawal restrictions.

<sup>2</sup> As of December 31, 2023, the Group provided investments in Korea Software Financial Cooperative amounting to ₩ 9,016 million as a collateral for the payment guarantee provided by the Cooperative.

<sup>3</sup> The amount includes liabilities related to the obligation to acquire additional shares in Epsilon Global Communications Pte. Ltd. and MILLIE Co., Ltd. and KT Cloud Co., Ltd.(Note 19).

(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 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Equity instruments (Listed)	₩	13,911	₩	26,647
Equity instruments (Unlisted)		42,185		72,517
Debt securities		880,549		942,274
Derivatives held for trading <sup>1</sup>		3,016		23,418
Total		<u>939,661</u>		<u>1,064,856</u>
Less: Non-current		<u>(782,143)</u>		<u>(609,887)</u>

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Current	₩	157,518	₩	454,969
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<sup>1</sup> According to a derivative arrangement with LS Marine Solution Co., Ltd.(formerly KT Submarine Co., Ltd.), derivative assets amounting to ₩ 1,015 million is included as of December 31, 2023. (Note 19).

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

(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 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Equity instruments (Listed) <sup>1</sup>	₩	1,231,188	₩	1,006,476
Equity instruments (Unlisted)		443,067		496,284
Debt securities		5,913		5,432
Total		1,680,168		1,508,192
Less: Non-current		(1,680,168)		(1,508,192)
Current	₩	-	₩	-

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

**KT Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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(4) Derivatives used for hedging

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

(in millions of Korean won)

	December 31, 2023			December 31, 2022				
	Assets		Liabilities	Assets		Liabilities		
Interest rate swap	₩	1,530	₩	191	₩	4,236	₩	-
Currency swap <sup>1</sup>		157,681		24,356		186,594		33,555
Total		159,211		24,547		190,830		33,555
Less: Non-current		(107,802)		(23,696)		(147,141)		(33,555)
Current	₩	51,409	₩	851	₩	43,689	₩	-

<sup>1</sup> The currency swap contract is to hedge the risk of variability in cash flow from the borrowings due to changes in interest rate and foreign exchange rate and the expected maximum period for the Group to be exposed to risks of cash flow fluctuation 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.

- 2) The valuation gains and losses on the derivative contracts 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 income <sup>1</sup>	Valuation gain	Valuation loss	Other comprehensive income <sup>1</sup>						
Interest rate swap	₩	48	₩	-	₩	(2,945)	₩	63	₩	490	₩	4,666
Currency swap		45,709		162		(27,273)		154,611		20,723		79,781
Currency forwards		-		-		-		-		-		754
Total	₩	45,757	₩	162	₩	(30,218)	₩	154,674	₩	21,213	₩	85,201

<sup>1</sup> The amounts directly reflected in equity are before adjustments of deferred income tax and allocation to the non-controlling interest.

- 3) The ineffective portion recognized in profit or loss on the cash flow hedges are valuation loss of ₩ 41 million for the year ended December 31, 2023 (2022: valuation gains of ₩ 2,707 million).
- 4) The unsettled amount of derivative instruments for the years ended December 31, 2023 and 2022, are as follows:

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(i) Hedging instruments

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

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	2,111,509	₩ 2,417,473	₩ 157,681	₩ 23,465	₩ 44,313
JPY	400,000	4,357	-	660	(162)
EUR	7,700	10,283	-	231	381
KRW	-	240,000	1,530	191	707
Total		₩ 2,672,113	₩ 159,211	₩ 24,547	₩ 45,339

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

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	2,111,509	₩ 2,527,626	₩ 160,243	₩ 32,936	₩ 170,856
JPY	400,000	4,357	-	409	(308)
SGD	284,000	245,208	26,351	-	20,511
EUR	7,700	10,283	-	210	129
KRW	-	170,000	4,236	-	4,717
Total		₩ 2,957,474	₩ 190,830	₩ 33,555	₩ 195,905

(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		Book value of hedged items	Changes in fair value to calculate the ineffective portion of hedges	
		Cash flow hedge reserves <sup>1</sup>			Cash flow hedge reserves <sup>1</sup>	
USD	₩ 2,593,707	₩ (44,365)	₩ (30,415)	₩ 2,675,885	₩ (170,010)	₩ (13,947)
JPY	3,651	162	49	3,813	308	116
EUR	10,985	(581)	158	10,404	(121)	582
SGD	-	-	-	267,843	(18,720)	3,406
KRW	239,944	(596)	1,315	101,035	(4,655)	4,385
Total	₩ 2,848,287	₩ (45,380)	₩ (28,893)	₩ 3,058,980	₩ (193,198)	₩ (5,458)

<sup>1</sup> The amount is after the deferred tax directly added or subtracted to the capital is reflected.

**KT Corporation and Subsidiaries**  
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(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:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Derivatives held for trading <sup>1,2</sup>	₩	136,106	₩	141,280

<sup>1</sup> The Group signed a shareholder-to-share agreement with financial investors participating in the paid-in capital increase of K Bank Inc. for the year ended December 31, 2023. According to the Drag-Along Right, if K Back inc. fails to be listed on the terms agreed upon for the date of completion of the acquisition, financial investors may exercise the Drag-Along right to the Group, and the Group may comply or exercise the right to claim for sale. If financial investors exercise the Drag-Along Right, the Group must exercise the right to claim for sale or guarantee the return on the terms agreed upon by financial investors.

<sup>2</sup> The amount includes derivatives separated from convertible bonds issued by the Group (Note 15).

- 2) The valuation gain and loss on financial liabilities at fair value through profit or loss for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>				<b>2022</b>			
	Valuation gain		Valuation loss		Valuation gain		Valuation loss	
Derivatives liabilities held for trading	₩	3,316	₩	10,710	₩	24,683	₩	1,800

**8 Inventories**

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

*(in millions of Korean won)*

	<b>December 31, 2023</b>			<b>December 31, 2022</b>		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	₩ 981,127	₩ (102,215)	₩ 878,912	₩ 768,748	₩ (96,010)	₩ 672,738
Others	33,350	-	33,350	36,453	-	36,453
Total	<u>₩ 1,014,477</u>	<u>₩ (102,215)</u>	<u>₩ 912,262</u>	<u>₩ 805,201</u>	<u>₩ (96,010)</u>	<u>₩ 709,191</u>

Cost of inventories recognized as expenses for the year ended December 31, 2023 amounts to ₩ 3,386,069 million (December 31, 2022: ₩ 3,485,288 million) and reversal valuation loss on inventory amounts to ₩ 6,205 million for the year ended December 31, 2023 (December 31, 2022: ₩ 24,294 million).

**KT Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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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>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
<b>Other assets</b>				
Advance payments	₩	217,997	₩	181,150
Prepaid expenses		146,628		107,775
Contract cost		1,727,468		1,817,678
Contract assets		832,520		802,253
Others		15,237		12,964
Less: Non-current		(827,297)		(820,608)
Current	₩	<u>2,112,553</u>	₩	<u>2,101,212</u>
<b>Other liabilities</b>				
Advances received <sup>1</sup>	₩	582,652	₩	376,830
Withholdings		159,080		155,017
Unearned revenue <sup>1</sup>		27,392		46,493
Lease liabilities		1,179,909		1,172,038
Contract liabilities		278,749		284,107
Others		30,848		33,108
Less: Non-current		(950,015)		(934,575)
Current	₩	<u>1,308,615</u>	₩	<u>1,133,018</u>

<sup>1</sup> 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:

	<b>2023</b>					
	<b>Land</b>	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Others</b>	<b>Construction- in-progress</b>	<b>Total</b>
<i>(in millions of Korean won)</i>						
Acquisition cost	₩ 1,272,940	₩ 4,830,853	₩ 42,091,573	₩ 1,276,779	₩ 1,108,043	₩ 50,580,188
Less: Accumulated depreciation (including accumulated impairment loss and others)	(132)	(2,276,292)	(32,477,744)	(1,053,343)	(498)	(35,808,009)
Beginning, net	1,272,808	2,554,561	9,613,829	223,436	1,107,545	14,772,179
Acquisition and capital expenditure	844	5,072	75,412	78,400	3,029,380	3,189,108
Disposal and termination	(3,651)	(5,012)	(70,418)	(1,711)	(327)	(81,119)
Depreciation	-	(148,981)	(2,495,402)	(75,900)	-	(2,720,283)
Impairment (recovery of impairment)	-	-	(6,577)	(1)	(1,294)	(7,872)
Transfer in (out)	58,790	151,157	2,706,444	16,407	(3,092,670)	(159,872)
Transfer from (to) investment properties	(37,725)	(88,336)	-	-	(189)	(126,250)
Acquisitions and dispositions of subsidiaries	18,761	49,532	(14,981)	(44,543)	(3,205)	5,564
Others	14,549	137	(1,628)	(7,742)	(4,692)	624
Ending, net	₩ 1,324,376	₩ 2,518,130	₩ 9,806,679	₩ 188,346	₩ 1,034,548	₩ 14,872,079
Acquisition cost	₩ 1,324,508	₩ 4,903,073	₩ 43,611,280	₩ 1,182,144	₩ 1,035,198	₩ 52,056,203
Less: Accumulated depreciation (including accumulated impairment loss and others)	(132)	(2,384,943)	(33,804,601)	(993,798)	(650)	(37,184,124)

**KT Corporation and Subsidiaries**  
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	<b>2022</b>					
	<b>Land</b>	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Others</b>	<b>Construction- in-progress</b>	<b>Total</b>
<i>(in millions of Korean won)</i>						
Acquisition cost	₩ 1,315,929	₩ 4,707,250	₩ 40,270,005	₩ 1,607,853	₩ 1,094,479	₩ 48,995,516
Less: Accumulated depreciation (including accumulated impairment loss and others)	(132)	(2,189,828)	(30,953,434)	(1,386,615)	(621)	(34,530,630)
Beginning, net	1,315,797	2,517,422	9,316,571	221,238	1,093,858	14,464,886
Acquisition and capital expenditure	11,392	32,030	129,754	67,921	3,105,283	3,346,380
Disposal and termination	(2,556)	(4,338)	(76,608)	(4,695)	(3,926)	(92,123)
Depreciation	-	(147,620)	(2,413,191)	(79,376)	-	(2,640,187)
Impairment (recovery of impairment)	-	-	(6,084)	(7,825)	(2,247)	(16,156)
Transfer in (out)	24,647	230,955	2,660,753	31,036	(3,010,193)	(62,802)
Transfer from (to) investment properties	(63,278)	(140,229)	-	-	(2,676)	(206,183)
Acquisitions and dispositions of subsidiaries	-	-	(4,386)	(481)	(3,720)	(8,587)
Others	(13,194)	66,341	7,020	(4,382)	(68,834)	(13,049)
Ending, net	₩ 1,272,808	₩ 2,554,561	₩ 9,613,829	₩ 223,436	₩ 1,107,545	₩ 14,772,179
Acquisition cost	₩ 1,272,940	₩ 4,830,853	₩ 42,091,573	₩ 1,276,779	₩ 1,108,043	₩ 50,580,188
Less: Accumulated depreciation (including accumulated impairment loss and others)	(132)	(2,276,292)	(32,477,744)	(1,053,343)	(498)	(35,808,009)

(2) Details of property and equipment provided as collateral as of December 31, 2023 and 2022, are as follows:

	<b>December 31, 2023</b>				
	<b>Carrying amount</b>	<b>Secured amount</b>	<b>Related line item</b>	<b>Related amount</b>	<b>Secured party</b>
Land and Buildings	₩ 81,057	₩ 64,680	Borrowings	₩ 54,900	Industrial Bank of Korea, etc.
Land and Buildings	555,921	64,877	Deposits	55,965	Lessee
<i>(in millions of Korean won)</i>					
	<b>December 31, 2022</b>				
	<b>Carrying amount</b>	<b>Secured amount</b>	<b>Related line item</b>	<b>Related amount</b>	<b>Secured party</b>
Land and Buildings	₩ 13,899	₩ 19,100	Borrowings	₩ 6,000	Industrial Bank of Korea, etc.
Land and Buildings	460,166	61,733	Deposits	52,662	Lessee

(3) The borrowing costs capitalized for qualifying assets amount to ₩ 17,671 million (2022: ₩ 9,954 million) for the year ended December 31, 2023. The interest rate applied to calculate the capitalized borrowing costs, for the year ended December 31, 2023, is 1.86%~7.28%(2022: 1.85%~7.42%).



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₩ 101,738 million for one year or less, ₩ 130,707 million for more than one year and less than five years, ₩ 18,817 million for over five years, and ₩ 251,262 million in total.

**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>	<b>2023</b>					
	<b>Development</b>		<b>Frequency</b>			<b>Total</b>
	<b>Goodwill</b>	<b>costs</b>	<b>Software</b>	<b>usage rights</b>	<b>Others</b>	
Acquisition cost	₩ 1,037,887	₩ 1,803,687	₩ 1,156,951	₩ 2,617,707	₩ 1,532,061	₩ 8,148,293
Less: Accumulated amortization (including accumulated impairment loss and others)	(329,664)	(1,631,831)	(1,001,875)	(1,129,451)	(925,639)	(5,018,460)
Beginning, net	708,223	171,856	155,076	1,488,256	606,422	3,129,833
Acquisition and capital expenditure <sup>1</sup>	-	33,078	38,603	37	238,019	309,737
Disposal and termination	-	(4,812)	(397)	-	(6,431)	(11,640)
Amortization <sup>2, 3</sup>	-	(63,052)	(52,265)	(350,276)	(226,316)	(691,909)
Impairment	(230,352)	(128)	(16)	-	(5,711)	(236,207)
Changes in consolidation scope	6,207	-	(108)	-	(69)	6,030
Others	4,349	1,658	11,769	175	10,066	28,017
Ending, net	₩ 488,427	₩ 138,600	₩ 152,662	₩ 1,138,192	₩ 615,980	₩ 2,533,861
Acquisition cost	₩ 1,036,354	₩ 1,790,446	₩ 1,196,329	₩ 2,415,243	₩ 1,725,087	₩ 8,163,459
Less: Accumulated amortization (including accumulated impairment loss and others)	(547,927)	(1,651,846)	(1,043,667)	(1,277,051)	(1,109,107)	(5,629,598)

<sup>1</sup> The amounts include the transferred amount from Property and Equipment account.

<sup>2</sup> The amounts include the transferred amount to Servicing costs.

<sup>3</sup> Amounts include ₩ 52,179 million which is the changed effect of useful life from Media Contents asset.

<i>(in millions of Korean won)</i>	<b>2022</b>					
	<b>Development</b>		<b>Frequency</b>			<b>Total</b>
	<b>Goodwill</b>	<b>costs</b>	<b>Software</b>	<b>usage rights</b>	<b>Others</b>	
Acquisition cost	₩ 1,002,530	₩ 1,812,377	₩ 1,083,426	₩ 2,617,647	₩ 1,426,576	₩ 7,942,556
Less: Accumulated amortization (including accumulated impairment loss and others)	(305,658)	(1,584,004)	(944,001)	(778,516)	(883,044)	(4,495,223)
Beginning, net	696,872	228,373	139,425	1,839,131	543,532	3,447,333
Acquisition and capital expenditure	19,455	45,997	55,651	-	225,886	346,989
Disposal and termination	-	(5,503)	(48)	-	(20,117)	(25,668)
Amortization <sup>1</sup>	-	(93,374)	(54,748)	(350,265)	(128,874)	(627,261)
Impairment	(24,006)	(744)	(508)	-	(5,416)	(30,674)
Changes in consolidation scope	-	(2,320)	(802)	-	(7,144)	(10,266)
Others	15,902	(573)	16,106	(610)	(1,445)	29,380

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Ending, net	₩ 708,223	₩ 171,856	₩ 155,076	₩ 1,488,256	₩ 606,422	₩ 3,129,833
Acquisition cost	₩ 1,037,887	₩ 1,803,687	₩ 1,156,951	₩ 2,617,707	₩ 1,532,061	₩ 8,148,293
Less: Accumulated amortization (including accumulated impairment loss and others)	(329,664)	(1,631,831)	(1,001,875)	(1,129,451)	(925,639)	(5,018,460)

<sup>1</sup> The amounts include the transferred amount to Servicing costs.

(2) The carrying amount of membership rights with an indefinite useful life not subject to amortization, except for goodwill, is ₩ 212,910 million as of December 31, 2023 (December 31, 2022: ₩ 210,114 million).

(3) Goodwill is allocated to the Group's cash-generating unit, which is identified by operating segments. As of December 31, 2023, goodwill allocated to each cash-generation unit is as follows:

*(In millions of Korean won)*

Cash-Generating Unit	Amount
Mobile services	₩ 65,057
BC Card Co., Ltd.	41,234
HCN Co., Ltd.	130,242
GENIE Music Corporation	50,214
MILLIE Co., Ltd.	54,725
PlayD Co., Ltd.	40,068
KT Telecop Co., Ltd.	15,418
Epsilon Global Communications Pte. Ltd.	45,670
KT MOS Bukbu Co., Ltd. and others	45,799
	<u>₩ 488,427</u>

The recoverable amount of goodwill has been determined based on the fair value obtained by calculating the value in use or deducting the cost of disposal. The pre-tax cash flow estimate was used to calculate the value of use based on the financial budget, such as the budget for the next five years. Cash flows after the estimated period were estimated using the expected growth rate, and the growth rate does not exceed the long-term average growth rate of the industry to which the cash-generating unit belongs. The Group determines the growth margin rate based on past performance and expectations of future market changes. The Group has determined pre-tax cash flow estimates based on past earnings and market growth forecasts, and the discount rate used reflects the specific risks of related operations.

The pre-tax discount rates applied to the calculation of the value in use of major goodwill related to HCN Co., Ltd., Epsilon Global Communications Pte. Ltd., ICT, etc. are 11.37%, 8.84%, 6.68%, etc., and the terminal growth rates are 0%, 1%, 0%, etc., respectively.

As a result of the impairment test of goodwill, the impairment loss of HCN Co., Ltd. Epsilon Global

# KT Corporation and Subsidiaries

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Communications PTE. Ltd., etc. are ₩ 230,352 million, allocated in full to goodwill and recognized as other expenses.

### 13 Investments in Associates and Joint Ventures

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

	Percentage of ownership (%)		Location	Closing month
	December 31, 2023	December 31, 2022		
KIF Investment Fund	33.3%	33.3%	Korea	December
K Bank Inc.	33.7%	33.7%	Korea	December
Hyundai Robotics Co., Ltd. <sup>1</sup>	10.0%	10.0%	Korea	December
Megazone Cloud Corporation <sup>1</sup>	6.8%	6.8%	Korea	December
IGIS No. 468-1 General Private Real Estate Investment Company	44.6%	44.6%	Korea	December
KT-DSC Creative Economy Youth Start-up Investment Fund	28.6%	28.6%	Korea	December
IGIS No. 395 Professional Investors Private Investment Real Estate Investment LLC	35.3%	35.3%	Korea	December
LS Marine Solution Co., Ltd. <sup>1,2</sup>	7.3%	32.9%	Korea	December

<sup>1</sup> As of December 31, 2023, although the Group has less than 20% ownership in ordinary share, this entity is included in investments in associates as the Group has significant influence in determining the operational and financial policies.

<sup>2</sup> As of December 31, 2023, due to the loss of control of an entity, it is now accounted as an associate.

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

(in millions of Korean won)	2023				
	Beginning	Acquisition (Disposal)	Share of net profit (loss) from associates and joint ventures <sup>1</sup>	Others	Ending
KIF Investment Fund	₩ 170,979	₩ -	₩ 5,443	₩ 632	₩ 177,054
K Bank Inc.	852,756	-	1,089	19,036	872,881
HD Hyundai Robotics Co., Ltd. (formerly Hyundai Robotics Co., Ltd.)	49,372	-	(1,637)	(1)	47,734
Megazone Cloud Corporation	136,199	-	(4,583)	78	131,694
IGIS No. 468-1 General Private Real Estate Investment Company	23,589	-	(105)	-	23,484
KT-DSC Creative Economy Youth Start-up Investment Fund	22,123	(500)	3,494	-	25,117
IGIS No. 395 Professional Investors Private Investment Real Estate Investment LLC	16,620	-	(4,678)	-	11,942
LS Marine Solution Co., Ltd.	-	-	255	23,237	23,492
Others <sup>1</sup>	209,084	101,887	(34,912)	(32,568)	243,491
	<u>₩1,480,722</u>	<u>₩ 101,387</u>	<u>₩ (35,634)</u>	<u>₩ 10,414</u>	<u>₩ 1,556,889</u>

# KT Corporation and Subsidiaries

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<sup>1</sup> KT Investment Co., Ltd., a subsidiary of the Group, recognized its share in net profit from associates and joint ventures as operating revenue and expense. Net gain from associates and joint ventures of ₩ 899 million was recognized as operating expense during the current period.

<i>(in millions of Korean won)</i>	2022				
	Beginning	Acquisition (Disposal)	Share of net profit (loss) from associates and joint ventures <sup>1</sup>	Others	Ending
KIF Investment Fund	₩ 178,935	₩ -	₩ 2,502	₩ (10,458)	₩ 170,979
K Bank Inc.	831,737	-	29,010	(7,991)	852,756
HD Hyundai Robotics Co., Ltd. (formerly Hyundai Robotics Co., Ltd.)	48,725	-	798	(151)	49,372
Megazone Cloud Corporation	-	130,001	(22,555)	28,753	136,199
IGIS No. 468-1 General Private Real Estate Investment Company	-	25,000	(1,411)	-	23,589
KT-DSC Creative Economy Youth Start- up Investment Fund	22,138	-	(13)	(2)	22,123
IGIS No. 395 Professional Investors Private Investment Real Estate Investment LLC	17,084	-	(464)	-	16,620
Others <sup>1</sup>	189,810	100,040	(24,688)	(56,078)	209,084
	<u>₩1,288,429</u>	<u>₩ 255,041</u>	<u>₩ (16,821)</u>	<u>₩ (45,927)</u>	<u>₩ 1,480,722</u>

<sup>1</sup> KT Investment Co., Ltd., a subsidiary of the Group, recognized its share in net profit from associates and joint ventures as operating revenue and expense. Net gain from associates and joint ventures of ₩ 464 million was recognized as operating expense during the prior period.

(3) Summarized financial information of associates and joint ventures as at and for the years ended December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>	December 31, 2023			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
KIF Investment Fund	₩ 128,344	₩ 402,819	₩ -	₩ -
K Bank Inc.	21,320,790	89,812	19,541,076	4,516
HD Hyundai Robotics Co., Ltd. (formerly Hyundai Robotics Co., Ltd.)	251,868	134,424	106,557	9,775
Megazone Cloud Corporation	874,778	267,605	341,679	205,087
IGIS No. 468-1 General Private Real Estate Investment Company	2,985	49,631	11	-
KT-DSC Creative Economy Youth Start-up Investment Fund	482	87,528	101	-
IGIS No. 395 Professional Investors Private Investment Real Estate Investment LLC	5,690	145,769	107,553	-
LS Marine Solution Co., Ltd (formerly KT Submarine Co., Ltd.)	66,767	80,307	23,906	207

**KT Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2023 and 2022**

(in millions of Korean won)

	<b>December 31, 2022</b>			
	<b>Current assets</b>	<b>Non-current assets</b>	<b>Current liabilities</b>	<b>Non-current liabilities</b>
KIF Investment Fund	₩ 98,132	₩ 414,804	₩ -	-
K Bank Inc.	16,562,742	71,265	14,830,983	2,168
Hyundai Robotics Co., Ltd. (formerly Hyundai Robotics Co., Ltd.)	278,413	135,380	63,009	64,335
Megazone Cloud Corporation	857,089	202,767	330,619	94,202
IGIS No. 468-1 General Private Real Estate Investment Company	52,851	-	12	-
KT-DSC Creative Economy Youth Start-up Investment Fund	908	76,884	362	-
IGIS No. 395 Professional Investors Private Investment Real Estate Investment LLC	9,344	127,321	90,545	-

(In millions of Korean won)

	<b>2023</b>				
	<b>Operating revenue</b>	<b>Profit (loss) for the year</b>	<b>Other comprehensive income (loss)</b>	<b>Total comprehensive income (loss)</b>	<b>Dividends received from associates</b>
KIF Investment Fund	₩ 33,017	₩ 16,330	₩ -	₩ 16,330	₩ 1,139
K Bank Inc.	946,559	10,560	56,609	67,169	-
Hyundai Robotics Co., Ltd. (formerly Hyundai Robotics Co., Ltd.)	167,949	(17,513)	(1,093)	(18,606)	-
Megazone Cloud Corporation	1,410,078	(34,760)	(3,021)	(37,781)	-
IGIS No. 468-1 General Private Real Estate Investment Company	6	(234)	-	(234)	-
KT-DSC Creative Economy Youth Start-up Investment Fund	19,849	12,227	-	12,227	-
IGIS No. 395 Professional Investors Private Investment Real Estate Investment LLC	-	(406)	-	(406)	-
LS Marine Solution Co., Ltd (formerly KT Submarine Co., Ltd.)	70,779	11,618	(289)	11,329	-

**KT Corporation and Subsidiaries**  
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(In millions of Korean won)

	2022				
	Operating revenue	Profit (loss) for the year	Other comprehensive income (loss)	Total comprehensive income (loss)	Dividends received from associates
KIF Investment Fund	₩ 19,916	₩ 7,505	₩ (11,779)	₩ (4,274)	₩ 6,531
K Bank Inc.	558,656	86,498	(24,888)	61,610	-
Hyundai Robotics Co., Ltd. (formerly Hyundai Robotics Co., Ltd.)	180,724	9,332	(49)	9,283	-
Megazone Cloud Corporation	1,256,208	(293,186)	(6,609)	(299,795)	-
IGIS No. 468-1 General Private Real Estate Investment Company	9	(3,161)	-	(3,161)	-
KT-DSC Creative Economy Youth Start-up Investment Fund	19,931	(53)	-	(53)	-
IGIS No. 395 Professional Investors Private Investment Real Estate Investment LLC	-	(474)	-	(474)	-

(4) Details of a reconciliation of the summarized financial information to the carrying amount of interests in the associates and joint ventures as at and for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023				
	Net assets	Percentage of ownership	Share in net assets	Intercompany transaction and others	Book amount
	(a)	(b)	(c)=(a)x(b)	(d)	(c)+(d)
KIF Investment Fund	₩ 531,164	33.33%	₩ 177,054	₩ -	₩ 177,054
K Bank Inc.	1,865,010	33.72%	628,910	243,971	872,881
Hyundai Robotics Co., Ltd. (formerly Hyundai Robotics Co., Ltd.)	269,960	10.00%	26,996	20,738	47,734
Megazone Cloud Corporation	547,786	6.83%	37,404	94,290	131,694
IGIS No. 468-1 General Private Real Estate Investment Company	52,605	44.64%	23,484	-	23,484
KT-DSC Creative Economy Youth Start-up Investment Fund	87,908	28.57%	25,117	-	25,117
IGIS No. 395 Professional Investors Private Investment Real Estate Investment LLC	43,905	35.29%	15,496	(3,554)	11,942
LS Marine Solution Co., Ltd. (formerly KT Submarine Co., Ltd.)	122,961	7.30%	8,972	14,520	23,492

**KT Corporation and Subsidiaries**  
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(in millions of Korean won)

	2022				
	Net assets	Percentage of ownership	Share in net assets	Intercompany transaction and	
				others	Book amount
(a)	(b)	(c)=(a)x(b)	(d)	(c)+(d)	
KIF Investment Fund	₩ 512,936	33.33%	₩ 170,979	₩ -	₩ 170,979
K Bank Inc.	1,800,856	33.72%	607,276	245,480	852,756
Hyundai Robotics Co., Ltd. (formerly Hyundai Robotics Co., Ltd.)	286,449	10.00%	28,645	20,727	49,372
Megazone Cloud Corporation	635,035	6.83%	43,360	92,839	136,199
IGIS No. 468-1 General Private Real Estate Investment Company	52,839	44.64%	23,589	-	23,589
KT-DSC Creative Economy Youth Start-up Investment Fund	77,430	28.57%	22,123	-	22,123
IGIS No. 395 Professional Investors Private Investment Real Estate Investment LLC	46,120	35.29%	16,278	342	16,620

- (5) Due to discontinuance of equity method of accounting, the Group has not recognized loss from associates and joint ventures of ₩ 833 million for the year ended December 31, 2023 (2022: ₩ 909 million). The unrecognized accumulated comprehensive loss of associates and joint ventures as of December 31 is ₩ 10,748 million (December 31, 2022: ₩ 9,915 million).

**KT Corporation and Subsidiaries**  
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**December 31, 2023 and 2022**

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**14 Trade and Other Payables**

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

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
<b>Current liabilities</b>				
Trade payables	₩	1,297,752	₩	1,150,515
Other payables		<u>6,757,170</u>		<u>6,182,650</u>
Total	₩	<u>8,054,922</u>	₩	<u>7,333,165</u>
<b>Non-current liabilities</b>				
Trade payables	₩	3,202	₩	-
Other payables	₩	<u>816,356</u>	₩	<u>1,064,099</u>
Total	₩	<u>819,558</u>	₩	<u>1,064,099</u>

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

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Non-trade payables <sup>1</sup>	₩	5,207,165	₩	4,981,300
Accrued expenses		1,267,700		1,234,023
Operating deposits		880,810		818,603
Others		217,851		212,823
Less: non-current		<u>(816,356)</u>		<u>(1,064,099)</u>
Current	₩	<u>6,757,170</u>	₩	<u>6,182,650</u>

<sup>1</sup> As of December 31, 2023, credit sale liabilities amounting to ₩ 2,314,077 million (December 31, 2022: ₩ 1,754,075 million) held by BC Card Co., Ltd. (a subsidiary of the Group) are included.

# KT Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

## 15 Borrowings

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

### 1) Debentures

<i>(in millions of Korean won and foreign currencies in thousands)</i>			December 31, 2023		December 31, 2022	
Type	Maturity	Annual interest rates	Foreign currency	Korean won	Foreign currency	Korean won
MTNP notes <sup>1</sup>	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
MTNP 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 <sup>2</sup>	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. 08, 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

# KT Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

(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
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	-	-
The 18-1st unsecured bond	Jul. 2, 2024	1.844%	-	100,000	-	100,000
The 18-2nd unsecured bond	Jul. 2, 2026	2.224%	-	50,000	-	50,000
The 148th Won-denominated unsecured bond	Jun. 23, 2023	-	-	-	-	100,000
The 149-1st Won-denominated unsecured bond	Mar. 8, 2024	1.440%	-	70,000	-	70,000
The 149-2nd Won-denominated unsecured bond	Mar. 10, 2026	1.756%	-	30,000	-	30,000
The 150-1st Won-denominated unsecured bond	Apr. 7, 2023	-	-	-	-	20,000
The 150-2nd Won-denominated unsecured bond	Apr. 8, 2024	1.462%	-	30,000	-	30,000
The 151-1st Won-denominated unsecured bond	May 12, 2023	-	-	-	-	10,000
The 151-2nd Won-denominated unsecured bond	May 14, 2024	1.432%	-	40,000	-	40,000
The 152-1st Won-denominated unsecured bond	Aug. 30, 2024	1.813%	-	80,000	-	80,000
The 152-2nd Won-denominated unsecured bond	Aug. 28, 2026	1.982%	-	20,000	-	20,000
The 153-1st Won denominated unsecured bond	Nov. 10, 2023	-	-	-	-	30,000
The 153-2nd Won-denominated unsecured bond	Nov. 11, 2024	2.425%	-	70,000	-	70,000
The 154th Won-denominated unsecured bond	Jan. 23, 2025	2.511%	-	40,000	-	40,000
The 155-1st Won-denominated unsecured bond	Feb. 29, 2024	2.615%	-	50,000	-	50,000
The 155-2nd Won-denominated unsecured bond	Sep. 2, 2024	2.745%	-	20,000	-	20,000

# KT Corporation and Subsidiaries

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(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
The 155-3rd unsecured bond	Feb. 28, 2025	2.880%	-	20,000	-	20,000
The 156-1st unsecured bond <sup>3</sup>	Mar. 25, 2025	5Y CMS+0.404%	-	60,000	-	60,000
The 156-2nd unsecured bond <sup>3</sup>	Mar. 25, 2032	10Y CMS+0.965%	-	40,000	-	40,000
The 157-1st unsecured bond	Apr. 28, 2023	-	-	-	-	30,000
The 157-2nd unsecured bond	Oct. 27, 2023	-	-	-	-	30,000
The 158th unsecured bond	Jan. 27, 2025	4.421%	-	50,000	-	50,000
The 159-1st unsecured bond	Aug. 09, 2024	4.267%	-	30,000	-	30,000
The 159-2nd unsecured bond	Aug. 11, 2027	4.505%	-	30,000	-	30,000
The 160-1st unsecured bond	Jun. 14, 2024	5.615%	-	20,000	-	20,000
The 160-2nd unsecured bond	Dec. 13, 2024	5.667%	-	20,000	-	20,000
The 160-3rd unsecured bond	Dec. 12, 2025	5.769%	-	30,000	-	30,000
The 161-1st unsecured bond	Jun. 21, 2024	5.527%	-	10,000	-	10,000
The 161-2nd unsecured bond	Dec. 20, 2024	5.557%	-	20,000	-	20,000
The 161-3rd unsecured bond	Jun. 20, 2025	5.594%	-	30,000	-	30,000
The 161-4th unsecured bond	Dec. 22, 2025	5.615%	-	10,000	-	10,000
The 162-1st unsecured bond	Dec. 27, 2023	-	-	-	-	50,000
The 162-2nd unsecured bond	Jan. 26, 2024	5.069%	-	40,000	-	40,000
The 162-3rd unsecured bond	Apr. 26, 2024	5.080%	-	10,000	-	10,000
The 163-1st unsecured bond	Feb. 20, 2026	4.059%	-	20,000	-	-
The 163-2nd unsecured bond	Feb. 22, 2028	4.311%	-	80,000	-	-
The 164-1st unsecured bond	Apr. 12, 2024	3.778%	-	10,000	-	-
The 164-2nd unsecured bond	Oct. 24, 2024	3.821%	-	30,000	-	-
The 164-3rd unsecured bond	Apr. 14, 2028	4.220%	-	30,000	-	-
The 165-1st unsecured bond	May. 09, 2025	3.870%	-	30,000	-	-
The 165-2nd unsecured bond	Nov. 09, 2026	3.932%	-	10,000	-	-

# KT Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

(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
The 165-3rd unsecured bond	May. 07, 2027	3.972%	-	30,000	-	-
The 166-1st unsecured bond	Nov. 22, 2024	4.205%	-	20,000	-	-
The 166-2nd unsecured bond	Apr. 22, 2025	4.310%	-	40,000	-	-
The 166-3rd unsecured bond	May. 21, 2025	4.332%	-	10,000	-	-
The 166-4th unsecured bond	May. 22, 2025	4.332%	-	40,000	-	-
The 167-1st unsecured bond	Dec. 20, 2024	3.865%	-	30,000	-	-
The 167-2nd unsecured bond	Jan. 22, 2025	3.864%	-	50,000	-	-
The 167-3rd unsecured bond	Feb. 21, 2025	3.864%	-	10,000	-	-
The 167-4th unsecured bond	Dec. 22, 2025	3.858%	-	10,000	-	-
	Subtotal			8,446,921		8,406,351
Less: Current portion				(1,924,523)		(1,154,101)
Discount on bonds				(19,248)		(23,728)
	Total			₩ 6,503,150		₩ 7,228,522

<sup>1</sup> As of December 31, 2023, the Controlling 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 MTNP has been terminated since 2007.

<sup>2</sup> The Daily SOFR is approximately 5.380% as of December 31, 2023. Due to the recent suspension of LIBOR calculation, the Group changed the alternative indicator interest rate to Compounded SOFR+1.210%.

<sup>2</sup> The CMS (5Y) and CMS (10Y) is approximately 2.993% and 2.990%, respectively as of December 31, 2023.

**KT Corporation and Subsidiaries**  
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2) Convertible bonds

(in millions of Korean won)

Type	Issuance Date	Maturity	Annual interest Rate	December 31, 2023	December 31, 2022
The 1st CB (Private) <sup>1</sup>	Jun. 5, 2020	Jun. 5, 2025	<sup>2</sup>	₩ 8,000	₩ 8,000
The 1st unsecured CB <sup>3</sup>	Jul. 25, 2022	Jan. 25, 2025	-	-	30,000
Redemption premium				2,267	4,565
Bond discount issuance				(1,811)	(7,206)
	Subtotal			8,456	35,359
Current portion				(8,456)	-
	Total			₩ -	₩ 35,359

<sup>1</sup> Common shares of Storywiz are subject to conversion (appraisal period: June 5, 2021~May 4, 2025).

<sup>2</sup> Nominal interest rate and maturity yield is approximately 0% and 5%, respectively, and will be settled on maturity.

<sup>3</sup> During the current period, bonds of kt cloud are converted to 73,800 of Common shares and 73,800 of preference shares.

**KT Corporation and Subsidiaries**  
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3) Borrowings

**a. Short-term borrowings**

(in millions of Korean won)

Type	Financial institution	Annual interest rates	December 31, 2023		December 31, 2022	
			Foreign currency	Korean won	Foreign currency	Korean won
Operational	Shinhan Bank	3.840%~6.440%	- ₩	151,500	- ₩	105,000
		-	-	-	30,000	
		-	-	-	50,000	
	Woori Bank <sup>1</sup>	4.400%	-	70,000	-	-
		CD(91D)+1.960%	-	20,000	-	-
	Korea Development Bank	3.230%~4.950%	-	34,900	-	27,201
	Industrial Bank of Korea	4.862%	-	6,000	-	6,000
	Hana Bank <sup>1</sup>	CD(91D)+0.126%	-	4,800	-	5,000
	KB SECURITIES	4.110%~4.910%	-	69,635	-	94,822
	NH INVESTMENT & SECURITIES	-	-	-	-	20,000
	HSBC <sup>2</sup>	Compounded SOFR +2.100%	USD 23,600	30,450	USD 18,500	23,451
	NongHyup Bank	4.880%	-	8,500	-	9,000
		-	-	-	-	15,000
	IBK Securities	-	-	-	-	20,000
	Hi Investment & Securities and others	-	-	-	-	99,524
Korea Investment	4.910%	-	30,000	-	-	
Total			₩	425,785	₩	504,998

<sup>1</sup> CD (91D) is approximately 3.820% as of December 31, 2023.

<sup>2</sup> The Daily SOFR is approximately 5.380% as of December 31, 2023.

**b. Long-term borrowings**

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

Financial institution	Type	Annual interest rates	December 31, 2023		December 31, 2022	
			Foreign currency	Korean won	Foreign currency	Korean won
Export-Import Bank of Korea	Inter-Korean Cooperation Fund <sup>1</sup>	1.00%	- ₩	1,480	- ₩	1,974
CA-CIB	General loans	3.380%~4.150%	-	200,000	-	200,000
JPM	General loans	2.700%~4.480%	-	200,000	-	100,000
DBS	General loans	4.079%	-	100,000	-	100,000
	General loans <sup>2</sup>	Term SOFR(3M)+1.100%	USD 8,910	11,489	USD 8,910	11,292
Shinhan Bank	General loans	-	-	-	USD 38,000	48,158
	General loans	1.900%~3.200%	USD 31,472	40,655	USD 31,472	39,855

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	General loans <sup>3</sup>	4.490%	-	62,398	-	62,398
	General loans <sup>2</sup>	Term SOFR(3M)+1.300%	USD 21,127	27,241	USD 21,127	26,774
	General loans <sup>2</sup>	Term SOFR(3M)+1.940%	USD 35,000	45,129	-	-
	General loans <sup>2</sup>	CD(91D)+1.800%	-	16,900	-	-
	General loans <sup>2</sup>	EURIBOR(3M)+0.900%	EUR 7,700	10,985	EUR 7,700	10,404
Woori Bank	General loans	3.320%~5.800%	-	41,526	-	15,000
	PF loans	-	-	-	-	40,682
Hi Investment & Securities	CP	2.302%	-	92,994	-	90,724
Bookook Investment	CP	3.490%~3.603%	-	19,525	-	18,806
Korea Investment	CP	3.622%	-	75,928	-	73,039
Korea Development Bank	General loans	3.000%~4.870%	-	137,000	-	38,000
NH Jayang	PF loans <sup>2</sup>	CD(91D)+1.150%	-	53,033	-	59,066
Kyobo Life Insurance	PF loans <sup>2</sup>	CD(91D)+1.150%~ CD(91D)+3.450%	-	84,586	-	66,390
Standard Chartered Bank Korea	PF loans <sup>2</sup>	CD(91D)+1.150%~ CD(91D)+3.450%	-	56,390	-	44,260
	General loans <sup>2</sup>	CD(91D)+0.750%	-	32,000	-	-
Samsung Life Insurance	PF loans	1.860%~4.160%	-	46,992	-	36,883
	Subtotal			1,356,251		1,083,705
Less: Current portion				(699,800)		(167,943)
				<u>₩ 656,451</u>		<u>₩ 915,762</u>

<sup>1</sup> The above Inter-Korean Cooperation Fund is repayable in installments over 13 years after a seven-year grace period.

<sup>2</sup> EURIBOR (3M), Term SOFR (3M) and CD (91D) are approximately 3.909%, 5.331%, 3.820% respectively, as of December 31, 2023.

<sup>3</sup> The general loans are repayable in installments over 4 years after a three-year grace period.

(2) Repayment schedule of the Group'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	In local currency	In foreign currency	Sub-total	
Jan. 1, 2024~Dec. 31, 2024	₩ 1,478,000	₩ 454,941	₩ 1,932,941	₩ 1,016,254	₩ 109,331	₩ 1,125,585	₩ 3,058,526
Jan. 1, 2025~Dec. 31, 2025	1,445,000	1,160,460	2,605,460	421,322	56,618	477,940	3,083,400
Jan. 1, 2026~Dec. 31, 2026	760,000	515,760	1,275,760	109,087	-	109,087	1,384,847
Jan. 1, 2027~Dec. 31, 2027	280,000	386,820	666,820	15,600	-	15,600	682,420
After Jan. 1, 2028	1,845,000	128,940	1,973,940	53,825	-	53,825	2,027,765
Total	<u>₩ 5,808,000</u>	<u>₩ 2,646,921</u>	<u>₩ 8,454,921</u>	<u>₩ 1,616,088</u>	<u>₩ 165,949</u>	<u>₩ 1,782,037</u>	<u>₩ 10,236,958</u>

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**16. Provisions**

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

		<b>2023</b>				
<i>(in millions of Korean won)</i>		<b>Litigation</b>	<b>Restoration cost</b>	<b>Others</b>	<b>Total</b>	
<b>Beginning balance</b>	₩	36,329	₩	108,962	₩	200,366
Increase (transfer)		592		26,381		37,629
Usage		(7,179)		(1,138)		(14,708)
Reversal		(35)		(653)		(2,784)
Scope change		-		(177)		(177)
Others		-		2,290		1,897
<b>Ending balance</b>	₩	<u>29,707</u>	₩	<u>133,159</u>	₩	<u>222,223</u>
Current	₩	29,130	₩	26,945	₩	115,209
Non-current		577		106,214		223
				223		107,014
		<b>2022</b>				
<i>(in millions of Korean won)</i>		<b>Litigation</b>	<b>Restoration cost</b>	<b>Others</b>	<b>Total</b>	
<b>Beginning balance</b>	₩	80,165	₩	107,358	₩	257,397
Increase (transfer)		6,005		13,027		24,879
Usage		(6,155)		(8,143)		(30,081)
Reversal		(43,686)		(3,685)		(51,789)
Others		-		405		(445)
<b>Ending balance</b>	₩	<u>36,329</u>	₩	<u>108,962</u>	₩	<u>200,366</u>
Current		34,730		19,918		54,485
1Non-current	₩	1,599	₩	89,044	₩	590
				590		91,233

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**17. Net Defined Benefit Liabilities (Assets)**

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

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Present value of defined benefit obligations	₩ 2,365,793	₩ 2,218,655
Fair value of plan assets	<u>(2,462,925)</u>	<u>(2,478,143)</u>
Liabilities	<u>₩ 63,616</u>	<u>₩ 51,654</u>
Assets	<u>₩ 160,748</u>	<u>₩ 311,142</u>

(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>	<b>2023</b>	<b>2022</b>
Beginning	₩ 2,218,655	₩ 2,494,930
Current service cost	213,489	238,068
Interest expense	103,874	59,041
Benefit paid	(358,298)	(316,047)
Changes due to settlements of plan	1	(701)
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	1,903	(13,048)
Actuarial gains and losses arising from changes in financial assumptions	138,462	(323,501)
Actuarial gains and losses arising from experience adjustments	48,174	80,845
Changes in scope of consolidation, etc.	<u>(467)</u>	<u>(932)</u>
Ending	<u>₩ 2,365,793</u>	<u>₩ 2,218,655</u>

(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>	<b>2023</b>	<b>2022</b>
Beginning	₩ 2,478,143	₩ 2,314,632
Interest income	121,336	55,902
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	9,410	(8,542)
Benefits paid	(307,762)	(287,419)
Employer contributions	165,128	401,358
Changes in scope of consolidation, etc.	<u>(3,330)</u>	<u>2,212</u>
Ending	<u>₩ 2,462,925</u>	<u>₩ 2,478,143</u>

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

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Current service cost	₩	213,489	₩	238,068
Net interest cost		(17,462)		3,139
Changes due to settlements of plan		1		(701)
Transfer out		(13,435)		(15,102)
Total expenses	₩	<u>182,593</u>	₩	<u>225,404</u>

(5) Principal actuarial assumptions used are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Discount rate	3.67%~5.51%	2.4%~6.29%
Salary growth rate	1.7%~8.96%	1.82%~8.9%

(6) The sensitivity of the defined benefit obligations as of December 31, 2023, to changes in the principal assumptions is:

<i>(in percentage, in millions of Korean won)</i>	<b>Effect on defined benefit obligation</b>		
	<b>Changes in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
Discount rate	0.5% point	₩ (139,461)	₩ 150,568
Salary growth rate	0.5% point	145,687	(135,431)

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 Group actively monitors how the duration and the expected yield of the investments match the expected cash outflows arising from the pension obligations. Expected contributions to post-employment benefit plans, for the year ending December 31, 2023, are ₩ 273,503 million.

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

<i>(in millions of Korean won)</i>	<b>Less than 1 year</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Pension benefits	₩ 257,315	₩ 376,352	₩ 910,076	₩ 2,013,167	₩ 3,556,910

(8) The weighted average duration of the defined benefit obligations is 6.2 years.

**18. Defined Contribution Plan**

Recognized expense related to the defined contribution plan for the year ended December 31, 2023, is ₩ 85,174 million (2022: ₩ 72,576 million).

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**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)*

	<b>Financial institution</b>	<b>Limit</b>	<b>Used amount</b>
Bank overdraft	Kookmin Bank and others	374,000	-
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	545,350	42,822
Plus electronic notes payable	Industrial Bank of Korea	50,000	885
Working capital loan	Korea Development Bank and others	1,562,800	142,700
	Shinhan Bank	USD 76,509	USD 76,509
	Woori Bank	EUR 7,700	EUR 7,700
Facility loans	Shinhan Bank and others	924,000	429,924
Derivatives transaction limit	Korea Development Bank and others	USD 1,970,000	USD 1,970,000
	Citi Bank	JPY 400,000	JPY 400,000
	KRW	3,497,090	619,543
Total	USD	2,046,509	2,046,509
	EUR	7,700	7,700
	JPY	400,000	400,000

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

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

	<b>Financial institution</b>	<b>Limit</b>
Hana Bank	Guarantee for payment in Korean currency	4,000
	Comprehensive credit line and others	3,100
	Guarantee for payment in foreign currency	USD 59
Kookmin Bank	Comprehensive credit line and others	USD 10,300
	Guarantee for payment in foreign currency	USD 3,186
Shinhan Bank	Guarantee for payment in Korean currency and others	USD 94,517
	Guarantee for payment in foreign currency and others	VND 211,262
Woori Bank	Guarantee for payment in Korean currency	5,200
	Guarantee for payment in foreign currency	USD 7,000
Korea Development Bank	Refund guarantee for advances received	USD 6,811
HSBC	Guarantees for depositions	USD 816
Seoul Guarantee Insurance Company	Performance guarantee and others	366,395

# KT Corporation and Subsidiaries

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Korea Software Financial Cooperative	Performance guarantee and others		1,556,979
Korea Specialty Contractor Financial Cooperative	Performance guarantee and others		135
Korea Housing Finance Corporation	Performance guarantee and others		44,000
Korea Housing & Urban Guarantee Corporation <sup>1</sup>	Performance guarantee and others		691,530
Information & Communication Financial Cooperative	Performance guarantee and others		78,183
		KRW	2,749,522
Total	-	USD	122,689
		VND	211,262

<sup>1</sup> Inventory assets(₩ 278,031 million) and investment properties(₩ 283,688 million) are provided as collateral with commitment respectively, as of December 31, 2023.

(3) As of December 31, 2023, guarantees provided by the Group to third parties are as follows:

(in millions of Korean won)

	Subject to payment guarantees	Creditor	Limit	Used amount	Period
KT Estate Inc	Wonju Bando U-bora Mark Bridge Buyer	Hana Bank	103,000	55,314	Aug. 5, 2022 ~ Feb. 28, 2025
KT Engineering Co., Ltd. <sup>1</sup>	Gasan Solar Power Plant Inc.	Shinhan Bank	4,700	364	Jan. 7, 2010 ~ Jan. 8, 2025
KT Engineering Co., Ltd. <sup>1</sup>	Korea Cell Inc.	Suhyup Bank	3,250	50	Feb. 17, 2014 ~ Feb. 16, 2024
KT Engineering Co., Ltd. <sup>1</sup>	San-Ya Agricultural Association Corporation	Suhyup Bank	3,250	51	Feb. 17, 2014 ~ Feb. 16, 2024
KT Alpha Co., Ltd. (KT Hitel Co., Ltd.)	Cash payers	T-commerce cash payers	821	-	Apr. 14, 2023 ~ Apr. 12, 2024
Nasmedia Co., Ltd.	Stockholders Association Members	Korea Securities Finance Corp	1,104	610	-

<sup>1</sup> KT Engineering Co., Ltd., a subsidiary of the Group, is subject to payment, depending on the reimbursement of principal debtor.

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

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

## **KT Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

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- (6) As of December 31, 2023, the Group is a defendant in 177 lawsuits with the total claimed amount of ₩ 167,834 million (2022: ₩ 80,279 million). As of December 31, 2023, litigation provisions of ₩ 29,707 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.
- (7) Under the agreement of bond issuance and borrowings, the Group 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 restriction on provision of additional collateral and disposal of certain assets.
- (8) As of December 31, 2023, the Group participates in Algeria Sidi Abdela new town development consortium (percentage of ownership: 2.5%) and has joint liability with other consortium participants.
- (9) As of December 31, 2023, contract amount of property and equipment acquisition agreement made but not yet recognized amounts to ₩ 489,231 million (2022: ₩ 1,294,823 million).
- (10) As of December 31, 2023, there are derivatives generated by the Group granting Drag-Along Right to financial investors participating in paid-in capital increase of K Bank Inc. (Note 7).
- (11) The Group has an agreement with a transferor participated in share transfer agreement of MILLE Co., Ltd. As per the conditions of the agreement, the transferor may exercise Put Option for the ordinary shares it owns (Note 7).
- (12) The Group entered into an agreement with financial investors of Epsilon Global Communications Pte. If certain conditions are not met in the future as disclosed in the terms and conditions of the agreement, financial investors may exercise Tag-Along Right, Drag-Along Right and the right to sell shares for the convertible preferred shares it owns (Note 7).
- (13) The Group 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.
- (14) The Group 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 Group has the amount of ₩ 438,312 million (100%) of obligation to provide financial support as an operating investor.
- (15) During the prior period, the Group 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.

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with priority.

(16) During the prior period, the Group entered into an agreement with LS Cable & System Ltd., which participated in the stock acquisition contract of KT Submarine Co., Ltd (formerly KT Submarine Co., Ltd.). As per the agreement, the Group may exercise a put-option to LS Cable & System Ltd in the future (Note 7).

(17) During the period, the Group 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 Group in the future.

(18) The Group 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.

**20. Leases**

Information of leases in which the Group is a lessee is as follows. Information when the Group is a lessor is described in Note 11.

(1) Amounts recognized in the consolidated statement of financial position

The consolidated statements of financial position shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Right-of-use assets				
Property and building	₩	1,019,537	₩	1,081,067
Machinery and communication line facilities		89,150		50,794
Others		196,276		148,473
	₩	1,304,963	₩	1,280,334
Investment property (buildings)	₩	-	₩	-
<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Lease liabilities <sup>1</sup>				
Current	₩	307,868	₩	315,892
Non-current		872,042		856,146
	₩	1,179,910	₩	1,172,038

<sup>1</sup> Included in the line item 'other current liabilities and other non-current liabilities' in the consolidated statements of financial position (Note 9).

For the years ended December 31, 2023 and 2022, Right-of-use assets related to leases increased by ₩ 440,552 million and ₩ 405,453 million, respectively.

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(2) Amounts recognized in the consolidated statement of profit or loss

The consolidated statement of profit or loss relating to leases for the year ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Depreciation of right-of-use assets				
Property and building	₩	297,571	₩	305,120
Machinery and communication line facilities		32,794		31,140
Others		72,372		59,954
	₩	402,737	₩	396,214
Depreciation of investment properties	₩	-	₩	15
Interest expense relating to lease liabilities		52,035		41,469
Expense relating to short-term leases		8,804		12,876
Expense relating to leases of low-value assets that are not short-term leases		26,290		26,813
Expense relating to variable lease payments not included in lease liabilities		9,288		4,827

The total cash outflow for leases for the year ended December 31, 2023 is ₩ 500,392 million (2022: ₩ 464,337 million).

**21. Share Capital**

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

	<b>December 31, 2023</b>			<b>December 31, 2022</b>		
	<b>Number of issued shares</b>	<b>Par value per share (Korean won)</b>	<b>Ordinary Shares (in millions of Korean won)</b>	<b>Number of issued shares</b>	<b>Par value per share (Korean won)</b>	<b>Ordinary shares (in millions of Korean won)</b>
Ordinary shares <sup>1</sup>	257,860,760	₩ 5,000	₩ 1,564,499	261,111,808	₩ 5,000	₩ 1,564,499

<sup>1</sup> The Group 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>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Legal reserve <sup>1</sup>	₩	782,249	₩	782,249
Voluntary reserves <sup>2</sup>		4,651,362		4,651,362
Unappropriated retained earnings		9,060,819		8,823,732
Total		₩ 14,494,430		₩ 14,257,343

<sup>1</sup>The Commercial Code of the Republic of Korea requires the Controlling 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 Controlling Company's Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the Controlling Company's majority shareholders.

<sup>2</sup> The reserves of research and development of human resources in other surplus reserves are separately accumulated on disposal of retained earnings on tax filing adjustments when calculating income taxes in accordance with regulations of Tax Reduction and Exemption Control Act of Korea. Reversal of the reserves according to the relevant tax law can be paid out as dividends

**23. Accumulated Other Comprehensive Income and Other Components of Equity**

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

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Changes in investments in associates and joint ventures	₩	4,023	₩	(11,752)
Loss on derivatives valuation		(29,361)		(7,109)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income		73,928		(52,100)
Exchange differences on translation for foreign operations		3,817		(6,815)
Total		₩ 52,407		₩ (77,776)

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

(in millions of Korean won)

	<b>2023</b>			
	<b>Beginning</b>	<b>Increase (decrease)</b>	<b>Reclassifica- tion to gain or loss</b>	<b>Ending</b>
Changes in investments in associates and joint ventures	₩ (11,752)	₩ 15,775	₩ -	₩ 4,023
Gain (loss) on derivatives valuation	(7,109)	15,690	(37,942)	(29,361)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	(52,100)	126,028	-	73,928
Exchange differences on translation for foreign operations	(6,815)	10,632	-	3,817
<b>Total</b>	<b>₩ (77,776)</b>	<b>₩ 168,125</b>	<b>₩ (37,942)</b>	<b>₩ 52,407</b>

(in millions of Korean won)

	<b>2022</b>			
	<b>Beginning</b>	<b>Increase (decrease)</b>	<b>Reclassifica- tion to gain or loss</b>	<b>Ending</b>
Changes in investments in associates and joint ventures	₩ (3,461)	₩ (8,291)	₩ -	₩ (11,752)
Gain (loss) on derivatives valuation	25,031	63,281	(95,421)	(7,109)
Gain on valuation of financial assets at fair value through other comprehensive income	108,685	(160,785)	-	(52,100)
Exchange differences on translation for foreign operations	(12,786)	5,971	-	(6,815)
<b>Total</b>	<b>₩ 117,469</b>	<b>₩ (99,824)</b>	<b>₩ (95,421)</b>	<b>₩ (77,776)</b>

(3) The Group's other components of equity, as of December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Treasury stock	₩ (398,075)	₩ (202,295)
Gain or loss on disposal of treasury stock <sup>1</sup>	3,220	(41,503)
Share-based compensation	8,773	6,222
Equity transactions within consolidated entities <sup>2</sup>	(416,336)	(334,576)
<b>Total</b>	<b>₩ (802,418)</b>	<b>₩ (572,152)</b>

<sup>1</sup> The amount directly reflected in equity is ₩ 101 million for the year ended December 31, 2023 (2022: ₩ 14,886 million).

<sup>2</sup> Profit or loss incurred from transactions with non-controlling interest and investment difference incurred from change in proportion of subsidiaries are included.

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
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 stocks held as of December 31, 2023, are expected to be used for stock compensation for the Group's directors, employees, and other purposes.

**24. Share-Based Compensation**

(1) Details of share-based compensation granted by the Controlling to executives and employees, including the CEO, by the resolution of the Board of Directors for the years ended December 31, 2023 and 2022, are as follows:

	<b>2023</b>
<i>(in share)</i>	<b>17th grant</b>
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 <i>(in Korean won)</i>	₩ 7,262 million
Estimated exercise date (exercise date)	During 2024
Valuation method	Fair value method
	<b>2022</b>
<i>(in share)</i>	<b>16th grant</b>
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 <i>(in Korean won)</i>	₩ 9,442 million
Estimated exercise date	During 2023
Valuation method	Fair value method

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(2) Changes in the number of stock options for the years ended December 31, 2023 and 2022, are as follows:

<i>(in share)</i>	<b>2023</b>					<b>Number of shares exercisable</b>
	<b>Beginning</b>	<b>Granted</b>	<b>Expired</b>	<b>Exercised<sup>1</sup></b>	<b>Ending</b>	
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>

<i>(in share)</i>	<b>2022</b>					<b>Number of shares exercisable</b>
	<b>Beginning</b>	<b>Granted</b>	<b>Expired</b>	<b>Exercised<sup>1</sup></b>	<b>Ending</b>	
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>

<sup>1</sup> 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).

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

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

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Revenue from contracts with customers	₩	26,152,257	₩	25,443,883
Revenue from other sources		224,016		206,128
Total	₩	<u>26,376,273</u>	₩	<u>25,650,011</u>

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

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Services	₩	22,994,687	₩	22,245,209
Sales of goods		3,381,586		3,404,802
Total	₩	<u>26,376,273</u>	₩	<u>25,650,011</u>

Revenue from providing services are recognized over time, and sales of goods are recognized at a point in time. Revenues from construction commitments included in sales of goods are recognized using the percentage of completion method.

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

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Contract assets <sup>1</sup>	₩	1,130,745	₩	963,133
Contract liabilities <sup>1</sup>		311,023		344,869
Deferred revenue <sup>2</sup>		81,067		81,653

<sup>1</sup> The Group recognized contract assets of ₩ 308,821million and contract liabilities of ₩ 32,274 million for long-term construction contract as of December 31, 2023 (2022: contract assets of ₩ 160,880 million and contract liabilities of ₩ 60,762 million). The Group recognizes contract assets as trade receivables and other receivables, and contract liabilities as other current liabilities.

<sup>2</sup> 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>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Incremental costs of obtaining a contract	₩	1,656,711	₩	1,744,096
Cost of contract performance		70,757		73,582

As of December 31, 2023, the Group recognized contract assets in the amount of ₩ 1,759,586 million as operating expenses (2022: ₩ 1,793,013 million).

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

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Revenue recognized that was included in the contract liabilities balance at the beginning of the year				
Allocation of the transaction price	₩	213,609	₩	246,843
Deferred revenue of joining/installment fee		41,824		44,204
Total	₩	<u>255,433</u>	₩	<u>291,047</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>	<b>2023</b>		<b>2022</b>	
Employee Benefit Cost	₩	4,549,409	₩	4,495,885
Depreciation		2,723,610		2,637,463
Depreciation of right-of-use assets		402,737		396,214
Amortization of intangible assets		683,784		622,202
Commissions		1,264,729		1,295,434
Interconnection charges		436,598		479,500
International interconnection fees		140,433		186,253
Purchase of inventories		3,595,345		3,656,040
Changes of inventories		(203,071)		(195,046)
Sales promotion and sales commission		2,353,318		2,353,909
Service costs		2,237,132		2,334,386
Utilities		544,675		368,348
Taxes and dues		250,651		276,962
Rent		167,576		160,848
Insurance premiums		66,737		68,245
Installation fees		174,238		150,140
Advertising expenses		153,750		195,519
Bad debt expenses		150,549		115,358
Card service costs		3,189,376		3,127,673
Others		1,844,923		1,234,590
Total	₩	<u>24,726,499</u>	₩	<u>23,959,923</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>	<b>2023</b>		<b>2022</b>	
Short-term employee benefits	₩	4,225,459	₩	4,161,874
Post-employment benefits (defined benefits)		182,593		225,404
Post-employment benefits (defined contributions)		85,174		72,576
Share-based compensation		15,450		16,799
Others		40,733		19,232
Total	₩	<u>4,549,409</u>	₩	<u>4,495,885</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>	<b>2023</b>		<b>2022</b>	
Gain on disposal of property and equipment and investment properties	₩	22,447	₩	52,603
Gain on disposal of intangible assets		1,727		622
Gain on disposal of right-of-use assets		3,580		3,326
Compensation on property and equipment		152,712		159,849
Gain on government subsidies		40,725		44,473
Gain on disposal of investments in associates		6,982		38,319
Gain on disposal of investments in subsidiaries		28,825		216,591
Others		51,046		79,568
Total	₩	<u>308,044</u>	₩	<u>595,351</u>

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

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Loss on disposal of property and equipment	₩	72,710	₩	81,415
Loss on disposal of intangible assets		5,328		7,015
Loss on disposal of right-of-use assets		2,115		2,348
Loss on disposal of investments in associates		-		295
Impairment loss on property and equipment		7,871		16,094
Impairment loss on intangible assets		236,206		30,965
Donations		24,664		15,642
Other allowance for bad debts		34,112		17,551
Others		124,898		143,282
Total	₩	<u>507,904</u>	₩	<u>314,607</u>

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**28. Finance Income and Costs**

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

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Interest income	₩	279,607	₩	271,925
Gain on foreign currency transactions		27,407		67,976
Gain on foreign currency translation		11,944		43,092
Gain on derivative transactions		12,304		50,668
Gain on valuation of derivatives		49,881		182,998
Gain on disposal of trade receivables		3,441		-
Gain on valuation of financial instruments		32,477		31,032
Others		69,216		42,737
Total	₩	<u>486,277</u>	₩	<u>690,428</u>

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

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Interest expenses	₩	356,345	₩	293,854
Loss on foreign currency transactions		34,281		81,171
Loss on foreign currency translation		95,730		200,109
Loss on derivative transactions		417		24,331
Loss on valuation of derivatives		6,598		21,601
Loss on disposal of trade receivables		17,980		62,697
Loss on valuation of financial instruments		55,049		65,660
Others		2,282		485
Total	₩	<u>568,682</u>	₩	<u>749,908</u>

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**29. Deferred Income Tax and Income Tax Expense**

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

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
<b>Deferred tax assets</b>				
Deferred tax assets to be recovered within 12 months	₩	404,234	₩	398,710
Deferred tax assets to be recovered after more than 12 months		1,818,523		1,907,043
Deferred tax assets before offsetting		<u>2,222,757</u>		<u>2,305,753</u>
<b>Deferred tax liabilities</b>				
Deferred tax liabilities to be recovered within 12 months	₩	(491,817)	₩	(586,522)
Deferred tax liabilities to be recovered after more than 12 months		(2,116,346)		(2,108,438)
Deferred tax liabilities before offsetting		<u>(2,608,163)</u>		<u>(2,694,960)</u>
Deferred tax assets after offsetting	₩	<u>608,924</u>	₩	<u>578,443</u>
Deferred tax liabilities after offsetting	₩	<u>994,330</u>	₩	<u>967,650</u>

(2) 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>	<b>2023</b>			
	<b>Beginning</b>	<b>Statement of profit or loss</b>	<b>Other comprehensive income</b>	<b>Ending</b>
<b>Deferred tax liabilities</b>				
Investments in subsidiaries, associates and joint ventures	(255,184)	(7,821)	(7,225)	(270,230)
Depreciation and impairment loss	(151,433)	39,309	-	(112,124)
Plan assets	(542,900)	8,367	826	(533,707)
Advanced depreciation provision	(521,939)	3,859	-	(518,080)
Contract assets	(424,302)	2,478	-	(421,824)
Financial assets at fair value through profit or loss	(420)	461	43	84
Financial assets at fair value	(60,629)	(53)	(41,945)	(102,627)

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through other comprehensive income				
Others	<u>(738,153)</u>	<u>90,876</u>	<u>(2,378)</u>	<u>(649,655)</u>
Total	<u>₩ (2,694,960)</u>	<u>₩ 137,476</u>	<u>₩ (50,679)</u>	<u>₩ (2,608,163)</u>
<b>Deferred tax assets</b>				
Depreciation and impairment loss	188,832	(71,689)	(397)	116,746
Contract liabilities	121,289	(9,311)	-	111,978
Defined benefit liabilities	481,858	(6,705)	40,838	515,991
Provisions	151,955	(5,784)	-	146,171
Others	<u>1,258,848</u>	<u>(58,388)</u>	<u>2,141</u>	<u>1,202,601</u>
Total	<u>₩ 2,202,782</u>	<u>₩ (151,877)</u>	<u>₩ 42,582</u>	<u>₩ 2,093,487</u>
Temporary difference, net	(492,178)	(14,401)	(8,097)	(514,676)
Tax credit carryforwards	<u>102,971</u>	<u>26,299</u>	<u>-</u>	<u>129,270</u>
Total net balance	<u>₩ (389,207)</u>	<u>₩ 11,898</u>	<u>₩ (8,097)</u>	<u>₩ (385,406)</u>

(in millions of Korean won)

**2022**

	<b>Beginning</b>	<b>Statement of profit or loss</b>	<b>Other comprehensive income</b>	<b>Ending</b>
<b>Deferred tax liabilities</b>				
Investments in associates and joint ventures	(240,633)	(18,299)	3,748	(255,184)
Depreciation and impairment loss	(88,588)	(62,845)	-	(151,433)
Plan assets	(538,928)	(5,294)	1,322	(542,900)
Advanced depreciation provision	(339,005)	(182,934)	-	(521,939)
Contract assets	(493,917)	69,615	-	(424,302)
Financial assets at fair value through profit or loss	(336)	(73)	(11)	(420)
Financial assets at fair value through other comprehensive income	(47,521)	(71,396)	58,288	(60,629)
Others	<u>(623,744)</u>	<u>(111,135)</u>	<u>(3,274)</u>	<u>(738,153)</u>
Total	<u>₩ (2,372,672)</u>	<u>₩ (382,361)</u>	<u>₩ 60,073</u>	<u>₩ (2,694,960)</u>
<b>Deferred tax assets</b>				
Depreciation and impairment loss	225,821	(36,989)	-	188,832
Contract liabilities	148,454	(27,165)	-	121,289
Defined benefit liabilities	571,336	(22,423)	(67,055)	481,858

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Provisions	172,871	(20,894)	(22)	151,955
Others	899,543	350,670	8,635	1,258,848
Total	₩ 2,018,025	₩ 243,199	₩ (58,442)	₩ 2,202,782
Temporary difference, net	(354,647)	(139,162)	1,631	(492,178)
Tax credit carryforwards	134,417	(31,446)	-	102,971
Total net balance	₩ (220,230)	₩ (170,608)	₩ 1,631	₩ (389,207)

(3) The tax impacts recognized directly to equity as of December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023			December 31, 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	₩ 163,750	₩ (41,945)	₩ 121,805	₩ (216,862)	₩ 58,288	₩ (158,574)
Gain (loss) on valuation of hedge instruments	(30,168)	7,555	(22,613)	(42,510)	11,180	(31,330)
Remeasurements of net defined benefit liabilities	(179,129)	41,664	(137,465)	247,162	(65,733)	181,429
Share of gain of associates and joint ventures, and others	28,715	(7,225)	21,490	(14,931)	3,748	(11,183)
Exchange differences on translation for foreign operations	32,376	(8,146)	24,230	23,316	(5,852)	17,464
Gain or loss on disposal of treasury stock	402	(101)	301	(59,308)	14,886	(44,422)
Total	₩ 15,946	₩ (8,198)	₩ 7,748	₩ (63,133)	₩ 16,517	₩ (46,616)

(4) Details of income tax expense for the years ended December 31, 2023 and 2022, are calculated as follows:

(in millions of Korean won)

	2023		2022	
Current income tax expenses	₩	347,265	₩	335,796
Impact of change in temporary difference		(11,898)		170,608
Income tax expense	₩	335,367	₩	506,404

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(5) The relationship between the Group's 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>	<b>2023</b>		<b>2022</b>	
Profit before income tax	₩	1,324,085	₩	1,894,066
Expected tax expense at statutory tax rate	₩	339,196	₩	510,506
Tax effect:				
Income not taxable for tax purposes		(30,106)		(47,550)
Expenses not deductible for tax purposes		26,723		53,398
Tax credit and deductions		(78,459)		(54,895)
Others		78,013		44,945
Income tax expense	₩	335,367	₩	506,404

(6) Details of deferred tax assets and liabilities that are not recognized as of December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Deductible temporary differences				
Investment in subsidiaries, associates, and joint ventures	₩	3,520,173	₩	3,384,295
Unused tax loss		203,200		103,326
Unused Tax credit		2,338		1,988
Others		437,238		387,084
Total	₩	4,162,949	₩	3,876,693
Taxable temporary differences				
Investment in subsidiaries, associates, and joint ventures	₩	903,394	₩	857,076
Others		211,201		216,660
Total	₩	1,114,595	₩	1,073,736

(7) The expected period of expiry for unused tax losses not recognized in deferred tax assets as of December 31, 2023 and 2022, is as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Less than 1 year		4,484		72,512
1~5 years		11,936		13,358
5~10 years		8,745		12,021
More than 10 years		178,035		5,435
Total	₩	203,200	₩	103,326

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**30. Earnings per Share**

(1) Basic Earnings per Share

Basic earnings per share is calculated by dividing the profit from operations attributable to the ordinary shares by the weighted average number of ordinary shares outstanding during the period, excluding ordinary shares held by the Group as treasury stock.

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

	<b>2023</b>		<b>2022</b>	
Profit attributable to ordinary shares of owners of the Controlling Company <i>(in millions of Korean won)</i>	₩	1,008,715	₩	1,261,714
Weighted average number of ordinary shares outstanding <i>(in number of shares)</i>		249,470,072		242,235,332
Basic earnings per share <i>(in Korean won)</i>	₩	4,043	₩	5,209

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 Group has dilutive potential ordinary shares from convertible bond and other share-based compensation.

(2) Diluted Earnings per Share

Diluted earnings per share from operations is calculated by adjusting the weighted average number of ordinary shares outstanding assuming that all dilutive potential ordinary shares are converted into ordinary shares. The Group has dilutive potential ordinary shares from convertible bonds, convertible preferred stock and other share-based payments:

	<b>2023</b>		<b>2022</b>	
Profit attributable to ordinary shares <i>(in millions of Korean won)</i>	₩	1,008,715	₩	1,261,714
Diluted profit attributable to ordinary shares <i>(in millions of Korean won)</i>	₩	1,007,888	₩	1,261,218
Number of dilutive potential ordinary shares outstanding <i>(in number of shares)</i>		119,263		91,931
Weighted average number of ordinary shares outstanding <i>(in number of shares)</i>		249,589,335		242,327,263
Diluted earnings per share <i>(in Korean won)</i>	₩	4,038	₩	5,205

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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. Convertible bonds and convertible preferred stocks without dilutive effects are excluded from the calculation.

#### **31. Dividend**

The dividends paid by the Group in 2023 were ₩ 501,844 million (₩ 1,960 per share). The dividends paid by the Group 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.

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**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>	<b>2023</b>		<b>2022</b>	
1. Profit for the year	₩	988,718	₩	1,387,663
2. Adjustments for:				
Income tax expense		335,367		506,404
Interest income <sup>1</sup>		(392,580)		(340,794)
Interest expense <sup>1</sup>		410,566		320,914
Dividends income <sup>2</sup>		(59,758)		(14,121)
Depreciation		2,773,152		2,687,191
Amortization of intangible assets		691,909		627,261
Depreciation of right-of-use assets		402,737		396,214
Provisions for post-employment benefits (defined benefits)		196,027		240,506
Allowance for bad debts		175,244		132,102
Share of net profit or loss of associates and joint Ventures		44,323		16,821
Gain and loss on disposal of associates and joint ventures		(6,982)		(38,024)
Profits and loss on the disposal of subsidiaries		(28,825)		(216,591)
Loss (gain) on disposal of property and equipment, and investment in properties <sup>3</sup>		511		(66,317)
Impairment loss on property and equipment, and investment in properties		7,871		16,094
Gain on disposal of right-of-use assets		(1,465)		(978)
Loss on disposal of intangible assets		3,601		6,393
Impairment loss on intangible assets		236,106		30,674
Loss on foreign currency translation		83,899		157,017
Gain on valuation of derivatives, net		(37,249)		(205,381)
Loss (gain) on disposal of financial assets at amortized cost		1		3
Gain on disposal of financial assets at fair value through profit or loss		(2,225)		(2,347)
Loss on valuation of financial assets at fair value through profit or loss <sup>4</sup>		13,920		44,833
Others		158,820		(49,891)
3. Changes in operating assets and liabilities				
Increase in trade receivables		(124,023)		(43,787)

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Increase in other receivables	(1,085,527)	(1,598,216)
Increase in other current assets	250,569	(101,947)
Increase in other non-current Assets	(81,101)	(120,055)
Increase in inventories	(249,923)	(170,773)
Increase (decrease) in trade payables	121,515	(368,355)
Increase in other payables	829,220	1,103,113
Increase (decrease) in other current liabilities	314,208	(30,375)
Decrease in other non-current liabilities	(3,117)	(12,171)
Decrease in provisions	(5,083)	(22,115)
Increase (decrease) in deferred revenue	905	(384)
Increase in plan assets	115,725	(90,771)
Payment of post-employment benefits (defined benefits)	(329,861)	(343,931)
4. Cash generated from operations (1+2+3)	₩ 5,747,195	₩ 3,835,879

<sup>1</sup> Subsidiaries such as BC Card Co., Ltd. recognize interest income and expense as operating revenue and expense, respectively. Interest income of ₩ 112,973 million (2022: ₩ 68,869 million) recognized as operating revenue and interest expense of ₩ 55,677 million (2022: ₩ 27,060 million) recognized as operating expense, for the year ended December 31, 2023, are included in the adjustment.

<sup>2</sup> BC Card Co., Ltd. recognized dividend income as operating revenue. Dividend income of ₩ 1,759 million that is recognized as operating revenue for the year ended December 31, 2023 (2022: ₩ 2,299 million) is included in the adjustment.

<sup>3</sup> Gain and loss on disposal of investment properties of KT Estate Inc. are presented as operating revenue and operating expense, respectively. Gain on disposal of investment properties amounting to ₩ 49,752 million, recognized as operating revenue for the year ended December 31, 2023, is included.

<sup>4</sup> Subsidiaries such as KT Investment Co., Ltd. recognized gain and loss on valuation of financial assets at fair value through profit or loss as operating revenue and expense, respectively. Loss on valuation of financial assets at fair value through profit or loss of ₩ 11,112 million that is recognized as operating expense, for the year ended December 31, 2023, is included in the adjustment.

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(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>	<b>2023</b>	<b>2022</b>
Reclassification of current portion of borrowings	₩ 1,731,998	₩ 1,004,818
Reclassification of construction-in-progress to property and equipment	3,123,611	3,167,965
Reclassification of non-trade payable from property and equipment	(293,448)	(7,055)
Reclassification of non-trade payable from intangible assets	(276,491)	(197,389)
Reclassification of non-trade payables from defined benefit liabilities	26,246	(32,417)
Reclassification of non-trade payable from plan assets	(24,821)	28,532
Disposal of treasury stock related to acquisition of financial assets	-	747,161
Acquisition of financial assets related to disposal of a subsidiary	-	250,000

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**33. Changes in Liabilities Arising from Financing Activities**

Details of changes in liabilities arising from financing activities, liabilities related to cashflow to be classified as future financing activities, for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won) 2023

	Beginning	Cash flows	Others				Ending
			Newly acquired	Changes in FX rate	Fair value changes	Others	
Borrowing	₩ 10,006,685	₩ 106,118	₩ -	₩ 45,370	₩ 1,719	₩ 58,273	₩ 10,218,165
Lease liabilities	1,172,038	(407,051)	460,617	-	24	(45,719)	1,179,909
Derivative liabilities	33,555	-	-	10,888	9,643	(29,539)	24,547
Derivative assets	(190,830)	48,183	-	32,487	1,788	(50,839)	(159,211)
Total	₩ 11,021,448	₩ (252,750)	₩ 460,617	₩ 88,745	₩ 13,174	₩ (67,824)	₩ 11,263,410

(in millions of Korean won) 2022

	Beginning	Cash flows	Others				Ending	
			Newly acquired	Changes in FX rate	Fair value change	Changes in consolidation scope		
Borrowing	₩ 8,437,703	₩ 1,391,321	₩ -	₩ 146,108	₩ 939	₩ -	₩ 30,614	₩ 10,006,685
Lease liabilities	1,159,369	(378,684)	427,398	-	-	-	(36,045)	1,172,038
Derivative liabilities	75,176	(41,197)	-	19,858	12,941	-	(33,223)	33,555
Derivative assets	(99,453)	76,280	(754)	(147,161)	30,341	-	(50,083)	(190,830)
Total	₩ 9,572,795	₩ 1,047,720	₩ 426,644	₩ 18,805	₩ 44,221	₩ -	₩ (88,737)	₩ 11,021,448

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**34. Segment Information**

(1) The management of the Group determines the operating segments based on the reported information when establishing the business strategy.

Details	Business service
ICT	Mobile/fixed line telecommunication service and convergence business, B2B business and others
Finance	Credit card business
Satellite TV	Satellite TV business
Real estate	Residential building development and supply
Others	IT, facility security, global business, and others

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

*(in millions of Korean won)*

	<b>2023</b>		
	<b>Operating revenues</b>	<b>Operating income</b>	<b>Depreciation and amortization <sup>1</sup></b>
ICT	₩ 18,371,437	₩ 1,185,392	₩ 3,183,408
Finance	3,720,859	92,199	37,150
Satellite TV	708,217	44,482	52,871
Real estate	583,504	89,959	70,653
Others	8,118,542	240,049	584,738
	<u>31,502,559</u>	<u>1,652,081</u>	<u>3,928,820</u>
Elimination	(5,126,286)	(2,307)	(118,689)
Consolidated amount	<u>₩ 26,376,273</u>	<u>₩ 1,649,774</u>	<u>₩ 3,810,131</u>

*(in millions of Korean won)*

	<b>2022</b>		
	<b>Operating revenues</b>	<b>Operating income</b>	<b>Depreciation and amortization <sup>1</sup></b>
ICT	₩ 18,289,243	₩ 1,168,103	₩ 3,105,807
Finance	3,613,981	121,461	47,638
Satellite TV	704,928	50,600	58,413
Real estate	485,056	118,953	65,457
Others	7,708,737	259,082	575,035
	<u>30,801,945</u>	<u>1,718,199</u>	<u>3,852,350</u>
Elimination	(5,151,934)	(28,111)	(196,471)
Consolidated amount	<u>₩ 25,650,011</u>	<u>₩ 1,690,088</u>	<u>₩ 3,655,879</u>

<sup>1</sup> Sum of the amortization of property and equipment, intangible assets, investment properties and right-of-use assets.

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- (3) Operating revenues for the years ended December 31, 2023 and 2022, and non-current assets as of December 31, 2023 and 2022, by geographical regions, are as follows:

(in millions of Korean won)

Location	Operating revenues		Non-current assets <sup>1</sup>	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Domestic	₩ 26,206,763	₩ 25,490,154	₩ 20,725,694	₩ 20,845,214
Overseas	169,510	159,857	183,344	270,490
Total	₩ 26,376,273	₩ 25,650,011	₩ 20,909,038	₩ 21,115,704

<sup>1</sup> Sum of property and equipment, intangible assets, investment properties and right-of-use assets.

**35. Related Party Transactions**

- (1) The list of related party of the Group as of December 31, 2023, is as follows:

Relationship	Name of Entity
Associates and joint ventures	54 entities such as K Bank Inc., KIF Investment Fund, and Megazone Cloud Corporation
Others <sup>1</sup>	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

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

- (2) Outstanding balances of receivables and payables in relations to transactions 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	Other receivables	Lease receivables	Trade payables	Other payables	Lease liabilities
Associates and joint ventures	K Bank, Inc.	₩ 862	₩ 326,006	₩ 769	₩ -	₩ 299	₩ -
	Little Big Pictures	232	3,473	-	9	6	-
	K-Realty 11th Real Estate Investment Trust Company	110	1,283	-	-	-	6,732
	K-Realty No.3 Real Estate General Private Placement Investment Company	4,576	-	-	-	-	-
	Others	2,044	162	-	2,900	3,029	-
Total		₩ 7,824	₩ 330,924	₩ 769	₩ 2,909	₩ 3,334	₩ 6,732

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		December 31, 2022				
		Receivables		Payables		
		Trade receivables	Other receivables	Trade payables	Other payables	Lease liabilities
Associates and joint ventures	K Bank, Inc.	₩ 682	₩ 258,999	₩ -	₩ 299	₩ -
	Little Big Pictures	1,454	7,645	-	9	-
	K-Realty 11th Real Estate Investment Trust Company	151	1,283	-	-	8,824
	Others	2,285	2	3,235	2,932	-
	<b>Total</b>	<b>₩ 4,572</b>	<b>₩ 267,929</b>	<b>₩ 3,235</b>	<b>₩ 3,240</b>	<b>₩ 8,824</b>

(3) 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
Relationship	Name of Entity	Operating revenue	Other income	Operating expenses	Others <sup>1</sup>	
Associates and joint ventures	K Bank, Inc.	₩ 22,701	₩ -	₩ 13,429	₩ -	₩ -
	HD Hyundai Robotics Co., Ltd. (formerly Hyundai Robotics Co., Ltd.)	78	-	182	-	7
	K-Realty 11th Real Estate Investment Trust Company	146	200	2,559	-	-
	K-Realty No.3 Real Estate General Private Placement Investment Company	6,084	132	-	-	-
	Others <sup>2 3</sup>	20,515	793	42,032	137	-
Others	Digital Pharm Co., Ltd.	1	-	-	-	-
	<b>Total</b>	<b>₩ 49,525</b>	<b>₩ 1,125</b>	<b>₩ 58,202</b>	<b>₩ 137</b>	<b>₩ 7</b>

<sup>1</sup> Amounts include acquisition of property and equipment, and others.

<sup>2</sup> Includes transactions of the entity before it was excluded as an associate and joint venture of the Group.

<sup>3</sup> Includes transactions of FUNDA Co., Ltd, Maruee Limited Company Specializing in the Cultural Industry, Mastern No.127 Logispoint Daegu Co., Ltd. before it was excluded as associates and joint ventures of the Group.

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Relationship	Name of Entity	2022					
		Sales		Purchases		Acquisition of right-of-use assets	
		Operating revenue	Other income	Operating expenses	Others <sup>1</sup>		
Associates and joint ventures	K- Realty CR-REITs No.1 <sup>2</sup>	₩ -	₩ -	₩ -	₩ -	₩ -	-
	K Bank, Inc.	29,536	-	11,007	-	-	-
	Hyundai Robotics Co., Ltd. <sup>1</sup>	94	-	629	3,170	-	-
	K-Realty 11th Real Estate Investment Trust Company	141	189	1,674	-	-	1,966
	Others <sup>3</sup>	10,226	1,738	35,435	2,307	-	-
Others	Digital Pharm Co., Ltd.	1	-	-	-	-	-
	Total	₩ 39,998	₩ 1,927	₩ 48,745	₩ 5,477	₩ -	₩ 1,966

<sup>1</sup> Amounts include acquisition of property and equipment, and others.

<sup>2</sup> Includes transactions of the entity before it was excluded as an associate and joint venture of the Group.

<sup>3</sup> Includes transactions of StoryScoop Inc. before it was excluded as associates and joint ventures of the Group.

(in millions of Korean won)

		2023			2022		
		Finance income	Finance costs	Dividend income	Finance income	Finance costs	Dividend income
Associates and joint ventures	K Bank, Inc.	₩ 8,264	-	₩ -	₩ 3,052	₩ -	₩ -
	K- Realty CR-REITs No.1	-	-	-	-	-	45,549
	K-Realty 11th Real Estate Investment Trust Company	-	261	507	-	260	162
	Others <sup>1,2</sup>	-	-	1,279	-	-	9,158
	Total	₩ 8,264	₩ 261	₩ 1,786	₩ 3,052	₩ 260	₩ 54,869

<sup>1</sup> Includes transactions of the entity before it was excluded as an associate and joint venture of the Group.

<sup>2</sup> Includes transactions of FUNDA Co., Ltd, Maruee Limited Company Specializing in the Cultural Industry, Mastern No.127 Logispoint Daegu Co., Ltd. before they were excluded as associates and joint ventures of the Group.

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

(in millions of Korean won)

	2023		2022	
Salaries and other short-term benefits	₩	1,494	₩	1,855
Post-employment benefits		153		294
Share-based compensation		569		976
Total	₩	2,216	₩	3,125

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

(in millions of Korean won)

	2023			
	Borrowing transactions <sup>1</sup>		Equity contributions in cash	
	Borrowings	Repayments		
<b>Associates and joint ventures</b>				
K-Realty 11th Real Estate Investment Trust Company	₩ -	₩ 1,037	₩ -	-
STIC Place General Private Placement Real Estate Investment Trust No.2	-	-		20,000
Telco Credit Bureau Co.,Ltd.	-	-		6,500
Pacific geumto no.75 private hybrid asset fund	-	-		19,000
Kiamco Data Center Blind Fund	-	-		15,000
STIC Mixed Asset Investment Trust No. 1	-	-		10,930
Others <sup>2</sup>	-	-		31,107
<b>Others</b>				
Rebellions Co.,Ltd.	-	-		19,998
<b>Total</b>	<b>₩ -</b>	<b>₩ 1,037</b>	<b>₩</b>	<b>122,535</b>

<sup>1</sup> Lease transactions are included in borrowing transactions.

<sup>2</sup> Transactions with Daemuga Culture Industry Specialist Limited Company and Maruee Culture Industry Specialist Limited Company until the date that they were excluded from associates are included.

(in millions of Korean won)

	2022			
	Borrowing transactions <sup>1</sup>		Equity contributions in cash	
	Borrowings	Repayments		
<b>Associates and joint ventures</b>				
Megazone Cloud Corporation	₩ 30,000	₩ -	₩	130,001
IBK-KT Emerging Digital Industry Investment Fund	-	-		10,800
Mastern KT Multi-Family Real Estate Private Equity Investment Fund I	-	-		18,859
IGIS No. 468-1 General Private Real Estate Investment Company	-	-		25,000
K-Realty 11th Real Estate Investment Trust Company	1,916	771		-
Others	-	-		93,478
<b>Total</b>	<b>₩ 31,916</b>	<b>₩ 771</b>	<b>₩</b>	<b>278,138</b>

<sup>1</sup> Lease transactions are included in borrowing transactions.

(6) Provision of collateral and investment agreement and others

The Group has an obligation according to invest agreements with related parties such as Kiamco Data Center Blind Fund. As of December 31, 2023 the Group has a plan to make an additional investment of ₩ 107,774 million.

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(7) As of December 31, 2023, the limit of the credit card contract provided by the Group to K Bank, Inc. is ₩ 1,050 million (December 31, 2022: ₩ 1,000 million).

### 36. Financial Risk Management

#### (1) Financial Risk Factors

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

The Group'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 finance market conditions to estimate the effect from the market changes.

##### 1) *Market risk*

The Group'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 Group'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 Group 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 Group 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 Group 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 Group's cash flows. Foreign exchange risk (i.e. foreign currency translation of overseas operating assets and liabilities) unaffacting the Group's cash flows is not hedged but can be hedged at a particular situation.

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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>	<b>Fluctuation of foreign exchange rate</b>	<b>Impact on profit before income tax<sup>1</sup></b>	<b>Impact on equity</b>
2023.12.31	+ 10%	₩ (10,313)	₩ (18,460)
	- 10%	10,313	18,460
2022.12.31	+ 10%	₩ (5,841)	₩ (15,836)
	- 10%	5,841	15,836

<sup>1</sup> Computed with consideration of derivatives hedging effect applied by the Group to hedge foreign exchange risk of liabilities in foreign currencies

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

	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Financial assets</b>	<b>Financial liabilities</b>	<b>Financial assets</b>	<b>Financial liabilities</b>
USD	139,807	2,271,673	106,426	2,336,607
SDR	254	722	255	722
JPY	17,496	400,002	32,801	400,002
GBP	-	-	30	83
EUR	304	7,810	185	7,832
RWF	402	-	15,521	13,025
THB	244	-	265	-
TZS	21,958	-	1,464	-
BWP	680	-	183	-
HKD	-	-	37	-
VND	380,629	-	280,226	-
SGD	1,375	-	448	284,000
TWD	1,685	-	-	-
MYR	-	-	1	-
CHF	-	25	-	-
BGN	-	-	62	-
PKR	114,025	-	-	-

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(iii) *Price risk*

As of December 31, 2023 and 2022, the Group is exposed to equity securities price risk because the securities held by the Group are traded in active markets. If the stock index 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>	<b>Fluctuation of stock index</b>	<b>Impact on profit before income tax</b>	<b>Impact on equity</b>
2023.12.31	+ 10%	₩ 1,473	₩ 121,423
	- 10%	(1,473)	(121,423)
2022.12.31	+ 10%	₩ 111,288	₩ 113,948
	- 10%	(111,288)	(113,948)

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 Group'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.

(iv) *Cash flow and fair value interest rate risk*

The Group'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 Group to cash flow interest rate risk which is partially offset by swap transactions. Debentures and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group 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 had 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>	<b>Fluctuation of interest rate</b>	<b>Impact on profit before income tax</b>	<b>Impact on equity</b>
2023.12.31	+ 100 bp	₩ (2,693)	₩ (4,718)
	- 100 bp	2,696	5,037
2022.12.31	+ 100 bp	₩ 635	₩ (2,045)
	- 100 bp	(669)	2,100

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 management's decision to decrease the risk.

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#### 2) Credit risk

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

##### - Risk management

Credit risk is managed on the Group 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 Group 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 Group's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

##### - Security

For some trade receivables, the Group 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 Group has four 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,
- debt investments carried at fair value through other comprehensive income, 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 Group'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>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Cash and cash equivalents (except for cash on hand)	₩	2,869,285	₩	2,437,629
Trade and other receivables				

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Financial assets at amortized costs	8,458,259	7,459,994
Financial assets at fair value through other comprehensive income	116,198	129,124
Contract assets	832,520	802,253
Other financial assets		
Derivatives financial assets for hedging	159,211	190,830
Financial assets at fair value through profit or loss	880,549	942,274
Financial assets at fair value through other comprehensive income	5,913	5,432
Financial assets at amortized costs	1,385,921	1,060,058
Total	₩ 14,707,856	₩ 13,027,594

The Group is exposed to credit risk for financial guarantee contracts. As of December 31, 2023, the Group's maximum exposure amount is ₩ 116,719 million (2022: ₩ 26,206 million).

*(i) Trade receivables at amortized costs*

The Group applies a simplified method of recognizing the expected credit loss allowance, which uses lifetime expected credit loss for all trade receivables and contact assets.

The Group measures the expected credit loss by considering the future unrecoverable 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. Meanwhile, the credit sales assets of BC Card Co., Ltd., a subsidiary, were judged to have low credit risk, so the expected 12-month credit loss was applied.

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

<i>(in millions of Korean won)</i>	December 31, 2023			
	Less than 6 months	7-12 months	More than 1 years	Total
Expected credit loss rate	5.43%	21.72%	54.55%	-
Total carrying amounts	₩ 3,466,588	₩ 68,772	₩ 235,129	₩ 3,770,489
Provision for impairment	₩ (188,086)	₩ (14,940)	₩ (128,264)	₩ (331,290)

<i>(in millions of Korean won)</i>	December 31, 2022			
	Less than 6 months	7-12 months	More than 1 years	Total
Expected credit loss rate	5.57%	25.84%	67.16%	-
Total carrying amounts	₩ 3,443,163	₩ 49,491	₩ 207,396	₩ 3,700,050
Provision for impairment	₩ (191,668)	₩ (12,789)	₩ (139,281)	₩ (343,738)

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

<i>(in millions of Korean won)</i>	2023		2022	
Beginning balance	₩	343,738	₩	349,725
Provision		69,972		64,522
Written-off		(80,126)		(68,298)
Others		(2,294)		(2,211)
Ending balance	₩	331,290	₩	343,738

As of December 31, 2023, the maximum exposure of the trade receivables carrying amount to credit risk is ₩ 3,439,199 million (2022: ₩ 3,356,312 million).

Impairment of trade receivable 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	₩	69,972	₩	64,522

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

The Group 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.

*(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 of other financial assets at amortized costs for the years ended December 31, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Beginning balance	₩	218,543	₩	201,387
Provision		114,501		65,941
Written-off		(150,014)		(51,383)
Reversal		(14,941)		(850)
Others		15,547		3,448
Ending balance	₩	183,636	₩	218,543

*(iv) Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include available-for-sale recognized in the prior financial year.

All of the debt investments at fair value through other comprehensive income are considered to have low credit risk, and the loss allowance recognized during the period was, therefore, limited to 12 months expected losses. Managements consider '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.

The Group is also exposed to credit risk in relation to financial assets that are measured at fair value through other comprehensive income. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

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(v) *Financial assets at fair value through profit or loss*

The Group 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.

3) *Liquidity risk*

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

The table below analyzes the Group's liabilities (including interest expenses) into relevant maturity groups based on the remaining period at the date of the end of each reporting period to the contractual maturity date. These amounts are contractual undiscounted cash flows and can differ from the amount in the consolidated financial statements.

(in millions of Korean won)

	<b>December 31, 2023</b>			
	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Trade and other payables	₩ 8,184,036	₩ 730,340	₩ 8,040	₩ 8,922,416
Borrowings (including debentures)	2,922,557	6,027,323	1,743,842	10,693,722
Lease liabilities	313,431	617,561	409,174	1,340,166
Other non-derivative financial liabilities	372,743	747,221	10,073	1,130,037
Financial guarantee contracts <sup>1</sup>	13,719	103,000	-	116,719
Total	<u>₩ 11,806,486</u>	<u>₩ 8,225,445</u>	<u>₩ 2,171,129</u>	<u>₩ 22,203,060</u>

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(in millions of Korean won)

	<b>December 31, 2022</b>			
	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Trade and other payables	₩ 7,386,703	₩ 1,009,559	₩ 86,848	₩ 8,483,110
Borrowings (including debentures)	2,028,207	6,972,077	2,016,472	11,016,756
Lease liabilities	313,162	615,766	407,833	1,336,761
Other non-derivative financial liabilities	33,279	209,155	93,744	336,178
Financial guarantee contracts <sup>1</sup>	21,618	-	4,588	26,206
Total	<u>₩ 9,782,969</u>	<u>₩ 8,806,557</u>	<u>₩ 2,609,485</u>	<u>₩ 21,199,011</u>

<sup>1</sup> Total amount guaranteed by the Group according to guarantee contracts. Cash flow from financial guarantee contracts is classified as the maturity group in the earliest period when the financial guarantee contracts can be executed.

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

(in millions of Korean won)

	<b>December 31, 2023</b>			
	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>Derivatives held for trading <sup>1</sup></b>				
Outflows	₩ -	₩ 133,293	₩ -	₩ 133,293
Inflows	-	-	1,015	1,015
<b>Derivatives settled gross <sup>2</sup></b>				
Outflows	₩ 741,140	₩ 1,227,166	₩ 8,126	₩ 1,976,432
Inflows	614,066	2,198,958	36,344	2,849,368

<sup>1</sup> During the year ended December 31, 2023, derivative liabilities held-for-trading are classified under the 'more than one year to less than five years' category as they are relevant to the fair value of derivatives liabilities related to shareholder-to-share contracts (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.

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

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(in millions of Korean won)

	December 31, 2022							
	Less than 1 year		1-5 years		More than 5 years		Total	
<b>Derivatives held for trading <sup>1</sup></b>								
Outflows	₩	-	₩	101,994	₩	930	₩	102,924
<b>Derivatives settled gross <sup>2</sup></b>								
Outflows	₩	472,005	₩	2,493,858	₩	28,786	₩	2,994,649
Inflows		550,478		2,670,002		37,873		3,258,353

<sup>1</sup> During the year ended December 31, 2023, derivative liabilities held-for-trading are classified under the 'more than one year to more than five years' category as they are relevant to the fair value of derivatives liabilities related to shareholder-to-share contracts (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.

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

Meanwhile, as of December 31, 2023, the Group is obligated to invest ₩ 107,774 million in 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 to Future Innovation Private Equity Fund No.3 (Notes 19 and 35).

# KT Corporation and Subsidiaries

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#### (2) Capital Risk Management

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

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

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

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	₩ 24,148,845	₩ 22,565,958
Total equity	18,561,137	18,414,723
Debt-to-equity ratio	130%	123%

The Group manages capital on the basis of the gearing ratio. This 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' in the consolidated statement of financial position plus net debt.

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

<i>(in millions of Korean won)</i>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total borrowings	₩ 10,218,165	₩ 10,006,685
Less: cash and cash equivalents	<u>(2,879,554)</u>	<u>(2,449,062)</u>
Net debt	7,338,611	7,557,623
Total equity	18,561,137	18,414,723
Total capital	25,899,748	25,972,346
Gearing ratio	28%	29%

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**(3) Offsetting Financial Assets and Financial Liabilities**

1) Details of the Group'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	₩ 78,415	₩ (1,407)	₩ 77,008	₩ (59,148)	₩ -	₩ 17,860
Other financial assets	759	(757)	2	(2)	-	-
Total	₩ 79,174	₩ (2,164)	₩ 77,010	₩ (59,150)	₩ -	₩ 17,860

(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	₩ 60,512	₩ -	₩ 60,512	₩ (44,518)	₩ -	₩ 15,994
Other financial assets	764	(764)	-	-	-	-
Total	₩ 61,276	₩ (764)	₩ 65,012	₩ (44,518)	₩ -	₩ 15,994

The amount in the above table includes the amounts subject to offsetting arrangements under the agreement on facility interconnection and data sharing between telecommunication companies.

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2) Details of the Group'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	₩	59,602	₩	(757)	₩ 58,845	₩ (56,196)	₩ -	₩ 2,649
Other payables		4,362		(1,407)	2,955	(2,955)	-	-
Total	₩	63,964	₩	(2,164)	₩ 61,800	₩ (59,151)	₩ -	₩ 2,649

(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	₩	47,271	₩	(764)	₩ 46,507	₩ (44,518)	₩ -	₩ 1,989

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

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**37. Fair Value**

**(1) Fair Value of Financial Instruments by Category**

Carrying amount and fair value of financial instruments by category as of December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	₩ 2,879,554	1	₩ 2,449,062	1
Trade and other receivables				
Financial assets measured at amortized cost <sup>2</sup>	8,326,229	1	7,364,516	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	1,385,921	1	1,060,058	1
Financial assets at fair value through profit or loss	939,661	939,661	1,064,856	1,064,856
Financial assets at fair value through other comprehensive income	1,680,168	1,680,168	1,508,192	1,508,192
Derivative financial assets for hedging	159,211	159,211	190,830	190,830
Total	<u>₩ 15,486,942</u>		<u>₩ 13,766,638</u>	
<b>Financial liabilities</b>				
Trade and other payables <sup>3</sup>	₩ 8,317,822	1	₩ 8,397,264	1
Borrowings	10,218,165	9,979,545	10,006,685	9,405,992
Other financial liabilities				
Financial liabilities at amortized cost	915,185	1	246,606	1
Financial liabilities at fair value through profit or loss	136,106	136,106	141,280	141,280
Derivative financial liabilities for hedging	24,547	24,547	33,555	33,555
Total	<u>₩ 19,611,825</u>		<u>₩ 18,825,390</u>	

<sup>1</sup> The Group did not conduct fair value estimation since the book amount is a reasonable approximation of the fair value.

<sup>2</sup> Lease receivables are excluded from fair value disclosure in accordance with Korean IFRS 1107.

<sup>3</sup> Amounts related to employee benefit plans are included in trade and other payables at the end of previous year.

# **KT Corporation and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

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#### **(2) Fair Value Hierarchy**

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. Financial instruments that are measured at fair value are categorized by the fair value hierarchy, and the defined levels are as follows:

- Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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

(in millions of Korean won)

	<b>December 31, 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
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	13,911	156,918	768,832	939,661
Financial assets at fair value through other comprehensive income	1,230,936	5,206	444,026	1,680,168
Derivative financial assets for hedging	-	159,211	-	159,211
Investment properties	-	-	5,276,169	5,276,169
Total	<u>₩ 1,244,847</u>	<u>₩ 437,533</u>	<u>₩ 6,489,027</u>	<u>₩ 8,171,407</u>
<b>Liabilities</b>				
Borrowings	₩ -	₩ 9,979,545	₩ -	₩ 9,979,545
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,545	134,561	136,106
Derivative financial liabilities for hedging	-	24,547	-	24,547
Total	<u>₩ -</u>	<u>₩ 10,005,637</u>	<u>₩ 134,561</u>	<u>₩ 10,140,198</u>

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**December 31, 2022**

*(in millions of Korean won)*

	Level 1		Level 2		Level 3		Total
<b>Assets</b>							
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		26,647		426,140		612,069	1,064,856
Financial assets at fair value through other comprehensive income		1,005,900		5,163		497,129	1,508,192
Derivative financial assets for hedging		-		189,717		1,113	190,830
Investment properties		-		-		5,370,047	5,370,047
Total	₩	1,032,547	₩	750,144	₩	6,480,358	₩ 8,263,049
<b>Liabilities</b>							
Borrowings	₩	-	₩	9,405,992	₩	-	₩ 9,405,992
Other financial liabilities							
Financial liabilities at fair value through profit or loss		-		-		141,280	141,280
Derivative financial liabilities for hedging		-		33,555		-	33,555
Total	₩	-	₩	9,439,547	₩	141,280	₩ 9,580,827

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**(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 recurring fair value measurements.

Details of changes in Level 3 of the fair value hierarchy for the recurring fair value measurements 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		Derivative financial assets for hedging	Financial liabilities at fair value through profit or loss			
Beginning balance	₩	612,069	₩	497,129	₩	1,113	₩	141,280
Acquisition		216,838		10,267		-		-
Reclassification		26,471		(5,532)		(1,113)		(7,363)
Changes in consolidation scope		252		-		-		-
Disposal		(44,323)		(6)		-		(5,205)
Amount recognized in profit or loss <sup>1</sup>		(42,475)		(61)		-		5,849
Amount recognized in other comprehensive income		-		(57,771)		-		-
Ending balance	₩	768,832	₩	444,026	₩	-	₩	134,561

<sup>1</sup> The recognition of gains and losses on financial liabilities measured at fair value through profit or loss consists of derivative valuation gains and losses.

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	2022			
	Financial assets		Financial liabilities	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets (liabilities) for hedging	Financial liabilities at fair value through profit or loss
Beginning balance	₩ 577,085	₩ 323,373	₩ 31,565	₩ 215,332
Acquisition	226,310	262,408	-	3,046
Reclassification	(8,962)	8,122	-	(54,921)
Changes in consolidation scope	-	(40)	-	-
Disposal	(179,740)	(97,426)	(31,565)	-
Amount recognized in profit or loss <sup>1,2</sup>	(2,624)	18	-	(22,177)
Amount recognized in other comprehensive income <sup>1</sup>	-	674	1,113	-
Ending balance	₩ 612,069	₩ 497,129	₩ 1,113	₩ 141,280

<sup>1</sup> The recognition of gains and losses on derivatives financial liabilities (assets) for hedging purposes consists entirely of derivatives valuation losses.

<sup>2</sup> The recognition of gains and losses on financial liabilities measured at fair value through profit or loss consists of derivative valuation losses.

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**(4) Valuation Technique and the Inputs**

Valuation techniques and inputs used in the recurring, non-recurring fair value measurements and disclosed fair values 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)

		<b>December 31, 2023</b>			
		<b>Fair value</b>	<b>Level</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Assets</b>					
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					
	925,750	2,3	DCF Model, Adjusted Net Asset Model, Monte-Carlo Simulation	Market Interest rate, Underlying asset price	
Financial assets at fair value through other comprehensive income					
	449,232	2,3	DCF Model, Market Approach Model	Discount rate	
Derivative financial assets for hedging					
	159,211	2	DCF Model	Market observation discount rate, Swap interest rate	
Investment properties					
	5,276,169	3	DCF Model		
<b>Liabilities</b>					
Borrowings					
₩	9,979,545	2	DCF Model	Bond interest rate	
Other financial liabilities					
Financial liabilities at fair value through profit or loss					
	136,106	2,3	DCF Model, Binomial Option Pricing Model,	Forward exchange rate, Forward interest rate	
Derivative financial liabilities for hedging					
	24,547	2	DCF Model	Market observation discount rate	

(in millions of Korean won)

		<b>December 31, 2022</b>			
		<b>Fair value</b>	<b>Level</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Assets</b>					
Trade and other receivables					
Financial assets at fair value through other comprehensive income					
₩	129,214	2	DCF Model	Guaranteed bond interest rate	
Other financial assets					

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Financial assets at fair value through profit or loss	1,038,209	2,3	DCF Model, Adjusted Net Asset Model, Monte-Carlo Simulation	Market Interest rate, Underlying asset price
Financial assets at fair value through other comprehensive income	502,292	2,3	DCF Model, Market Approach Model	Discount rate
Derivative financial assets for hedging	190,830	2,3	DCF Model	Market observation discount rate, Swap interest rate
Investment properties	5,370,047	3	DCF Model	
<b>Liabilities</b>				
Borrowings	₩ 9,405,992	2	DCF Model	Bond interest rate
Other financial liabilities				
Financial liabilities at fair value through profit or loss	141,280	3	DCF Model, Binomial Option Pricing Model, Monte-Carlo Simulation	
Derivative financial liabilities for hedging	33,555	2	DCF Model	Market observation discount rate

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

The Group 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 discuss the valuation processes and results with the CFO in line with the Group's closing dates.

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

In the case that the Group 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 that inputs of the valuation techniques become observable in markets, the remaining deferred difference is immediately recognized in full in profit or loss.

In relation to this, details and changes of the total deferred difference for the years ended December 31, 2023 and 2022, are as follows:

*(in millions of Korean won)*

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

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**38. Interests in Unconsolidated Structured Entities**

- (1) Details of information about its interests in unconsolidated structured entities, which the Group does not have control over, including the nature, purpose and activities of the structured entity and how the structured entity is financed, are as follows:

<b>Classes of entities</b>	<b>Nature, purpose, activities and others</b>
Real estate finance	A structured entity incorporated for the purpose of real estate development is provided with funds by investors' investments in equity and borrowings from financial institutions (including long-term and short-term loans and issuance of ABCP due in three months), and based on these, the structured entity implements activities such as real estate acquisition, development and mortgage loans. The structured entity repays loan principals with funds incurred from instalment house sales after the completion of real estate development or with collection of the principal of mortgage loan. The remaining shares are distributed to investors. As of December 31, 2023, this entity is engaged in real estate finance structured entity, and generates revenues by receiving dividends from direct investments in or receiving interests on loans to the structured entity. Financial institutions, including the Entity, are provided with guarantees including joint guarantees or real estate collateral from investors and others. Consequently, the entity is a priority over other parties in the preservation of claim. However, when the credit rating of investors and others decreases or when the value of real estate decreases, the entity may be obliged to cover losses.
PEF and investment funds	Minority investors including managing members contribute to PEF and investment funds incorporated for the purpose of providing funds to the small, medium, or venture entities, and the managing member implements activities such as investments in equity or loans based on the contributions. As of December 31, 2023, the entity is engaged in PEF and investment funds structured entity, and after contributing to PEF and investment funds, the entity receives dividends for operating revenues from these contributions. The entity is provided with underlying assets of PEF and investment funds as collateral. However, when the value of the underlying assets decreases, the entity may be obliged to cover losses.
Asset securitization	The Group transfers accounts receivable for handset sales to its Special Purpose Company ("SPC") for asset securitization. SPC issues the asset-backed securities with accounts receivable for handset sales as an underlying asset, and makes payment for the underlying asset acquired.

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- (2) Details of scale of unconsolidated structured entities and nature of the risks associated with an entity's interests in unconsolidated structured entities as of December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	<b>December 31, 2023</b>			
	<b>Real Estate Finance</b>	<b>PEF and Investment Funds</b>	<b>Asset Securitization</b>	<b>Total</b>
Total assets of unconsolidated structured entities	₩ 7,890,823	₩ 4,833,966	₩ 1,846,270	₩ 14,571,059
Assets recognized in statement of financial position				
Other financial assets	₩ 216,040	₩ 227,266	₩ -	₩ 443,306
Joint ventures and associates	144,517	282,550	-	427,067
Total	<u>₩ 360,557</u>	<u>₩ 509,816</u>	<u>₩ -</u>	<u>₩ 870,373</u>
Maximum loss exposure <sup>1</sup>				
Investment assets	₩ 360,557	₩ 509,816	₩ -	₩ 870,373
Investment agreement, etc	44,975	106,064	-	151,039
Total	<u>₩ 405,532</u>	<u>₩ 615,880</u>	<u>₩ -</u>	<u>₩ 1,021,412</u>

<sup>1</sup> Includes the investments recognized in the Group's financial statements and the amounts which are probable to be determined when certain conditions are met by agreements including purchase agreements, credit granting and others.

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	<b>December 31, 2022</b>			
	<b>Real Estate Finance</b>	<b>PEF and Investment Funds</b>	<b>Asset Securitization</b>	<b>Total</b>
Total assets of unconsolidated structured entities	₩ 3,539,827	₩ 5,580,445	₩ 2,044,989	₩ 11,165,261
Assets recognized in statement of financial position				
Other financial assets	₩ 77,819	₩ 237,907	₩ -	₩ 315,726
Joint ventures and associates	123,138	268,275	-	391,413
Total	<u>₩ 200,957</u>	<u>₩ 506,182</u>	<u>₩ -</u>	<u>₩ 707,139</u>
Maximum loss exposure <sup>1</sup>				
Investment assets	₩ 200,957	₩ 506,182	₩ -	₩ 707,139
Investment agreement, etc.	40,914	91,224	-	132,138
Total	<u>₩ 241,871</u>	<u>₩ 597,406</u>	<u>₩ -</u>	<u>₩ 839,277</u>

<sup>1</sup> Includes the investments recognized in the Group's financial statements and the amounts which are probable to be determined when certain conditions are met by agreements including purchase agreements, credit granting and others.

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**39. Information About Non-Controlling Interests**

**(1) Changes in Accumulated Non-Controlling Interests**

Profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2023 and 2022, is as follows:

(in millions of Korean won)

	<b>2023</b>					
	<b>Non-controlling interests' rate (%)</b>	<b>Accumulated non-controlling interests at the beginning of the year</b>	<b>Profit or loss allocated to non-controlling interests</b>	<b>Dividends paid to non-controlling interests</b>	<b>Others</b>	<b>Accumulated non-controlling interests at the end of the year</b>
KT Skylife Co., Ltd.	49.4%	₩ 423,189	₩ (47,355)	₩ (8,287)	₩ (6,192)	₩ 361,355
BC Card Co., Ltd.	30.5%	524,657	25,355	(4,960)	3,023	548,075
KTIS Corporation	66.7%	141,402	5,947	(2,451)	(1,872)	143,026
KTCS Corporation	78.3%	153,881	14,228	(3,001)	(2,313)	162,795
Nasmedia, Co., Ltd.	55.9%	135,425	10,679	(4,028)	(467)	141,609

(in millions of Korean won)

	<b>2022</b>					
	<b>Non-controlling interests' rate (%)</b>	<b>Accumulated non-controlling interests at the beginning of the year</b>	<b>Profit or loss allocated to non-controlling interests</b>	<b>Dividends paid to non-controlling interests</b>	<b>Others</b>	<b>Accumulated non-controlling interests at the end of the year</b>
KT Skylife Co., Ltd.	49.8%	₩ 410,695	₩ 7,127	₩ (8,284)	₩ 13,651	₩ 423,189
BC Card Co., Ltd.	30.5%	498,928	47,909	(7,641)	(14,539)	524,657
KTIS Corporation	66.7%	135,240	14,965	(2,226)	(6,577)	141,402
KTCS Corporation	78.3%	145,111	18,888	(2,721)	(7,397)	153,881
Nasmedia, Co., Ltd.	56.0%	124,181	15,610	(4,187)	(179)	135,425

**KT Corporation and Subsidiaries**  
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**(2) Summarized Financial Information on Subsidiaries**

The summarized financial information for each subsidiary with non-controlling interests that are material to the Group, before inter-group eliminations, is as follows:

*(in millions of Korean won)*

	<b>December 31, 2023</b>				
	<b>KT Skylife Co., Ltd.</b>	<b>BC Card Co., Ltd.</b>	<b>KTIS Corporation</b>	<b>KTCS Corporation</b>	<b>Nasmedia, Co., Ltd.</b>
Current assets	₩ 425,661	₩ 3,739,847	₩ 111,313	₩ 304,508	₩ 411,774
Non-current assets	795,182	2,613,031	336,296	130,391	101,537
Current liabilities	353,839	3,661,263	116,271	187,621	251,207
Non-current liabilities	125,531	1,061,169	127,248	47,228	11,129
Equity	741,473	1,630,446	204,090	200,050	250,975

*(in millions of Korean won)*

	<b>December 31, 2022</b>				
	<b>KT Skylife Co., Ltd.</b>	<b>BC Card Co., Ltd.</b>	<b>KTIS Corporation</b>	<b>KTCS Corporation</b>	<b>Nasmedia, Co., Ltd.</b>
Current assets	₩ 420,701	₩ 3,152,622	₩ 102,121	₩ 296,209	₩ 435,359
Non-current assets	938,465	2,513,453	294,087	123,517	81,586
Current liabilities	274,637	2,879,551	103,698	188,379	261,381
Non-current liabilities	229,042	1,229,649	95,506	40,240	14,349
Equity	855,487	1,556,875	197,004	191,107	241,215

Summarized consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022, are as follows:

*(in millions of Korean won)*

	<b>2023</b>				
	<b>KT Skylife Co., Ltd.</b>	<b>BC Card Co., Ltd.</b>	<b>KTIS Corporation</b>	<b>KTCS Corporation</b>	<b>Nasmedia, Co., Ltd.</b>
Sales	₩ 1,027,986	₩ 4,025,023	₩ 592,960	₩ 1,035,366	₩ 146,769
Profit for the year	(109,407)	76,545	13,922	15,804	17,703
Other comprehensive income (loss)	(6,625)	13,832	(3,162)	(2,550)	(1,890)
Total comprehensive income	(116,032)	90,377	10,760	13,254	15,813

**KT Corporation and Subsidiaries**  
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(in millions of Korean won)

	<b>2022</b>				
	<b>KT Skylife Co., Ltd.</b>	<b>BC Card Co., Ltd.</b>	<b>KTIS Corporation</b>	<b>KTCS Corporation</b>	<b>Nasmedia, Co., Ltd.</b>
Sales	₩ 1,034,236	₩ 3,895,764	₩ 535,783	₩ 1,030,158	₩ 152,394
Profit for the year	20,941	148,341	15,917	17,634	27,691
Other comprehensive income (loss)	13,544	(5,286)	(2,415)	(134)	(695)
Total comprehensive income	34,485	143,055	13,502	17,500	26,996

Summarized consolidated statements of cash flows for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	<b>2023</b>				
	<b>KT Skylife Co., Ltd.</b>	<b>BC Card Co., Ltd.</b>	<b>KTIS Corporation</b>	<b>KTCS Corporation</b>	<b>Nasmedia, Co., Ltd.</b>
Cash flows from operating activities	₩ 207,207	₩ 82,883	₩ 50,892	₩ 55,146	₩ 8,116
Cash flows from investing activities	(125,343)	(74,430)	(17,636)	(5,901)	(30,910)
Cash flows from financing activities	(50,811)	(67,609)	(32,872)	(26,948)	(11,077)
Net increase (decrease) in cash and cash equivalents	31,053	(59,156)	384	22,297	(33,871)
Cash and cash equivalents at beginning of year	98,695	435,047	24,944	61,814	86,133
Exchange differences	-	(95)	-	-	15
Cash and cash equivalents at end of the year	129,748	375,796	25,328	84,111	52,277

**KT Corporation and Subsidiaries**  
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<i>(in millions of Korean won)</i>	2022				
	KT Skylife Co., Ltd.	BC Card Co., Ltd.	KTIS Corporation	KTCS Corporation	Nasmedia, Co., Ltd.
Cash flows from operating activities	₩ 176,407	₩ (798,043)	₩ 13,809	₩ 19,423	₩ 22,015
Cash flows from investing activities	(78,928)	(7,733)	9,813	13,245	3,845
Cash flows from financing activities	(79,455)	914,441	(29,199)	(35,578)	(11,136)
Net increase (decrease) in cash and cash equivalents	18,024	108,665	(5,577)	(2,910)	14,724
Cash and cash equivalents at beginning of year	80,672	326,482	30,521	63,884	71,396
Exchange differences	(1)	(100)	-	840	13
Cash and cash equivalents at end of the year	98,695	435,047	24,944	61,814	86,133

**(3) Transactions with Non-Controlling Interests**

The effect of changes in the ownership interest on the equity attributable to owners of the Group for the years ended December 31, 2023 and 2022 is summarized as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Carrying amount of non-controlling interests acquired	₩	3,022	₩	19,272
Consideration paid to non-controlling interests		213,819		69,652
Effect of changes in equity (net amount)	₩	216,841	₩	88,924

**40. 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 and its subsidiaries (the "Group") as of December 31, 2023, based on 'Conceptual Framework for Design and Operation of Internal Control over Financial Reporting'.

In our opinion, the Group'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 consolidated financial statements of the Group, which comprise the consolidated statement of financial position as of December 31, 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows, for the year then ended, and notes to the consolidated 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 Group 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 Group.

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

Our responsibility is to express an opinion on the Group'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.

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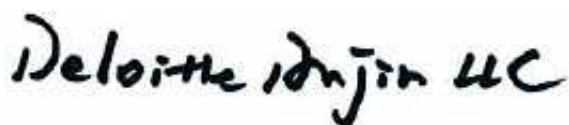
The audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks of that a material weakness exists. The audit includes 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 consolidated 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 consolidated 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 consolidated 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 Group'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 consolidation purposes for the year ended December 31, 2023.

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

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

We designed and operated ICFR for consolidation purposes 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 for consolidation purposes 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 for consolidation purposes, 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.

Chief Executive Officer

Young Shub Kim

February 20, 2024

Internal Control over Financial Reporting Officer

Min Jang