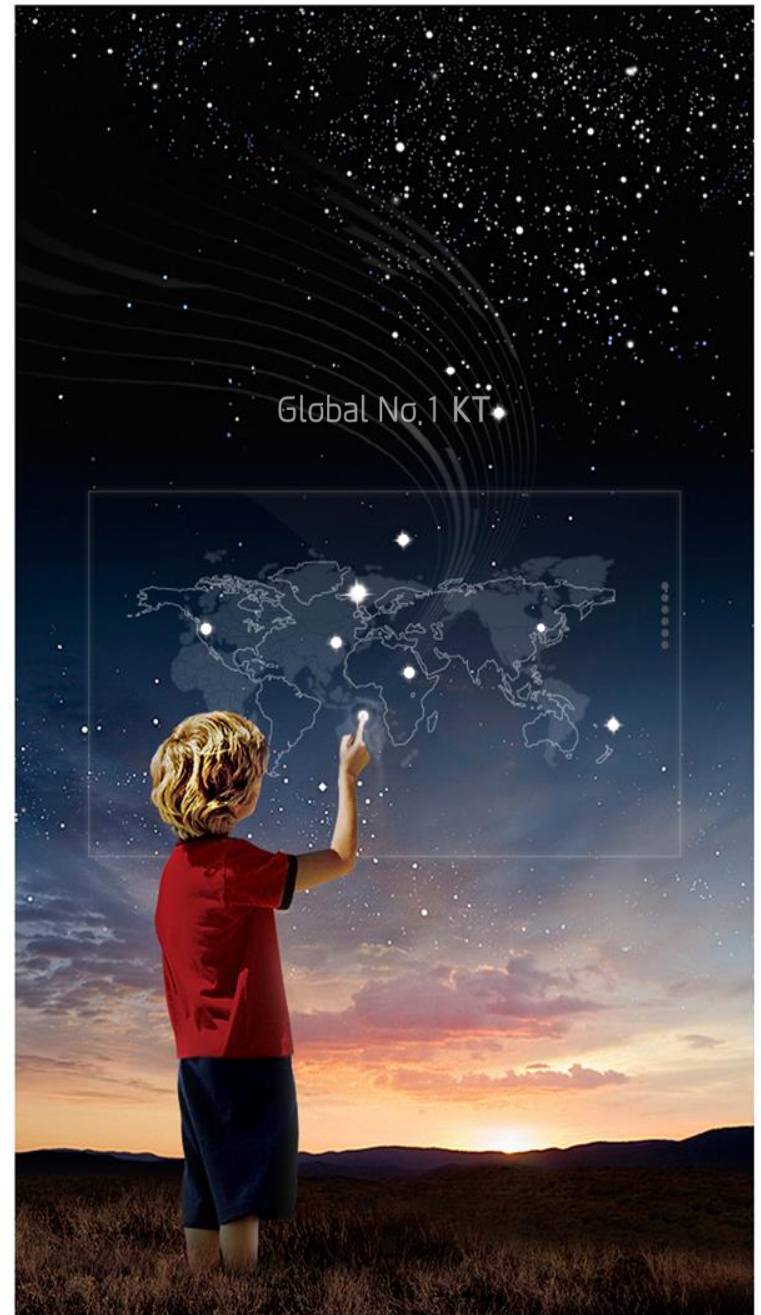


KT 3Q14 Earnings Release

Investor Relations | 2014. 10. 31



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1-1 Financial Highlights

Income Statement

(Unit: KRW bn)

□ **Operating revenue 5,955.6bn**
(YoY) 3.9% / (QoQ) 1.0%

✓ Service revenue 5,130.5bn
(YoY) 4.0% / (QoQ) 2.9%

✓ Merchandise revenue 825bn
(YoY) 3.2%/(QoQ) -9.1%

□ **Operating income 335.1bn**

✓ Recovery of telecom
business and stable profit
contribution from
subsidiaries

□ **Net income 74bn**

□ **EBITDA 1,280.3bn**

(YoY) 7.2% / (QoQ) 923.4%

	3Q14	3Q13	YoY	3Q14	2Q14	QoQ
Operating revenue	5,955.6	5,734.6	3.9%	5,955.6	5,895.5	1.0%
Service revenue	5,130.5	4,935.0	4.0%	5,130.5	4,988.0	2.9%
Merchandise revenue	825.0	799.7	3.2%	825.0	907.5	-9.1%
Operating expense	5,620.5	5,426.8	3.6%	5,620.5	6,708.5	-16.2%
Operating income	335.1	307.8	8.9%	335.1	-813.0	-
<i>Margin (%)</i>	<i>5.6%</i>	<i>5.4%</i>	<i>0.2%p</i>	<i>5.6%</i>	<i>-13.8%</i>	<i>-</i>
Non-operating income (loss)	-245.3	-110.5	-	-245.3	-179.5	-
Income before income taxes	89.8	197.3	-54.5%	89.8	-992.6	-
Net income	74.0	136.3	-45.7%	74.0	-757.2	-
<i>Margin (%)</i>	<i>1.2%</i>	<i>2.4%</i>	<i>-1.2%p</i>	<i>1.2%</i>	<i>-12.8%</i>	<i>-</i>
EBITDA	1,280.3	1,194.5	7.2%	1,280.3	125.1	923.4%
<i>Margin (%)</i>	<i>21.5%</i>	<i>20.8%</i>	<i>0.7%p</i>	<i>21.5%</i>	<i>2.1%</i>	<i>19.4%p</i>

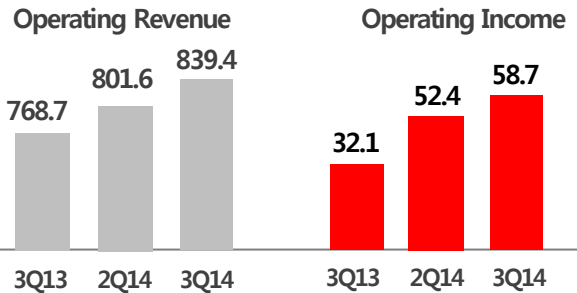
1-2 Financial Highlights

Major Subsidiaries

(Unit: KRW bn)



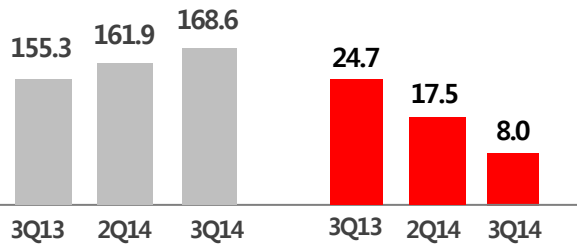
Consolidated from 4Q11
(KT's share : 69.5%)



- **Credit and check card usage increase led to revenue and operating income improvement**
 - Revenue : +9.2% YoY
 - Operating profit : +83.0% YoY



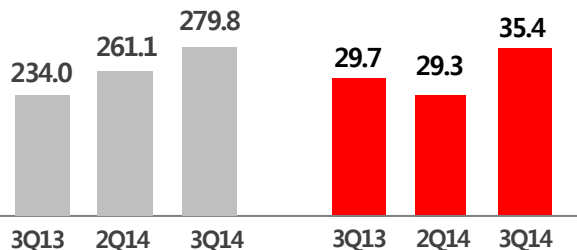
Consolidated from 1Q11
(KT's share : 49.9%)



- **Revenue rose due to subscriber base expansion**
 - Revenue: +8.5% YoY
- **One-off expense led to decrease in operating income**
 - Operating profit: -67.4% YoY



Consolidated from 3Q12
(KT's share : 58.0%)



- **Revenue and operating income both rose as auto rental sales increased**
 - Revenue : +19.5% YoY
 - Operating profit: +19.2% YoY

※ Subsidiaries' financials are consolidated figures

1-3 Financial Highlights

Financial Position

(Unit: KRW bn)

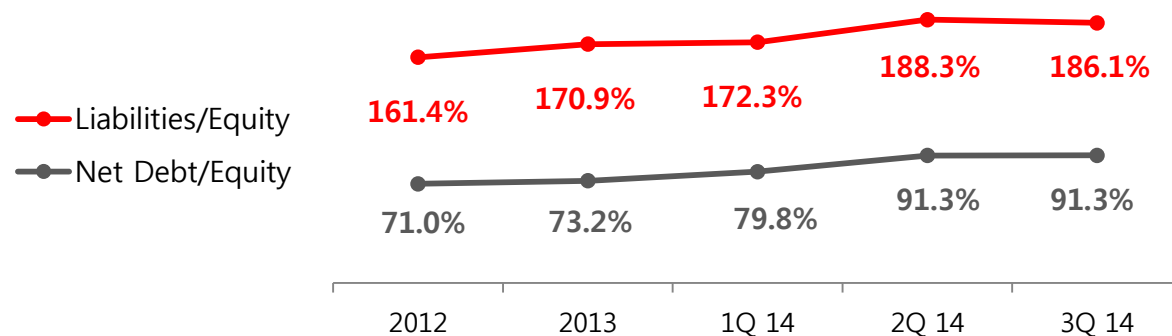
□ Debt Ratio

- Liability to Equity : 186.1%
- Net Debt to Equity : 91.3%

□ Debt Position

- Total Debt : 12,928.7bn
- Net Debt : 10,887.4bn

	3Q14	3Q13	YoY	3Q14	2Q14	QoQ
Assets	34,120.2	34,122.2	0.0%	34,120.2	34,116.4	0.0%
Cash and cash equivalents	2,041.3	2,033.1	0.4%	2,041.3	2,315.8	-11.9%
Liabilities	22,194.2	20,889.2	6.2%	22,194.2	22,284.8	-0.4%
Borrowings	12,928.7	11,651.2	11.0%	12,928.7	13,113.1	-1.4%
Equity	11,926.1	13,233.1	-9.9%	11,926.1	11,831.6	0.8%
Capital Stock	1,564.5	1,564.5	0.0%	1,564.5	1,564.5	0.0%
Net Debt	10,887.4	9,618.1	13.2%	10,887.4	10,797.3	0.8%
<i>Liabilities/Equity</i>	<i>186.1%</i>	<i>157.9%</i>	<i>28.2%p</i>	<i>186.1%</i>	<i>188.3%</i>	<i>-2.2%p</i>
<i>Net Debt/Equity</i>	<i>91.3%</i>	<i>72.7%</i>	<i>18.6%p</i>	<i>91.3%</i>	<i>91.3%</i>	<i>0.0%p</i>



1-4 Financial Highlights

CAPEX

(Unit: KRW bn)

□ Total CAPEX

- 3Q14 : 584.9bn
- YTD : 1,504.8bn
- FY2014 Guidance : KRW 2.7tn

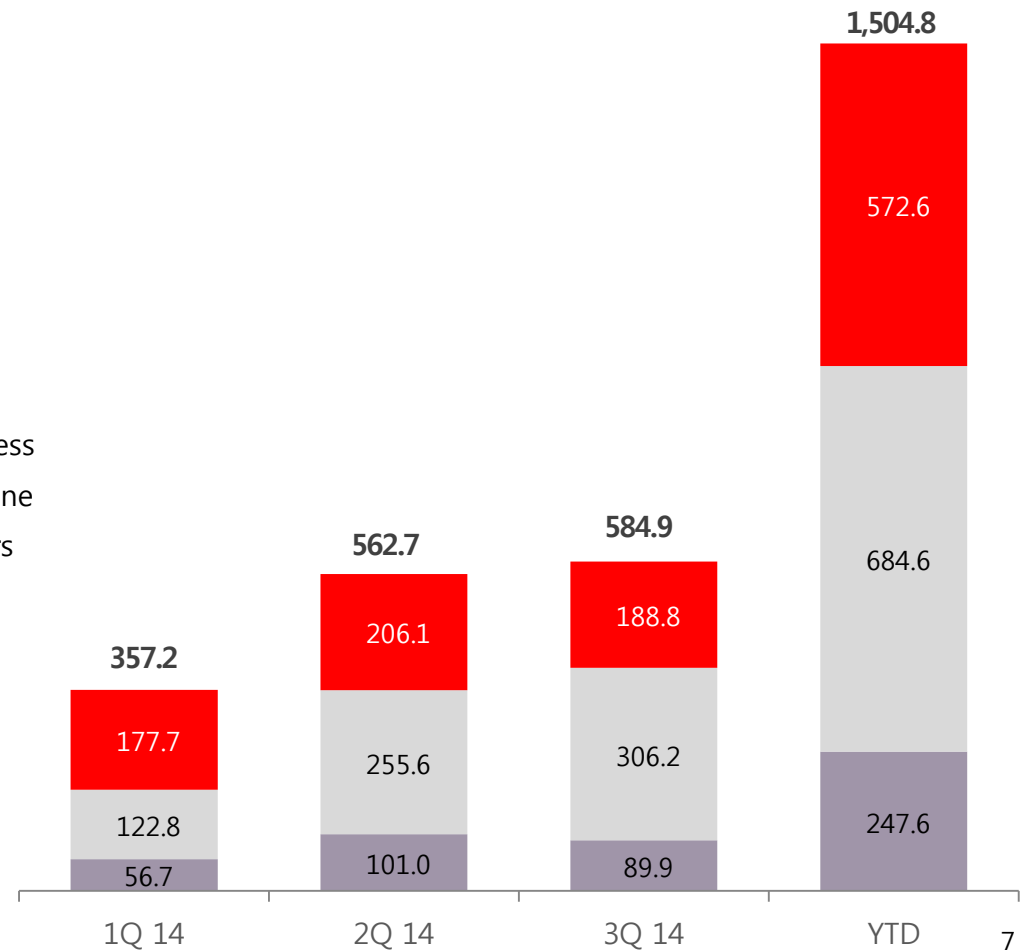
□ Wireless CAPEX

- YTD : 572.6bn
- FY2014 Guidance : KRW 1.0tn

□ Wireline CAPEX

- YTD 684.6bn
- FY2014 Guidance: KRW 1.2tn

- Wireless
- Wireline
- Others





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2-1 Business Overview

Wireless

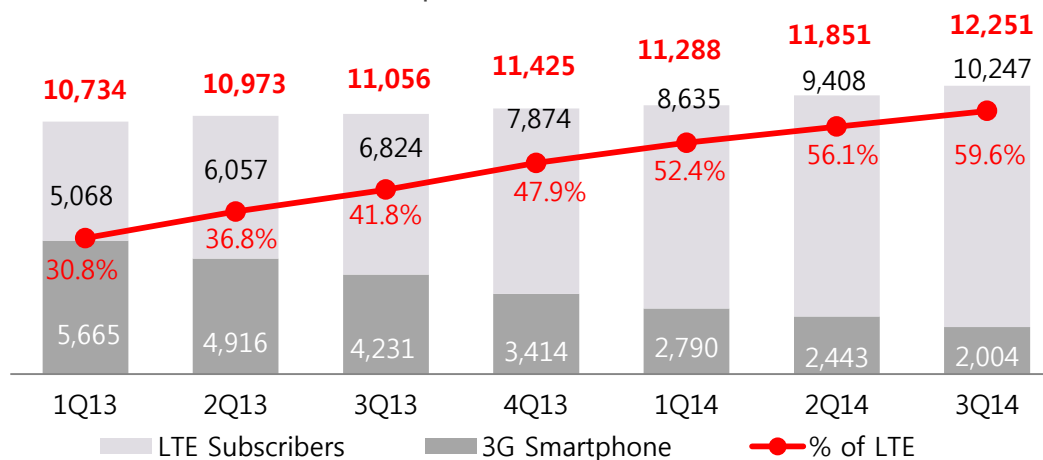
- **Wireless service revenue recorded 1,912.7bn, increased by 6.3% QoQ and 11.6% YoY.**
 - Interconnection Revenue: MOU rose due to increase of unlimited voice plan subscriptions
- **Continued trend in subscriber gains and the level of ARPU growth expanded**
 - Subscribers recorded 17.2m as of 3Q14 with net additions of 410K
 - LTE subscribers stood at 10.3m as of 3Q14, representing 59.6% of total subscribers.
 - Wireless ARPU was recorded at KRW 34,829, increased by QoQ 3.6%, YoY 11.2%

(Unit: KRW bn)

	3Q14	3Q13	YoY	3Q14	2Q14	QoQ
Service	1,601.2	1,463.9	9.4%	1,601.2	1,539.6	4.0%
Interconnection	175.8	148.5	18.4%	175.8	161.5	8.8%
Others	135.6	101.5	33.7%	135.6	97.7	38.8%
Wireless	1,912.7	1,713.8	11.6%	1,912.7	1,798.8	6.3%

<Smartphone Subscribers>

(Unit: 1,000 / %)



2-2 Business Overview

Wireline

(Unit: KRW bn)

- Wireline revenue declined by 2.6% QoQ, 6.2% YoY

	2Q14	2Q13	YoY	2Q14	1Q14	QoQ
Telephony	641.3	717.2	-10.6%	641.3	667.4	-3.9%
Broadband	440.1	442.8	-0.6%	440.1	439.4	0.2%
Line lease	290.0	302.4	-4.1%	290.0	301.2	-3.7%
Wireline	1,371.4	1,462.4	-6.2%	1,371.4	1,408.0	-2.6%

Telephony

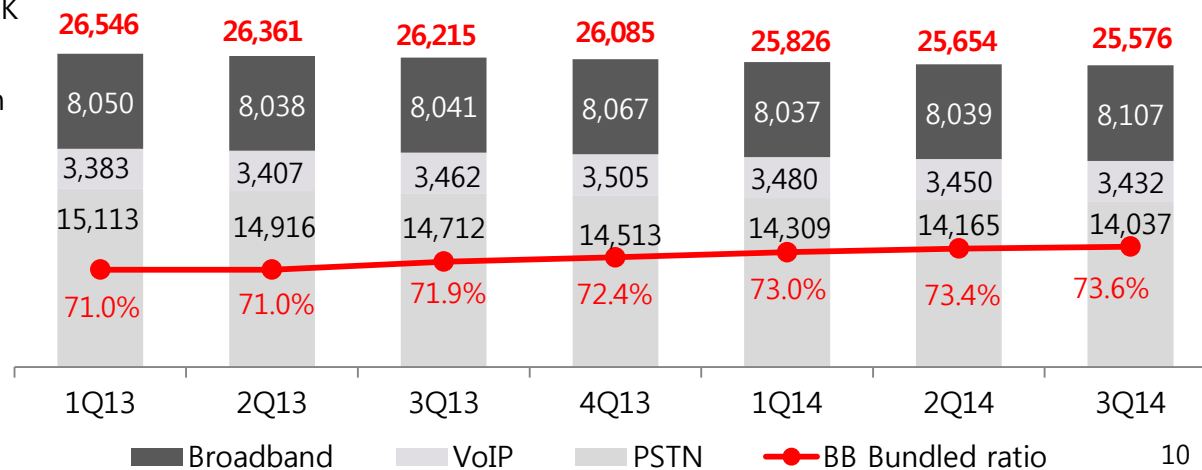
- Telephony revenue fell by 10.6% YoY, mainly due to line loss and MOU decline

Broadband

- Despite subscriber net gains of 680K in 3Q, broadband revenue fell by 0.6% YoY, mainly due to increase in bundling benefits
- Broadband Bundled ratio stood at 73.6%, as of 3Q 14

<Wireline Subscribers>

(Unit: 1,000 / %)



2-3 Business Overview

Media / Contents

□ **Media/Contents revenue grew 3.9% QoQ and 12.8% YoY**

□ **Media revenue increased 12.2% YoY due to IPTV subscriber expansion**

- IPTV media subscribers recorded 5.63m with net gains of 270K in 3Q14

□ **Contents revenue increased by 8.2% QoQ**

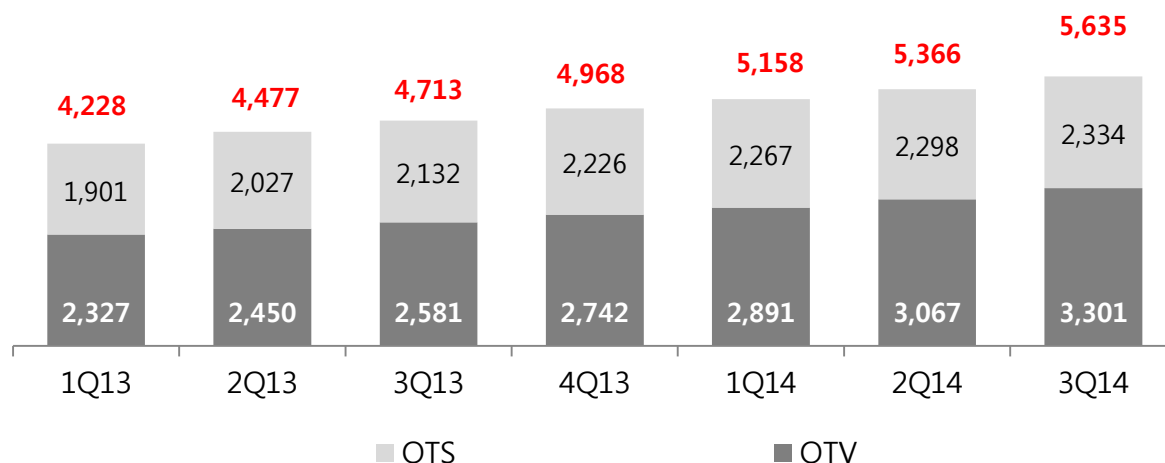
- Increased revenue from contents services of KT music
- Contents distribution revenue increased in KTH

(Unit: KRW bn)

	3Q14	3Q13	YoY	3Q14	2Q14	QoQ
Media	339.7	302.9	12.2%	339.7	329.2	3.2%
Contents	56.3	48.2	17.0%	56.3	52.1	8.2%
Media/Contents	396.1	351.0	12.8%	396.1	381.3	3.9%

<Media Subscribers>

(Unit: 1,000)



2-4 Business Overview

Finance / Rental

(Unit: KRW bn)

□ Finance/Rental revenue

- Finance revenue increased by 6.4% YoY, recording 867.1bn
- Rental revenue increased by 26.9% YoY, recording 205.8bn

	3Q14	3Q13	YoY	3Q14	2Q14	QoQ
Finance/ Rental	1,072.9	976.9	9.8%	1,072.9	1,017.9	5.4%
Finance	867.1	814.7	6.4%	867.1	830.5	4.4%
Rental	205.8	162.1	26.9%	205.8	187.5	9.8%
Other Service	377.5	430.8	-12.4%	377.5	382.0	-1.2%
IT/Solution	173.6	204.5	-15.1%	173.6	171.2	1.4%
Real estate	62.3	72.2	-13.8%	62.3	54.5	14.3%
Other Subsidiaries	141.7	154.1	-8.1%	141.7	156.4	-9.4%

□ Other Service revenue

- IT solution and Real estate sales decline led Other Service revenue to fell 12.4% YoY

Others

□ Merchandise

(Unit: KRW bn)

- Due to handset sales volume increase, merchandise sales grew by 3.2% YoY

	3Q14	3Q13	YoY	3Q14	2Q14	QoQ
Merchandise	825.0	799.7	3.2%	825.0	907.5	-9.1%

2-5 Financial Highlights

Operating Expenses

(Unit: KRW bn)

- Operating expenses was recorded at 5,620.5bn, representing decrease of 16.2% QoQ and increase of 3.6% YoY

- Labor cost fell by 21.8% YoY mainly due to Early Retirement Program

- Cost of service provided rose 1.7% YoY, due to increase in interconnection fee and contents sourcing fees.

- Marketing cost fell by 9.9% QoQ, as a result of stabilized wireless market

	3Q14	3Q13	YoY	3Q14	2Q14	QoQ
Labor cost	635.8	813.0	-21.8%	635.8	1,749.4	-63.7%
General expenses	2,704.6	2,524.3	7.1%	2,704.6	2,598.9	4.1%
Cost of service provided	799.6	786.1	1.7%	799.6	730.4	9.5%
Selling expenses	740.4	592.5	25.0%	740.4	703.6	5.2%
Cost of merchandise	740.0	710.9	4.1%	740.0	926.3	-20.1%
Total	5,620.5	5,426.8	3.6%	5,620.5	6,708.5	-16.2%

※ Marketing Cost

(Unit: KRW bn)

(KT Separate, Profit from handset sales adjusted/Selling & Advertising expenses)

	3Q14	3Q13	YoY	3Q14	2Q14	QoQ
Marketing Cost	741.6	602.9	23.0%	741.6	823.3	-9.9%



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4-1 K-IFRS Quarterly Income Statements

(Unit: KRW bn)

Consolidated I/S	3Q13	4Q13	1Q14	2Q14	3Q14	KT Separate I/S	3Q13	4Q13	1Q14	2Q14	3Q14
Operating revenue	5,734.6	6,214.5	5,846.1	5,895.5	5,955.6	Operating revenue	4,151.3	4,636.1	4,460.9	4,442.5	4,372.4
Service Revenue	4,935.0	5,029.8	4,858.7	4,988.0	5,130.5	Service Revenue	3,470.9	3,549.2	3,485.6	3,558.3	3,637.6
Wireless	1,713.8	1,753.9	1,783.4	1,798.8	1,912.7	Wireless	1,693.3	1,734.9	1,764.3	1,780.2	1,895.1
Fixed line	1,462.4	1,473.4	1,420.1	1,408.0	1,371.4	Fixed line	1,440.2	1,447.8	1,403.8	1,388.9	1,354.6
Media/Contents	351.0	354.5	369.6	381.3	396.1	Media/Contents	146.7	160.3	158.6	162.4	170.3
Finance/Rental	976.9	1,001.0	986.5	1,017.9	1,072.9	Finance/Rental					
Other service	430.8	447.0	299.2	382.0	377.5	Other service	190.8	206.2	158.9	226.8	217.7
Merchandise rev.	799.7	1,184.7	987.4	907.5	825.0	Merchandise rev.	680.4	1,086.9	975.2	884.2	734.8
Operating expense	5,426.8	6,398.5	5,694.0	6,708.5	5,620.5	Operating expense	4,004.3	4,902.4	4,438.4	5,399.0	4,174.3
Service expense	4,715.9	5,242.6	4,761.0	5,782.2	4,880.4	Service expense	3,314.4	3,745.0	3,495.1	4,488.3	3,497.1
Labor expense	813.0	858.3	807.6	1,749.4	635.8	Labor expense	627.0	653.8	631.1	1,565.8	460.3
General expense	2,524.3	2,730.7	2,555.0	2,598.9	2,704.6	General expense	1,583.1	1,789.9	1,588.2	1,635.5	1,708.5
Depreciation	886.7	921.0	931.8	938.1	945.2	Depreciation	725.0	751.2	758.0	750.8	758.1
Commissions	335.2	364.6	329.3	354.6	360.6	Commissions	328.5	404.7	328.4	360.1	375.8
Advertising	44.7	46.3	28.2	33.9	44.3	Advertising	44.3	48.1	28.8	35.8	44.8
Financial biz exp	688.6	707.0	683.5	694.8	723.1	Other general exp	485.3	585.9	473.0	488.7	529.8
Other general exp	569.2	691.9	582.2	577.4	631.4	Cost of svc provided	496.1	583.6	483.7	515.4	561.0
Cost of svc provided	786.1	948.2	656.9	730.4	799.6	Cost of service	207.4	243.0	204.3	235.7	259.0
Cost of service	498.6	608.6	376.9	450.2	497.3	Interconnection fees	210.0	264.3	215.7	222.2	251.1
Interconnection fees	209.8	264.4	216.3	223.2	251.9	Other cost of service	78.7	76.3	63.8	57.4	50.9
Other cost of service	77.7	75.2	63.6	57.0	50.4	Selling expense	608.1	717.7	792.0	771.7	767.4
Selling expense	592.5	705.4	741.6	703.6	740.4	Sales expense	566.5	692.8	764.5	747.7	737.9
Sales expense	544.3	649.4	703.6	669.1	697.2	Bad debt expense	41.7	24.9	27.5	24.0	29.5
Bad debt expense	48.2	55.9	38.0	34.5	43.2	Cost of merch sold	689.9	1,157.5	943.4	910.6	677.2
Cost of merch sold	710.9	1,155.9	933.0	926.3	740.0	Operating income	147.0	-266.3	22.4	-956.5	198.1
Operating income	307.8	-184.0	152.0	-813.0	335.1	EBITDA	872.0	484.9	780.4	-205.7	956.2
EBITDA	1,194.5	737.0	1,083.9	125.1	1,280.3	N-OP income (loss)	-100.4	-514.6	-28.3	-170.2	-218.5
N-OP income (loss)	-110.5	-514.8	-177.9	-179.5	-245.3	N-operating income	9.2	184.3	221.2	146.9	10.3
N-operating income	21.2	221.2	111.8	159.9	10.0	N-operating expense	109.6	698.9	249.5	317.1	228.8
N-operating expense	131.0	739.3	294.8	338.8	262.7	Income bf taxes	46.6	-780.9	-5.9	-1,126.7	-20.4
Equity Method (G/L)	-0.8	3.3	5.2	-0.6	7.4	Income tax	6.1	-173.8	-1.5	-257.0	-17.0
Income bf taxes	197.3	-698.8	-25.9	-992.6	89.8	Income from con op	136.3	-542.5	-40.9	-757.2	74.0
Income tax	61.0	-156.3	15.0	-235.4	15.8	Income from discon. Op	0.0	0.0	0.0	0.0	0.0
Income from con op	136.3	-542.5	-40.9	-757.2	74.0	Net income	136.3	-542.5	-40.9	-757.2	74.0
Income from discon. Op	0.0	0.0	0.0	0.0	0.0	NI contribution to KT	106.0	-558.5	-72.0	-786.9	48.8
Net income	136.3	-542.5	-40.9	-757.2	74.0						
NI contribution to KT	106.0	-558.5	-72.0	-786.9	48.8						

4-2 K-IFRS Statement of Financial Position

(Unit: KRW bn)

Consolidated	3Q13	4Q13	1Q14	2Q 14	3Q 14	KT Separate	3Q13	4Q13	1Q14	2Q14	3Q14
Asset	34,122.2	34,846.5	34,317.5	34,116.4	34,120.2	Asset	25,318.3	25,693.9	25,338.5	25,462.5	25,038.9
Current assets	10,057.3	9,968.4	10,009.0	9,556.2	9,680.9	Current assets	4,992.4	4,711.8	4,476.2	4,403.5	4,228.1
Cash & cash equivalents	2,033.1	2,070.9	1,694.8	2,315.8	2,041.3	Cash & cash equivalents	900.6	1,023.9	440.6	934.6	506.4
Trade & other rec	3,659.6	3,739.1	3,402.7	3,584.3	3,602.8	Trade & other rec	2,909.6	3,007.5	2,894.0	2,917.6	2,849.1
Inventories	776.3	614.1	637.1	499.6	400.3	Inventories	633.5	478.4	480.2	311.1	270.7
Other current assets	3,588.4	3,544.4	4,274.5	3,156.5	3,636.5	Other current assets	548.7	202.0	661.3	240.2	601.8
Non-current assets	24,065.0	24,878.1	24,308.5	24,560.2	24,439.3	Non-current assets	20,325.9	20,982.1	20,862.3	21,059.1	20,810.8
Trade & other rec	647.8	813.5	639.1	753.1	731.5	Trade & other rec	484.7	674.8	507.9	624.1	621.2
P.P.E	15,815.8	16,387.0	16,314.2	16,368.6	16,169.6	P.P.E	12,713.3	13,087.6	12,651.1	12,512.9	12,193.0
Other non-cur assets	7,601.3	7,677.6	7,355.2	7,438.5	7,538.2	Other non-cur assets	7,127.9	7,219.7	7,703.3	7,922.1	7,996.6
Liabilities	20,889.2	21,981.6	21,713.8	22,284.8	22,194.2	Liabilities	13,715.7	14,649.8	14,372.0	15,378.5	14,970.2
Current liabilities	9,870.9	11,187.7	11,227.9	10,706.1	10,340.2	Current liabilities	5,995.2	7,041.0	6,830.8	6,757.8	6,133.9
Trade & other payables	6,165.4	7,413.8	7,079.2	6,494.5	6,568.7	Trade & other payables	3,683.0	5,015.4	4,080.1	4,041.5	3,946.3
Short-term borrowings	2,981.7	3,020.7	3,408.9	3,595.8	3,153.7	Short-term borrowings	1,897.1	1,582.8	2,286.9	2,358.3	1,835.0
Other current liabilities	723.8	753.2	739.8	615.7	617.9	Other current liabilities	415.0	442.9	463.8	358.0	352.6
Non-current liabilities	11,018.3	10,793.9	10,485.9	11,578.7	11,853.9	Non-current liabilities	7,720.5	7,608.8	7,541.2	8,620.8	8,836.3
Trade & other payables	1,136.4	1,058.9	908.3	919.9	954.8	Trade & other payables	1,081.3	1,048.9	860.8	845.1	827.6
Long-term borrowings	8,669.5	8,463.2	8,338.5	9,517.3	9,775.0	Long-term borrowings	5,757.8	5,703.1	5,829.9	7,022.1	7,277.5
Other non-cur liabilities	1,212.4	1,271.8	1,239.2	1,141.5	1,124.0	Other non-cur liabilities	881.5	856.8	850.5	753.5	731.1
Equity	13,233.1	12,864.9	12,603.7	11,831.6	11,926.1	Equity	11,602.6	11,044.1	10,966.5	10,084.0	10,068.7
Net Debt	9,618.1	9,413.0	10,052.6	10,797.3	10,887.4	Net Debt	6,754.3	6,261.9	7,676.2	8,445.8	8,606.1

4-3 Subscribers (KT only)

Wireless	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	QoQ	YoY
Total Wireless Subscribers	17,371	17,354	17,205	17,300	17,293	17,564	17,955	2.2%	4.4%
3G + LTE	16,443	16,439	16,325	16,454	16,473	16,774	17,184	2.4%	5.3%
WiBro	928	915	880	846	820	790	771	-2.4%	-12.4%
Mobile Subscribers (*1,000)									
Gross addition	1,273	1,224	1,080	1,404	1,477	1,459	1,793	22.8%	65.9%
Deactivation	1,332	1,227	1,195	1,274	1,458	1,159	1,383	19.3%	15.8%
Net addition	-59	-3	-114	129	19	301	410	36.3%	459.0%
Churn rate (%)	2.7%	2.5%	2.4%	2.6%	2.9%	2.3%	2.7%	0.4%p	0.3%p
Subscribers	16,443	16,439	16,325	16,454	16,473	16,774	17,184	2.4%	5.3%

※ Mobile : WCDMA + LTE

Mobile ARPU (KRW)

Wireless Service	31,116	31,615	31,332	32,160	32,902	33,619	34,829	3.6%	11.2%
Interconnection	2,920	3,060	3,242	3,450	3,523	3,595	3,896	8.4%	20.2%

※ ARPU: WCDMA+LTE

※ Wireless service : Voice + Data

Wireline	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	QoQ	YoY
Subscribers (*1,000)									
Telephony	18,496	18,323	18,173	18,018	17,789	17,615	17,469	-0.8%	-3.9%
PSTN	15,113	14,916	14,712	14,513	14,309	14,165	14,037	-0.9%	-4.6%
VoIP	3,383	3,407	3,462	3,505	3,480	3,450	3,432	-0.5%	-0.9%
Broadband	8,050	8,038	8,041	8,067	8,037	8,039	8,107	0.8%	0.8%
IPTV	4,228	4,477	4,713	4,968	5,158	5,366	5,635	5.0%	19.5%

Thank you

