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KT CORPORATION

(incorporated in the Republic of Korea with limited liability)

US\$400,000,000
1.000% Notes due 2025
Issue Price: 99.650%

Interest on our US\$400,000,000 1.000% notes due 2025 (the “Notes”) will be payable semi-annually in arrears on March 1 and September 1 of each year, commencing March 1, 2021, until maturity or earlier redemption. We may not redeem the Notes, in whole or in part, prior to maturity except upon the occurrence of certain events related to Korean tax law as described herein. Unless previously redeemed or purchased and in each case cancelled, the Notes will mature on September 1, 2025 at their principal amount.

The Notes will constitute our unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated obligations from time to time outstanding.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “Singapore Exchange”) for the listing and quotation of the Notes on the Singapore Exchange. The Singapore Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the Singapore Exchange are not to be taken as an indication of the merits of us, the offering or the Notes.

The Notes are expected to be rated “A-” by S&P Global Ratings, a division of S&P Global, Inc. (“S&P”) and “A” by Fitch Ratings, Inc. (“Fitch”). A rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating organizations.

Investing in the Notes involves risks. See “Risk Factors” beginning on page 6 of this Offering Circular and the section entitled “Item 3. Key Information – Item 3.D. Risk Factors” contained in our annual report on Form 20-F for the year ended December 31, 2019 (the “KT 2019 Annual Report on Form 20-F”) incorporated by reference herein.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”). The Notes are being offered and sold only outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (“Regulation S”). For a description of certain restrictions on offer, resale or transfer of the Notes, see “Transfer Restrictions,” “Terms and Conditions of the Notes” and “Subscription and Sale.”

The Notes will be evidenced by a global certificate (the “Global Certificate”), in registered form, which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear Bank S.A./N.V. (“Euroclear”), and Clearstream Banking, S.A. (“Clearstream”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective accountholders. Except in limited circumstances set out herein, individual certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificate. See “The Global Certificate.” It is expected that delivery of the Global Certificate will be made on September 1, 2020 or such later date as may be agreed (the “Closing Date”) by us and the Managers. The Managers expect to deliver the Notes, or arrange for the Notes to be delivered, to the purchasers on or about September 1, 2020.

Joint Lead Managers and Joint Bookrunners

BNP PARIBAS
HSBC

Citigroup

Crédit Agricole CIB
Standard Chartered Bank

The date of this Offering Circular is August 24, 2020.

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We have incorporated by reference into this Offering Circular the KT 2019 Annual Report on Form 20-F which includes risk factors, our audited consolidated financial statements and disclosure concerning our business and financial condition and results of operations, as well as other matters. See “Presentation of Financial Information.” You should carefully review the entire Offering Circular, including the KT 2019 Annual Report on Form 20-F, before making an investment decision.

We, having made all reasonable inquiries, confirm that this Offering Circular contains all information with respect to us and the Notes that is material in the context of the issue and offering of the Notes, that the information contained herein is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the Notes, make this Offering Circular as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect, that all reasonable inquiries have been made by us to verify the accuracy of such information and that this Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary in order to make the statements herein, in light of the circumstances under which they are made, not misleading. We accept responsibility accordingly. Information provided herein with respect to Korea and its political status and economy has been derived from information published by the Korean government and other public sources, and we accept responsibility only for the accurate extraction of information from such sources. The information contained in this Offering Circular may only be accurate as of the date of this Offering Circular.

The offer and sale of the Notes have not been, and the Notes will not be, registered under the Securities Act or the securities laws of any other jurisdiction. We are offering the Notes in reliance on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. We are not, and the Managers (as defined in “Subscription and Sale”) are not, making an offer to sell the Notes in any state or other jurisdiction except where an offer or sale is permitted.

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area or the United Kingdom (each, a “Relevant State”) will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant State of Notes which are the subject of the offering contemplated in this Offering Circular may only do so in circumstances in which no obligation arises for us or any of the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither we nor the Managers have authorized, nor do we or they authorize, the making of any offer of Notes in circumstances in which an obligation arises for us or the Managers to publish or supplement a prospectus for such offer. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129, as amended.

This Offering Circular is for distribution only to, and is only directed at, persons who (i) are outside of the United Kingdom, (ii) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (iii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, or (iv) are persons to whom, in connection with the issue or sale of any securities, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended

(“FSMA”)) may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Offering Circular or any of its contents.

This Offering Circular has been confidentially submitted to a limited number of investors for them to consider an investment in the Notes. See “Transfer Restrictions.” We have not authorized its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. This Offering Circular may not be distributed, nor may its contents be disclosed, except to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, each investor agrees to all of these restrictions. Notwithstanding anything to the contrary contained in this Offering Circular, we, the Managers and each investor (and each of their respective employees, representatives, or other agents, as applicable) may disclose to any and all persons, without limitations of any kind, the tax treatment and tax structure of the transaction (including any materials, opinions or analyses relating to such tax treatment or tax structure), provided, however, that we, the Managers and each investor (and each of their respective employees, representatives, or other agents, as applicable) shall not disclose any information that is not necessary to understanding the tax treatment and tax structure of the transaction (including the identity of us, the Managers or any investor and any information that could lead another to determine the identity of us, the Managers or any investor), or any other information to the extent that such disclosure could result in a violation of any U.S. federal or state securities law.

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering of the Notes, including the merits and risks involved. We are not making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. Neither this Offering Circular nor any information supplied in connection with the issue of the Notes should be considered as a recommendation or constituting an invitation or offer by us that any recipient of this Offering Circular should purchase any Notes. The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice.

Any investor who purchases the Notes will be deemed to have made acknowledgements, representations, warranties and agreements intended to restrict the resale or other transfer of the Notes, as set forth under “Transfer Restrictions” in this Offering Circular. Each investor should understand that he or she might be required to bear the financial risks of the investment in the Notes for an indefinite period of time.

No person is authorized in connection with any offering of the Notes to give any information or make any representation other than as contained in this Offering Circular in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by us or by the Managers. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there have been no changes in our affairs since the date hereof. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any Notes by any person except in compliance with all applicable laws and regulations. No representation, undertaking or warranty, express or implied, is made by the Managers or any of their affiliates or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Offering Circular is, or shall be relied upon as a promise or representation by the Managers or their affiliates or advisers. The Managers have not verified any of the information contained herein (financial, legal or otherwise) and assume no responsibility or liability for the accuracy or completeness of any such information or any other information provided by us in connection with the issue of the Notes or their distribution. To the fullest extent permitted by law, none of the Managers accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Managers or on their behalf in connection with the Company, or the issue and offering of the Notes. Each of the Managers

accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstances imply that the information herein or any information supplied in connection with the issuance of the Notes is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in our affairs since the date hereof.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers or any person affiliated with the Managers in connection with investigation of the accuracy of such information or its investment decisions.

The distribution of this Offering Circular and the sale or offering of the Notes (the “Offering”) in certain jurisdictions may be restricted by law. It may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this document may come are required by us and the Managers to inform themselves about and to observe such restrictions. No action is being taken in any jurisdiction to permit an offering to the general public of the Notes or the distribution of this document in any jurisdiction where action would be required for such purposes. For a description of certain further restrictions on offers and resales of the Notes and distribution of this Offering Circular, see “Subscription and Sale.”

We reserve the right to withdraw this offering of the Notes at any time. We and the Managers also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason and to allocate to any prospective investor less than the full amount of Notes sought by such investor.

In connection with this offering, any of the Managers appointed and acting in its capacity as stabilisation manager (the “Stabilisation Manager”) may over-allot or effect transactions that stabilize or maintain the market price of the Notes at a higher level than the Notes might otherwise achieve in the open market for a limited period of time after the issue date. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period. For a description of these activities, see “Subscription and Sale” in this Offering Circular.

THE NOTES HAVE NOT BEEN REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA (THE “FSCMA”). ACCORDINGLY, THE NOTES HAVE NOT BEEN OFFERED, SOLD OR DELIVERED AND WILL NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF KOREA AND THE REGULATIONS THEREUNDER), OR TO ANY OTHER PERSON FOR REOFFERING, RESALE OR RE-DELIVERY, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA, EXCEPT AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL BUYER (OR A “KOREAN QIB,” AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION (THE “KOFIA”) AS A KOREAN QIB AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA, PROVIDED THAT (A) THE NOTES ARE DENOMINATED, AND THE PRINCIPAL AND INTEREST PAYMENTS THEREUNDER ARE MADE, IN A CURRENCY OTHER THAN KOREAN WON, (B) THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO LESS THAN 20 PERCENT OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES, (C) THE NOTES ARE LISTED ON ONE OF THE MAJOR OVERSEAS SECURITIES

MARKETS DESIGNATED BY THE FINANCIAL SUPERVISORY SERVICE OF KOREA, OR CERTAIN PROCEDURES, SUCH AS REGISTRATION OR REPORT WITH A FOREIGN FINANCIAL INVESTMENT REGULATOR, HAVE BEEN COMPLETED FOR OFFERING OF THE NOTES IN A MAJOR OVERSEAS SECURITIES MARKET, (D) THE ONE-YEAR RESTRICTION ON OFFERING, DELIVERING OR SELLING OF NOTES TO A KOREAN RESIDENT OTHER THAN A KOREAN QIB IS EXPRESSLY STATED IN THE NOTES, THE RELEVANT UNDERWRITING AGREEMENT, SUBSCRIPTION AGREEMENT, AND THE OFFERING CIRCULAR AND (E) THE COMPANY AND THE MANAGERS SHALL INDIVIDUALLY OR COLLECTIVELY KEEP THE EVIDENCE OF FULFILLMENT OF CONDITIONS (A) THROUGH (D) ABOVE AFTER HAVING TAKEN NECESSARY ACTIONS THEREFOR.

MiFID II product governance/Professional investors and ECPs target market – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) – We have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Any purchase or acquisition of the Notes is in all respects conditional on the satisfaction of certain conditions set out in the Subscription Agreement and the issue of the Notes by us to the Managers pursuant to the Subscription Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Notes pursuant to this Offering Circular shall (without liability or responsibility on the part of us or the Managers) lapse and cease to have any effect if (for any other reason whatsoever) the Notes are not issued by us to the Managers pursuant to the Subscription Agreement.

CERTAIN DEFINED TERMS, CONVENTIONS AND CURRENCY OF PRESENTATION

Except as otherwise indicated or required by context, references in this Offering Circular to the “Company,” “KT Corporation,” “we,” “us” and “our” refer to KT Corporation. References to “Korea” or the “Republic” are references to The Republic of Korea. References to the “Government” are references to the government of the Republic of Korea. We publish our financial statements in Won. References to “Won” or “₩” are to Korean Won, which is the legal tender currency of Korea. References to “\$,” “US\$,” “U.S. dollars,” “U.S. Dollars” or “cents” are to the currency of the United States of America. For historical information regarding the rate of exchange between Korean Won and the U.S. Dollar, see “Exchange Rates.” Discrepancies pertaining to certain tables in this Offering Circular are due to rounding. Unless otherwise specified, all conversions of Won into U.S. Dollars were made at the market average exchange rate, announced by Seoul Money Brokerage Services Ltd., between U.S. Dollars and Won, (the “Market Average Exchange Rate”). Unless otherwise stated, the translations of Won into U.S. Dollars as of June 30, 2020 (or as of any more recent date) have been made at the Market Average Exchange Rate in effect on June 30, 2020, which was US\$1.00 to Won 1,200.7. This translation was made for the sole purpose of the reader’s convenience and has not been

audited. No representation is made that the Won or U.S. Dollar amounts referred to herein could have been or could be converted into U.S. Dollars or Won, as the case may be, at any particular rate or at all. On August 21, 2020, the Market Average Exchange Rate was US\$1.00 to Won 1,186.3.

AVAILABLE INFORMATION

Copies of our articles of incorporation as well as a fiscal agency agreement to be dated as of September 1, 2020 (the “Fiscal Agency Agreement”), among us, The Bank of New York Mellon, London Branch, (the “Fiscal Agent”) and The Bank of New York Mellon SA/NV, Luxembourg Branch (the “Registrar” and the “Transfer Agent”) and certain other agreements relating to us, are available free of charge from the specified offices of the Fiscal Agent. Our audited annual financial statements and unaudited semi-annual and quarterly financial statements will be available at our principal executive offices at the following address:

KT Corporation
KT Gwanghwamun Building East
33, Jong-ro 3-gil, Jongno-gu
Seoul 03155, Korea

INCORPORATION OF FORM 20-F

We are subject to the informational requirements of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), and file reports and other information with the U.S. Securities and Exchange Commission (the “SEC”). You may inspect and copy reports and other information filed by us at the public reference room of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The KT 2019 Annual Report on Form 20-F that was filed with the SEC on April 29, 2020, and which includes our latest audited financial statements, is incorporated by reference into this Offering Circular and is available to the public at the SEC’s website at <http://www.sec.gov>. As a foreign private issuer, we are exempt from certain provisions of the Exchange Act, including those requiring the furnishing and prescribing the content of proxy statements and those requiring the reporting of insider purchases and sales of our equity securities. Any filings we make electronically will be available to the public over the Internet at the SEC’s website at <http://www.sec.gov>.

The incorporation of the KT 2019 Annual Report on Form 20-F into this Offering Circular should not be understood to mean that any statements contained in the KT 2019 Annual Report on Form 20-F are true or complete as of any date subsequent to April 29, 2020.

PRESENTATION OF FINANCIAL INFORMATION

The financial information as of December 31, 2018 and 2019 and for each of the three years in the period ended December 31, 2019 included herein is derived from our audited consolidated financial statements in the KT 2019 Annual Report on Form 20-F, which is incorporated by reference into this Offering Circular (“audited annual financial statements”). Such financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial information presented as of June 30, 2020 and for the six-month periods ended June 30, 2019 and 2020 included herein is derived from our unaudited consolidated interim financial statements included in this Offering Circular (“unaudited interim financial statements”). Such financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by Korea (“K-IFRS”) 1034 “*Interim Financial Reporting*.”

All financial information, descriptions and other information in this Offering Circular regarding our activities, financial condition and results of operations are, unless otherwise indicated or required by context, presented on a consolidated basis.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes “forward-looking statements,” as defined in Section 27A of the Securities Act and Section 21E of the Exchange Act, including statements regarding our expectations and projections for future operating performance and business prospects. The words “believe,” “expect,” “anticipate,” “estimate,” “project,” “plan,” “can,” “may,” “will” and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular are forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. This Offering Circular discloses, under the caption “Risk Factors,” the section entitled “Item 3. Key Information – Item 3.D. Risk Factors” contained in the KT 2019 Annual Report on Form 20-F and elsewhere, important factors that could cause actual results to differ materially from our expectations (“Cautionary Statements”). All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Cautionary Statements.

SUMMARY

You should read the following summary as an introduction to and in conjunction with the more detailed information about us and our consolidated financial statements contained in the KT 2019 Annual Report on Form 20-F incorporated by reference into this Offering Circular.

KT Corporation

We are the leading integrated telecommunications service provider in Korea and one of the most advanced in Asia. Our principal services include:

- mobile voice and data telecommunications services based on 5G, 4G LTE and 3G W-CDMA technology;
- fixed-line services, which include:
 - (i) fixed-line telephone services, including local, domestic long-distance and international long-distance services, (ii) Voice over Internet Protocol (“VoIP”) telephone services (i.e., provision of communication services over the Internet, and not over the fixed-line public switched telephone network (“PSTN”) and (iii) interconnection services to other telecommunications companies;
 - broadband Internet access services; and
 - data communication services, including fixed-line and satellite leased line services and dedicated broadband Internet connection service to institutional customers;
- media and content services, including Internet protocol television (“IPTV”), satellite TV, TV home shopping, digital contents distribution, information and communication technology platform consulting, digital music streaming and downloading and online advertising;
- credit card processing and other financial services offered primarily through BC Card;
- various business activities that extend beyond telecommunications and financial services, including information technology and network services and satellite services as well as rental of real estate by KT Estate Inc. (“KT Estate”); and
- sale of goods, primarily sale of handsets related to our mobile services and miscellaneous telecommunications equipment, as well as sale of residential units and commercial real estate developed by KT Estate.

Leveraging our dominant position in the fixed-line telephone services market and our established customer base in Korea, we have successfully pursued new growth opportunities and obtained strong market positions in each of our principal lines of business. In particular:

- in mobile services, we achieved a market share of 31.8% with approximately 22.1 million subscribers as of June 30, 2020;
- in fixed-line and VoIP telephone services, we had approximately 13.8 million subscribers, consisting of 10.7 million PSTN subscribers and 3.1 million VoIP subscribers as of June 30, 2020. As of such date, our market share of the fixed-line local telephone and VoIP services was 56.9%;
- we are Korea’s largest broadband Internet access provider with approximately 9.0 million subscribers as of June 30, 2020, representing a market share of 40.8%.

For the year ended December 31, 2019, our operating revenue was ₩24,889 billion, our profit for the year was ₩699 billion and our basic earnings per share was ₩2,648. For the six months ended June 30, 2020, our operating revenue was ₩11,708 billion, our profit for the period was ₩434 billion and our basic earnings per share was ₩1,570. As of June 30, 2020, our total assets were ₩34,003 billion, total liabilities were ₩18,630 billion and total equity was ₩15,374 billion.

Recent Developments

Investment in K Bank

In July 2020, we completed the transfer of our 10.00% ownership in the common shares of K Bank Inc. (“K Bank”), an Internet-only bank that began its commercial operations in April 2017, to BC Card Co., Ltd. (“BC Card”), a leading credit card solutions provider in Korea in which we hold a 69.54% interest. Under the terms of the transaction, our interest in K Bank was transferred to BC Card for ₩36 billion. In July 2020, BC Card further increased its interest in K Bank to 34.0% through a rights offering in which BC Card acquired 28.3 million common shares and 10.7 million convertible non-voting shares for ₩195 billion using a portion of its proceeds of ₩351 billion from its sale of a portion of its holdings in Mastercard Incorporated, and became the largest shareholder of K Bank. Other shareholders of K Bank include Woori Bank, NH Investment & Securities, Co., Ltd., GS Retail Co., Ltd. and Hanwha Life Insurance Co., Ltd.

Potential Acquisition of Hyundai HCN

In July 2020, KT Skylife Co., Ltd. (“KT Skylife”), in which we own a 49.99% interest, was selected as the preferred bidder in connection with the acquisition of a controlling interest in Hyundai HCN Co. Ltd. (“HCN”), which is Korea’s fifth largest cable operator. Negotiations for the acquisition are currently on-going, and such acquisition will be subject to satisfaction of certain conditions, including completion of certain corporate restructuring measures by HCN as well as regulatory approval.

Capital Expenditures in 2020

We operate in a highly competitive industry that requires continual capital expenditures for build out and improvement of our telecommunications network. On a consolidated basis, our cash outflows for the acquisition of property, plant and equipment and investment property amounted to ₩2,442 billion in 2017, ₩2,261 billion in 2018, ₩3,263 billion in 2019 and ₩1,651 billion in the first half of 2020. We currently expect our annual capital expenditures for the acquisition of property, plant and equipment and investment property in 2020 to be ₩3.1 billion on a standalone basis (including amounts already expended to date), as we continue to expand our 5G coverage nationwide and increase the transmission speed of our 5G services. We periodically adjust our capital expenditure plans on an on-going basis subject to market demand for our services, the market outlook for the telecommunications industry as well as global economic conditions in general.

The Offering

Terms used in this summary and not otherwise defined shall have the meanings given to them in “Terms and Conditions of the Notes.”

Issuer	KT Corporation
Offering	US\$400,000,000 1.000% Notes due 2025 are being offered outside of the United States to non-U.S. persons in reliance on Regulation S.
Issue Price	99.650% of the principal amount of the Notes.
Interest	<p>The Notes bear interest at the rate of 1.000% per annum from, and including, September 1, 2020 to, but excluding, the due date for redemption of the Notes. Interest will be paid semi-annually in arrears on March 1 and September 1 in each year (each an “Interest Payment Date”). The first Interest Payment Date will be March 1, 2021 in respect of the period from and including September 1, 2020 to, but excluding, March 1, 2021.</p> <p>In the event that an Interest Payment Date is not on the day banking institutions are open for business in The City of New York, London and Seoul (“Business Day”), such payment date shall be the immediately following day which is a Business Day.</p>
Closing Date.	September 1, 2020
Maturity.	September 1, 2025
Ranking	The Notes will constitute our direct, unconditional, unsubordinated and unsecured obligations and will rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all of our other present and future outstanding and unsecured and unsubordinated obligations other than obligations preferred by mandatory provisions of applicable law.
Form and Denomination	The Notes will be denominated in principal amounts of US\$200,000 (which shall not be split to a lesser amount) and integral multiples of US\$1,000 in excess thereof. Notes sold will be evidenced by the Global Certificate, in fully registered form without interest coupons and will be registered in the name of a nominee of the common depositary for Euroclear and Clearstream. The Notes are not issuable in bearer form. Beneficial interest in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective account holders.
Certain Covenants	The Notes contain certain limitations on the creation, incurrence, issuance or assumption or the guarantee by us or certain of our subsidiaries of certain debt secured by any mortgage, charge, pledge, encumbrance or other security interest on certain of our properties or assets or those of such subsidiaries. The Notes also contain certain limitations on sale and leaseback transactions by us or certain of our subsidiaries. See “Terms and Conditions of the Notes – Covenants of the Company.”

Optional Tax Redemption .	We may, at our option, redeem the Notes, in whole but not in part, at 100% of their principal amount plus accrued interest (if any) to, but not excluding, the date fixed for redemption, if we have or would become obligated to pay additional amounts in respect of certain Korean taxes imposed in respect of payments of principal of or interest on the Notes. See “Terms and Conditions of the Notes – Optional Redemption For Tax Reasons.”
Additional Amounts	If withholding or deduction of present or future taxes or other governmental charges is required by Korea, subject to certain exceptions, we will pay additional amounts as are necessary in order to ensure that the net amounts received by Holders of Notes after such withholding or deduction is the same as the amount of principal and interest which the Holders would have received in the absence of that withholding or deduction. See “Terms and Conditions of the Notes – Taxation.”
Listing	Approval in-principle has been received from the Singapore Exchange for the listing and quotation of the Notes on the Singapore Exchange. For so long as the Notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, the Notes, if traded on the Singapore Exchange, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the Singapore Exchange, will be traded in a minimum board lot size of US\$200,000.
Transfer of the Notes	All transfers of the Notes and entries on the Notes Register shall be made subject to the detailed provisions concerning transfer of the Notes set forth in the Fiscal Agency Agreement. In addition, transfers of interests in the Notes will be subject to certain other restrictions. For a discussion of these restrictions, see “Transfer Restrictions,” “Terms and Conditions of the Notes – Transfer of Notes, Issue and Replacement of Certificates” and “Subscription and Sale.”
Rating of the Notes	The Notes are expected to be rated “A-” by S&P and “A” by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.
Use of Proceeds	We intend to use the net proceeds from the offering principally for the refinancing of our long-term debt.
Governing Law	The Notes and the Fiscal Agency Agreement are governed by, and construed in accordance with, the laws of the State of New York.
Fiscal Agent and Paying Agent	The Bank of New York Mellon, London Branch

For so long as the Notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, in the event that the Global Certificate is exchanged for definitive certificates, we will appoint and maintain a paying agent in Singapore (“Singapore Paying Agent”) where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of us through the Singapore Exchange and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the Singapore Paying Agent.

Registrar and Transfer

Agent The Bank of New York Mellon SA/NV, Luxembourg Branch

Risk Factors Investing in the Notes involves risks. See “Risk Factors” beginning on page 6 of this Offering Circular and the section entitled “Item 3. Key Information – Item 3.D. Risk Factors” contained in the KT 2019 Annual Report on Form 20-F incorporated by reference herein for a description of certain risks that investors should consider before making an investment in the Notes.

Delivery of the Notes. Delivery of Notes against payment in same-day funds, is expected on or about September 1, 2020.

ISIN XS2218281942

Common Code 221828194

RISK FACTORS

Investing in the Notes offered through this Offering Circular involves risk. Prospective investors should carefully consider the following and other risk factors in the KT 2019 Annual Report on Form 20-F under the section entitled “Item 3. Key Information – Risk Factors,” in addition to the other information contained in this Offering Circular, before investing in the Notes. The risks described below and in the KT 2019 Annual Report on Form 20-F are not the only risks that may be relevant to us or the Notes. Additional risks and uncertainties, including those of which our management is not currently aware or deems immaterial, may also have an adverse effect on our business, results of operations, financial condition or future prospects or may result in other events that could cause investors to lose all or part of their investment.

Risks Relating to the Notes

The Notes are unsecured obligations.

Because the Notes are unsecured obligations, our ability to pay interest or principal on the Notes may be adversely affected if we enter into bankruptcy, liquidation, reorganization or other winding-up proceedings, we default in payment under our future secured indebtedness or other unsecured indebtedness, or our indebtedness becomes accelerated. If any of the foregoing events occurs, our assets may not be sufficient to pay amounts due on any of the Notes.

The Notes are subject to transfer restrictions.

The Notes have not been and will not be registered under the FSCMA. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transaction Law of Korea and its Enforcement Decree), except as otherwise permitted under applicable Korean laws and regulations.

In addition, until the expiration of one year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than to a Korean QIB registered with KOFIA as a Korean QIB as defined in the Regulation on Issuance, Public Disclosure, etc. of Securities of Korea, provided that (a) the Notes are denominated, and the principal and interest payments thereunder are made, in a currency other than Korean Won, (b) the amount of the Notes acquired by such Korean QIBs in the primary market is limited to less than 20 percent of the aggregate issue amount of the Notes, (c) the Notes are listed on one of the major overseas securities markets designated by the Financial Supervisory Service of Korea, or certain procedures, such as registration or report with a foreign financial investment regulator, have been completed for offering of the Notes in a major overseas securities market, (d) the one-year restriction on offering, delivering or selling of Notes to a Korean resident other than a Korean QIB is expressly stated in the Notes, the relevant underwriting agreement or subscription agreement, and the offering circular and (e) we and the Managers shall individually or collectively keep the evidence of fulfillment of conditions (a) through (d) above after having taken necessary actions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to certain persons in offshore transactions in reliance on Regulation S, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. For a further discussion of the transfer restrictions applicable to the Notes, see “Transfer Restrictions.”

The Notes may have limited liquidity.

The Notes constitute a new issue of securities that may not be widely distributed and for which there is no existing market. Approval in-principle has been received from the Singapore Exchange for the listing and quotation of the Notes on the Singapore Exchange. The offer and sale of the Notes is not conditioned on obtaining a listing of the Notes on the Singapore Exchange or any other exchange.

Although the Managers have advised us that they currently intend to make a market in the Notes, they are not obligated to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice at their sole discretion. For further discussion of the Managers' planned market-making activities, see "Subscription and Sale."

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- our results of operations and financial condition;
- political and economic developments in and affecting Korea;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean financial sector.

Credit ratings are periodically assigned to us and the Notes.

Our debt securities, including the Notes, and we are subject to periodic review by independent credit rating agencies. Accordingly, increases in the level of our outstanding indebtedness, a deterioration in our operating performance or other events could cause the rating agencies to downgrade our credit ratings generally and the ratings on the Notes, which could adversely impact the trading prices for, or the liquidity of, the Notes. Any such downgrade could also adversely affect our cost of borrowing, limit our access to the capital markets or result in more restrictive covenants in future debt agreements.

The Notes are expected to be rated "A-" by S&P and "A" by Fitch. The credit ratings assigned to the Notes are limited in scope, and may not reflect the potential impact of all risks that may affect the value of the Notes. Each agency's rating should be evaluated independently of any other agency's rating. A credit rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. There can be no assurance that these ratings will remain in effect for a given period or that these ratings will not be revised by the rating agencies in the future.

USE OF PROCEEDS

We expect to use the net proceeds from the sale of the Notes principally for the repayment of our existing indebtedness.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of June 30, 2020 and as adjusted to give effect to the issuance of the Notes offered hereby, before deducting the Managers' discounts and estimated offering expenses payable by us and on the assumption that the proceeds from the issuance of the Notes will not be used for the immediate repayment of outstanding borrowings. For additional information, see our consolidated interim financial statements as of June 30, 2020 and for the six months ended June 30, 2019 and 2020 and the notes thereto included elsewhere in this Offering Circular.

	As of June 30, 2020	
	Actual	As Adjusted
	(in billions of Won)	
Non-current borrowings:		
Long-term borrowings, excluding current portion	₩ 6,320	₩ 6,320
Notes offered hereby ⁽¹⁾	-	480
Total long-term borrowings	6,320	6,800
Equity:		
Share capital	1,564	1,564
Share premium	1,440	1,440
Retained earnings	11,934	11,934
Accumulated other comprehensive income	39	39
Other components of equity	(1,156)	(1,156)
Equity attributable to owners of the controlling company	13,823	13,823
Non-controlling interest	1,551	1,551
Total equity	15,374	15,374
Total capitalization	₩ 21,694	₩ 22,174

(1) Translated into Won at ₩1,200.7 to US\$1.00, the Market Average Exchange Rate in effect on June 30, 2020.

There has been no material change in our total capitalization since June 30, 2020.

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the Market Average Exchange Rate, announced by Seoul Money Brokerage Services, Ltd., between Won and U.S. dollars and rounded to the nearest tenth of one Won. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

<u>Period</u>	<u>At End of Period</u>	<u>Average Rate⁽¹⁾</u>	<u>High</u>	<u>Low</u>
		(Won per US\$1.00)		
2015	₩ 1,172.0	₩ 1,131.5	₩ 1,203.1	₩ 1,068.1
2016	1,208.5	1,160.5	1,240.9	1,093.2
2017	1,071.4	1,130.8	1,208.5	1,071.4
2018	1,118.1	1,100.3	1,142.5	1,057.6
2019	1,157.8	1,165.7	1,218.9	1,111.6
2020 (through August 21)	1,186.3	1,204.2	1,280.1	1,153.1
January	1,183.5	1,164.3	1,183.5	1,153.1
February	1,215.9	1,193.8	1,217.7	1,179.8
March	1,222.6	1,220.1	1,280.1	1,185.0
April	1,225.2	1,225.2	1,237.6	1,212.3
May	1,239.4	1,228.7	1,242.0	1,217.7
June	1,200.7	1,210.0	1,237.6	1,192.8
July	1,191.4	1,198.9	1,206.4	1,191.4
August (through August 21)	1,186.3	1,187.0	1,193.7	1,182.3

Source: Seoul Money Brokerage Services, Ltd.

- (1) The average rate for each year is calculated as the average of the Market Average Exchange Rates on each business day during the relevant year (or portion thereof). The average rate for a month is calculated as the average of the Market Average Exchange Rates on each business day during the relevant month (or portion thereof).

SELECTED FINANCIAL INFORMATION

The selected financial data as of December 31, 2018 and 2019 and for the years ended December 31, 2017, 2018 and 2019 set forth below have been derived from our audited annual financial statements contained in the KT 2019 Annual Report on Form 20-F incorporated by reference into this Offering Circular. Such financial statements have been prepared in accordance with IFRS as issued by the IASB.

Selected Financial Information Related to Audited Annual Financial Statements (IASB IFRS)

Statement of Comprehensive Income Data (IASB IFRS)

	Year Ended December 31,		
	2017	2018	2019
	(In billions of Won, except per share data)		
Continuing Operations:			
Operating revenue	₩ 23,547	₩ 23,436	₩ 24,899
Revenue	23,260	23,220	24,640
Others	287	216	259
Operating expenses	22,478	22,335	23,879
Operating profit	1,069	1,101	1,020
Finance income	406	374	424
Finance costs	645	436	422
Share of net profits (loss) of associates and joint ventures	(14)	(5)	(3)
Profit from continuing operations before income tax	817	1,034	1,019
Income tax expense	271	315	320
Profit for the year from continuing operations	546	719	699
Discontinued operations:			
Profit from discontinued operations	-	-	-
Profit for the year	₩ 546	₩ 719	₩ 699
Profit for the year attributable to:			
Equity holders of the parent company	₩ 462	₩ 645	₩ 649
Profit from continuing operations	462	645	649
Profit from discontinued operations	-	-	-
Non-controlling interest	₩ 85	₩ 74	₩ 50
Profit from continuing operations	85	74	50
Loss from discontinued operations	-	-	-
Earnings per share attributable to the equity holders of the parent company during the period:			
Basic earnings per share	₩ 1,884	₩ 2,634	₩ 2,648
From continuing operations	1,884	2,634	2,648
From discontinued operations	-	-	-
Diluted earnings per share	₩ 1,883	₩ 2,634	₩ 2,646
From continuing operations	1,883	2,634	2,646
From discontinued operations	-	-	-

Statement of Financial Position Data (IASB IFRS)

	As of December 31,	
	2018	2019
	<i>(In billions of Won)</i>	
Assets:		
Current assets:		
Cash and cash equivalents	₩ 2,703	₩ 2,306
Trade and other receivables, net	5,680	5,859
Other financial assets	995	868
Current income tax assets	4	68
Inventories, net	1,075	792
Assets held for sale	13	84
Other current assets	<u>1,688</u>	<u>2,000</u>
Total current assets	12,158	11,977
Non-current assets:		
Trade and other receivables, net	843	1,182
Other financial assets	623	822
Property and equipment, net	13,068	13,785
Right-of-use assets	–	788
Investment property, net	1,091	1,387
Intangible assets, net	3,407	2,834
Investments in jointly controlled entities and associates	272	268
Deferred income tax assets	465	425
Other non-current assets	<u>546</u>	<u>685</u>
Total non-current assets	20,316	22,177
Total assets	₩ 32,474	₩ 34,153
Liabilities and Equity:		
Current liabilities:		
Trade and other payables	₩ 6,948	₩ 7,597
Borrowings	1,368	1,186
Other financial liabilities	1	1
Current income tax liabilities	250	66
Provisions	118	176
Deferred income	53	53
Other current liabilities	<u>656</u>	<u>1,032</u>
Total current liabilities	9,394	10,111
Non-current liabilities:		
Trade and other payables	1,409	1,082
Borrowings	5,280	6,113
Other financial liabilities	163	149
Retirement benefit liabilities	561	366
Provisions	164	79
Deferred income	111	99
Deferred income tax liabilities	205	425
Other non-current liabilities	<u>528</u>	<u>585</u>
Total non-current liabilities	8,422	8,898
Total liabilities	₩ 17,816	₩ 19,009
Equity attributable to owners of the parent company:		
Paid-in capital		
Share capital	₩ 1,564	₩ 1,564
Share premium	1,440	1,440
Retained earnings	11,256	11,594
Accumulated other comprehensive income (expense)	50	195
Other components of equity	(1,181)	(1,170)
Total equity attributable to owners of the parent company	13,130	13,624
Non-controlling interest	1,529	1,520
Total equity	14,658	15,144
Total liabilities and equity	₩ 32,474	₩ 34,153

Statement of Cash Flow Data (IASB IFRS)

	Year Ended December 31,		
	2017	2018	2019
	(In billions of Won)		
Net cash inflow from operating activities	₩ 3,878	₩ 4,010	₩ 3,745
Net cash outflow from investing activities	(3,483)	(2,704)	(3,887)
Net cash outflow from financing activities	(1,363)	(532)	(250)

Selected Financial Information Related to Unaudited Interim Financial Statements (K-IFRS)

The selected financial data as of December 31, 2019 and June 30, 2020 and for the six months ended June 30, 2019 and 2020 set forth below have been derived from our unaudited interim financial statements included elsewhere in this Offering Circular. Such financial statements have been prepared in accordance with K-IFRS 1034 “*Interim Financial Reporting*.”

K-IFRS differs in certain respects from IFRS as issued by the IASB. See the KT 2019 Annual Report on Form 20-F under the section entitled “Item 5.A. Operating Results – Explanatory Note Regarding Presentation of Certain Financial Information under K-IFRS.”

Statement of Comprehensive Income Data (K-IFRS)

	Six Months Ended June 30,	
	2019	2020
	(In billions of Won, except per share data)	
Operating revenue	₩ 11,933	₩ 11,708
Operating expenses	11,243	10,983
Operating profit	690	725
Other income	133	110
Other expense	124	137
Finance income	248	266
Finance costs	262	280
Share of net profits (loss) of associates and joint ventures	(4)	(8)
Profit before income tax expense	681	675
Income tax expense	218	241
Profit for the period	₩ 463	₩ 434
Profit for the period attributable to:		
Owners of the controlling company	₩ 405	₩ 385
Non-controlling interest	₩ 58	₩ 49
Earnings per share attributable to the equity holders of the controlling company during the period:		
Basic earnings per share	₩ 1,652	₩ 1,570
Diluted earnings per share	₩ 1,652	₩ 1,569

Statement of Financial Position Data (K-IFRS)

	As of December 31, 2019	As of June 30, 2020
	(In billions of Won)	
Assets:		
Current assets:		
Cash and cash equivalents	₩ 2,306	₩ 2,942
Trade and other receivables, net	5,906	5,683
Other financial assets	869	1,140
Current tax assets	68	1
Inventories, net	665	641
Current assets held for sale	84	83
Other current assets	2,000	1,990
Total current assets	11,898	12,480
Non-current assets:		
Trade and other receivables, net	1,182	1,217
Other financial assets	822	542
Property and equipment, net	13,785	13,455
Right-of-use assets	788	752
Investment property, net	1,387	1,492
Intangible assets, net	2,834	2,648
Investments in jointly controlled entities and associates	268	315
Deferred tax assets	411	411
Other non-current assets	685	692
Total non-current assets	22,163	21,523
Total assets	₩ 34,061	₩ 34,003
Liabilities and Equity:		
Current liabilities:		
Trade and other payables	₩ 7,597	₩ 6,602
Borrowings	1,186	1,667
Other financial liabilities	1	2
Current income tax liabilities	66	340
Provisions	176	185
Deferred income	53	52
Other current liabilities	1,032	1,062
Total current liabilities	10,111	9,910
Non-current liabilities:		
Trade and other payables	1,082	811
Borrowings	6,113	6,320
Other financial liabilities	149	163
Net defined benefit liabilities	366	473
Provisions	79	124
Deferred income	99	98
Deferred tax liabilities	425	316
Other non-current liabilities	450	414
Total non-current liabilities	8,763	8,720
Total liabilities	₩ 18,874	₩ 18,630
Equity attributable to owners of the Parent Company:		
Share capital	₩ 1,564	₩ 1,564
Share premium	1,440	1,440
Retained earnings	11,637	11,934
Accumulated other comprehensive income	195	39
Other components of equity	(1,170)	(1,156)
Total equity attributable to owners of the controlling company	13,667	13,823
Non-controlling interest	1,520	1,551
Total equity	15,187	15,374
Total liabilities and equity	₩ 34,061	₩ 34,003

Statement of Cash Flow Data (K-IFRS)

	<u>Six Months Ended June 30,</u>	
	<u>2019</u>	<u>2020</u>
	(In billions of Won)	
Net cash inflow from operating activities	₩ 2,272	₩ 2,432
Net cash outflow from investing activities	(1,734)	(1,991)
Net cash inflow (outflow) from financing activities	(991)	195

TERMS AND CONDITIONS OF THE NOTES

The following terms and conditions (subject to amendment and except for the sentences in italics) will be endorsed on the definitive certificates issued in respect of the Notes:

The Notes (which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 and forming a single series with the Notes) are issued subject to and with the benefit of the fiscal agency agreement, to be dated as of September 1, 2020 (the “Fiscal Agency Agreement”), by and among the Company, The Bank of New York Mellon, London Branch, as the fiscal agent (the “Fiscal Agent”), and The Bank of New York Mellon SA/NV, Luxembourg Branch, as the registrar (the “Registrar”) and the transfer agent (the “Transfer Agent”).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of, and definitions in, the Fiscal Agency Agreement. Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the corporate trust office of the Fiscal Agent following prior written request and satisfactory proof of holding, and reference thereto is made for a description of the rights and limitations of rights thereunder of the Holder and the duties and immunities of the Fiscal Agent. In acting under the Fiscal Agency Agreement, the agents appointed by the Company thereunder are acting solely as agents for the Company and do not assume any obligation or relationship of agency or trust for or with the Holders. As used herein, the term “Holder” means each person in whose name a Note is registered in the Note Register (as defined in Condition 1(a) below).

The Holders will be entitled to the benefits of, and be bound by and deemed to have notice of, all of the provisions of the Fiscal Agency Agreement. The owners shown in the records of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them.

1. Form, Denomination and Title

- (a) The Notes are issued in registered form in the denomination of US\$200,000 (which shall not be split to a lesser amount) and integral multiples of US\$1,000 in excess thereof. A note certificate (each a “Certificate”) will be issued to each Holder in respect of its registered holding of Notes. The Company will procure that a record of Holders with respect to the Notes (the “Note Register”) is maintained by the Registrar at the corporate trust office of the Registrar. The Notes will initially be represented by a global certificate (the “Global Certificate”) registered in the name of a nominee for Euroclear and Clearstream.
- (b) The Notes are direct, unconditional, unsubordinated and unsecured obligations of the Company and will rank *pari passu*, without any preference among themselves, and at least *pari passu* with all other present and future outstanding unsecured and unsubordinated obligations of the Company (other than obligations preferred by mandatory provisions of applicable law).
- (c) Title to the Notes shall pass by registration of transfers in the Note Register in accordance with the provisions of the Fiscal Agency Agreement.
- (d) Except as ordered by a court of competent jurisdiction or as required by law, the registered Holder of any Note will be treated as the absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it), and none of the Company, the Fiscal Agent, the Registrar, the Transfer Agent, the paying agents and any agent thereof shall be affected by notice to the contrary.

2. Payments

- (a) Payments of principal of and interest on the Notes will be made in the legal currency of the United States of America.
- (b) Payment of principal and interest will be made by transfer to the registered account of the Holder. Payments of principal and payments of interest due otherwise than on an Interest Payment Date (as defined in Condition 3) will only be made against surrender of the relevant Certificate at the corporate trust office of the Fiscal Agent or the specified office of a paying agent. Interest on Notes due on an Interest Payment Date will be paid to the Person (as defined in Condition 8) in whose name the Notes are registered in the Note Register at the close of business on the fifteenth day preceding such Interest Payment Date (each a "Record Date"), whether or not a Business Day, notwithstanding the cancellation, transfer or exchange of the Notes subsequent to the Record Date and on or prior to such Interest Payment Date, and no interest otherwise so payable on any Interest Payment Date shall be paid on the Notes if the name of its Holder was entered as such on the Note Register after the close of business on the Record Date immediately preceding such Interest Payment Date, except if and to the extent the Company shall default in the payment of the interest due on such Interest Payment Date, in which case such defaulted interest shall (unless paid together with principal of the Notes in full other than on an Interest Payment Date) be paid to the Person in whose name the Notes are registered at the close of business on a subsequent record date (which shall be not less than five (5) Business Days (as defined in paragraph (d) of this Condition) prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Company to the Holders of Notes not less than 15 days preceding such subsequent record date.
- (c) For purposes of this Condition, a Holder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Note Register at the close of business, in the case of principal and interest due otherwise than on an Interest Payment Date, on the second Business Day before the due date for payment and, in the case of interest due on an Interest Payment Date, on the relevant Record Date, and a Holder's registered address means its address appearing on the Note Register at that time.
- (d) Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated on the due date for payment (or if it is not a Business Day, the immediately following Business Day with the same force and effect as if made on the due date for such payment) or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the corporate trust office of the Registrar or the specified office of a paying agent.

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Holder is late in surrendering its Certificate (if required to do so).

In this Condition, "Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York City, London and Seoul and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

- (e) If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the Note Register with a record of the amount of principal or interest in fact paid.

- (f) Any moneys paid by the Company to the Fiscal Agent for the payment of the principal of or interest on any Notes and remaining unclaimed at the end of two (2) years after such principal or interest shall have become due and payable and shall have been paid to the Fiscal Agent by the Company shall then be repaid to the Company, and upon such repayment, all liability of the Fiscal Agent with respect to such moneys shall thereupon cease and the Holder of any Note representing a claim therefor shall thereafter look only to the Company for payment thereof.

The Company reserves the right to appoint, at its discretion, additional agents, including successor agents, for the payment of principal of, premium on, if any, and interest on the Notes at such place or places as the Company may determine; provided that, the Company will ensure that, until the earlier to occur of the date on which all of the Notes shall have been delivered to the Registrar for cancellation and the date on which all of the Notes have become due and payable and moneys sufficient to pay the principal of and interest on all the Notes shall have been made available for payment and either paid or returned to the Company as provided herein, it will maintain a Fiscal Agent.

For so long as the Notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, in the event that the Global Certificate is exchanged for definitive certificates, the Company will appoint and maintain a paying agent in Singapore (“Singapore Paying Agent”) where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of the Company through the Singapore Exchange, and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the Singapore Paying Agent.

3. Interest

The Notes bear interest at the rate of 1.000% per annum from, and including, September 1, 2020 to, but excluding, the due date for redemption of the Notes. Interest will be paid semi-annually in arrears on March 1 and September 1 in each year. The first Interest Payment Date will be March 1, 2021 in respect of the period from and including September 1, 2020 to, but excluding, March 1, 2021.

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation or surrender, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of: (a) the date on which all amounts due in respect of such Note have been paid; and (b) the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent and notice to that effect has been given to the Holders in accordance with these Conditions.

Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

4. Optional Redemption for Tax Reasons

The Notes may be redeemed at the option of the Company in whole, but not in part, at any time at a redemption price equal to the principal amount thereof plus accrued interest, if any, to (but excluding) the date fixed for redemption on giving not less than 30 nor more than 60 days’ notice to the Fiscal Agent, the Registrar and the Transfer Agent and, in accordance with Condition 12, the Holders (which notice shall be irrevocable), if (i) on the occasion of the next payment due under the Notes, the Company has or will become obliged to pay Additional Amounts (as defined in Condition 6) as a result of any change in, or amendment to, the laws of a Tax Jurisdiction (as defined in Condition 6) or any regulations or rulings promulgated thereunder or any change in the application or official interpretation of such laws or regulations or rulings, or any change in the application or official interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which the Tax Jurisdiction

is a party, which change or amendment becomes effective on or after August 24, 2020 and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Company shall deliver to the Fiscal Agent a certificate signed by an authorized officer of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Company so to redeem have occurred, and an opinion of independent legal advisers of recognized standing to the effect that the Company has or will become obliged to pay such Additional Amounts as a result of such change or amendment. The Fiscal Agent shall be protected and have no liability to any Holder or any other person for so accepting and relying on such certificate or opinion.

5. Maturity and Purchase

Unless previously redeemed or purchased and cancelled as provided herein, the Company will redeem the Notes at their principal amount on September 1, 2025. The Company or any Subsidiary (as defined in Condition 8) of the Company may at any time purchase Notes by tender (available to all Holders alike) or in the open market at any price. Any such Notes purchased shall be surrendered to the Registrar for cancellation. The Notes so purchased, while held by or on behalf of the Company or any of its Subsidiaries or Affiliates, shall not entitle the Holder to vote at any meeting of the Holders and shall not be deemed to be outstanding for the purpose of calculating the quorum at a meeting of the Holders or for the purpose of Conditions 10 and 11. All Notes redeemed by the Company or purchased and surrendered to the Registrar for cancellation as provided in this Condition 5 will forthwith be cancelled and all Certificates in respect of cancelled Notes will be forwarded to the Registrar and shall be promptly cancelled by it, and such Notes may not be reissued or resold.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

6. Taxation

All payments of principal and interest in respect of the Notes by the Company will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction (as defined below) unless such withholding or deduction is required by law. In such event, the Company will pay such additional amounts as shall be necessary in order that the net amounts received by the Holder after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction (such additional amounts due by the Company, the “Additional Amounts”); except that no such Additional Amounts shall be payable with respect to a Note:

- (a) to or on behalf of a Holder that is liable for such taxes or duties in respect of such Note by reason of his having some present or former connection with a Tax Jurisdiction other than the mere holding of such Note or the receipt of principal or interest in respect thereof or enforcement of rights with respect thereto; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder thereof would have been entitled to an Additional Amount on presenting the same for payment on the last day of such 30-day period; or

- (c) to or on behalf of a Holder who would be able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder fails to do so; or
- (d) any combination of (a), (b) or (c) above.

As used herein:

- (i) “Tax Jurisdiction” means Korea or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the “Relevant Date” in relation to any payments of interest on, or principal of, any Note means: (x) the due date for payment thereof; or (y) if the full amount of the monies payable on such date has not been received by the Fiscal Agent on or prior to such due date, the date on which, the full amount of such monies having been so received, notice to that effect is duly given to Holders of the Notes in accordance with Condition 12.

The obligation to pay additional amounts in respect of taxes or duties shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal or interest on the Notes; provided that, except as otherwise set forth in these Conditions and in the Fiscal Agency Agreement, the Company shall pay all stamp and other duties, if any, which may be imposed by Korea or the United States or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the Fiscal Agency Agreement or as a consequence of the initial issuance of the Notes.

The Company will provide the Fiscal Agent with documentation evidencing the payment of taxes, if any, that are withheld from payments on the Notes. Copies of such documentation will be made available to any Holder upon request therefor.

References in these Conditions to any payments of principal and interest in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable in respect thereof under this Condition.

Whenever there is mentioned in any context the payment of principal of, or interest on, any Note, such mention shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

None of the Fiscal Agent, the Registrar and the Transfer Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 6 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Company, any Holder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Fiscal Agent, the Registrar or the Transfer Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

7. Transfers of Notes, Issue and Replacement of Certificates

- (a) Upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement and subject to the reasonable requirements of the Company, the Registrar and/or the Transfer Agent (as the case may be), a Note may be transferred by depositing the Certificate issued in

respect of that Note, with the form of transfer on the back duly completed and signed, at the office of the Registrar or the Transfer Agent or the specified offices of any of the paying agents.

- (b) Each new Certificate to be issued upon transfer of Notes will, within five (5) business days of receipt by the Registrar, the Transfer Agent or the relevant paying agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the Holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, business day shall mean a day on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described herein as described in “The Global Certificate–Registration of Title,” owners of interests in the Notes will not be entitled to receive physical delivery of Certificates.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Notes not so transferred will, within five (5) business days of receipt by the Registrar, the Transfer Agent or the relevant paying agent of the original Certificate, be mailed by uninsured mail at the risk of the Holder of the Notes not so transferred to the address of such Holder appearing on the Note Register or as specified in the form of transfer.

- (c) Registration of transfer of Notes will be effected without charge by or on behalf of the Company or any agent but upon payment (or the giving of such indemnity as the Company, the Registrar, the Transfer Agent or any agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.
- (d) No Holder may require the transfer of a Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal or interest on that Note or (ii) after any such Note has been called for redemption or purchase.
- (e) All transfers of Notes and entries on the Note Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Company with the prior written approval of the Registrar and the Transfer Agent. Any new Certificate delivered pursuant to this Condition 7 shall be so dated that neither gain nor loss of interest shall result from such transfer.
- (f) If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the office of the Registrar or the Transfer Agent, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Company, the Registrar or the Transfer Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued. Any new Certificate delivered pursuant to this paragraph shall be so dated that neither gain nor loss of interest shall result from such replacement. In case any such mutilated, destroyed, stolen or lost Certificate has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Certificate, pay or cause to be paid such Certificate.

During the first year after the issuance of the Notes, the Notes may not be offered, delivered, or sold, directly or indirectly, in Korea or to any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and the regulations thereunder) other than to “a qualified institutional buyer” (a “Korean QIB,” as defined in the Regulation on Issuance, Public Disclosure, Etc. of Securities of Korea) who is registered with the Korean Financial Investment Association as a Korean QIB.

8. Covenants of the Company

- (a) Limitation on Liens. The Company will not itself, and will not permit any Restricted Subsidiary to, create, incur, issue or assume or guarantee any External Indebtedness secured by any mortgage, charge, pledge, encumbrance or other security interest (a “Lien”) on any Restricted Property without in any such case effectively providing that the Notes (together with, if the Company shall so determine, any other indebtedness of the Company or such Restricted Subsidiary then existing or thereafter created) are secured equally and ratably with or prior to such secured External Indebtedness unless, after giving effect thereto, the aggregate principal amount of all such secured External Indebtedness, plus Attributable Debt of the Company and its Restricted Subsidiaries in respect of Sale/Leaseback Transactions as described under “Limitation Upon Sale and Leaseback Transactions” below, in each case entered into after the date of the Fiscal Agency Agreement (other than such Sale/Leaseback Transactions as are permitted by Condition 8(b)(ii) below), would not exceed 10% of Consolidated Net Tangible Assets. The foregoing restriction will not apply to External Indebtedness secured by:
- (i) any Lien existing on any Restricted Property prior to the acquisition thereof by the Company or any of its Restricted Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;
 - (ii) any Lien on any Restricted Property securing External Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Lien attaches to such Restricted Property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;
 - (iii) any Lien existing on any Restricted Property of any Restricted Subsidiary prior to the time such Restricted Subsidiary becomes a Subsidiary of the Company or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof;
 - (iv) any Lien securing External Indebtedness owing to the Company or to a Subsidiary; or
 - (v) any Lien arising out of the refinancing, extension, renewal or refunding of any External Indebtedness secured by any Lien permitted by any of the foregoing clauses or existing at the date of the Fiscal Agency Agreement, provided that such External Indebtedness is not increased and is not secured by any additional Restricted Property.

For the purposes of Conditions 8(a) and 8(b) the giving of a guarantee which is secured by a Lien on a Restricted Property, and the creation of a Lien on a Restricted Property to secure External Indebtedness which existed prior to the creation of such Lien, shall be deemed to involve the creation of indebtedness in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of indebtedness secured by Liens on Restricted Properties shall be computed without cumulating the underlying indebtedness with any guarantee thereof or lien securing the same.

- (b) Limitation Upon Sale and Leaseback Transactions: So long as any of the Notes are outstanding, neither the Company nor any Restricted Subsidiary may enter into any Sale/Leaseback Transaction after the date of the Fiscal Agency Agreement, unless, either
- (i) the Attributable Debt of the Company and its Restricted Subsidiaries in respect thereof and in respect of all other Sale/Leaseback Transactions entered into after the date of the Fiscal Agency Agreement (other than transactions permitted by clause (ii) below) plus

the aggregate principal amount of External Indebtedness secured by Liens on Restricted Property then outstanding (excluding any such External Indebtedness secured by Liens described in clause (i) through (v) under “Limitation on Liens” above or existing at the date of the Fiscal Agency Agreement) without equally and ratably securing the Notes, would not exceed 10% of Consolidated Net Tangible Assets, or

- (ii) the Company or a Restricted Subsidiary within 12 months after such Sale/Leaseback Transaction, applies to the retirement of External Indebtedness, which is not subordinate to the Notes, of the Company or a Restricted Subsidiary an amount equal to the greater of (i) the net proceeds of the sale or transfer of the property or other assets which are the subject of such Sale/Leaseback Transaction or (ii) the fair market value of the Restricted Property so leased (in each case as determined by the Company); provided that the amount to be so applied shall be reduced by (a) the principal amount of the Notes delivered within twelve months after such Sale/Leaseback transaction to the Agent for cancellation, and (b) the principal amount of External Indebtedness of the Company or a Restricted Subsidiary, other than the Notes, voluntarily retired by the Company or a Restricted Subsidiary within twelve months after such Sale/Leaseback Transaction. Notwithstanding the foregoing, no retirement referred to in this clause (ii) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision.

Notwithstanding the foregoing, where the Company or any Restricted Subsidiary is the lessee in any Sale/Leaseback Transaction, Attributable Debt shall not include any External Indebtedness resulting from the guarantee by the Company or any other Restricted Subsidiary of the lessee’s obligation thereunder. The foregoing restriction shall not apply to any transaction between the Company and a Subsidiary or between a Restricted Subsidiary and a Subsidiary.

(c) Certain Definitions

“Attributable Debt” means, with respect to any Sale/Leaseback Transaction, the lesser of (x) the fair market value of the property or other assets subject to such transaction and (y) the present value (discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with International Financial Reporting Standards as adopted in Korea (or any successor accounting principle generally accepted in Korea at the time of the relevant calculation)) of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges and contingent rents) during the term of the lease.

“Consolidated Net Tangible Assets” means the total amount of assets of the Company and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom (a) all current liabilities (excluding any current liabilities constituting Long-term Debt by reason of their being renewable or extendible), (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, and (c) all write-ups of fixed assets, net of accumulated depreciation thereon, after December 31, 2019 other than as permitted by the laws of Korea applicable to the Company, all as set forth on the most recently available audited annual balance sheet of the Company and its consolidated Subsidiaries and computed in accordance with International Financial Reporting Standards as adopted in Korea (or any successor accounting principle generally accepted in Korea at the time of the relevant calculation).

“External Indebtedness” means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than the currency of Korea and which has a final maturity of one year or more from its date of incurrence or issuance.

“Long-term Debt” means any note, bond, debenture or other similar evidence of indebtedness for money borrowed having a maturity of more than one year from the date such evidence of indebtedness was incurred or having a maturity of less than or equal to one year but by its terms being renewable or extendible, at the option of the borrower, beyond one year from the date such evidence on indebtedness was incurred.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Restricted Property” means (a) any lines, exchanges, switching equipment, transmission equipment (including satellites), cables, microwave equipment and related facilities, whether at the date of the Fiscal Agency Agreement owned or thereafter acquired, used in connection with the provision of fixed-link or wireless telecommunications services, including any land, buildings, structures and other equipment or fixtures that constitute any such facility, other than any such facility, or portion thereof, reasonably determined by the Board of Directors of the Company not to be of material importance to the total business conducted by the Company and its Subsidiaries as a whole, and (b) any share of common stock or participating preferred stock of a Restricted Subsidiary.

“Restricted Subsidiary” means any Subsidiary that owns Restricted Property.

“Sale/Leaseback Transaction” means any arrangement with any Person which provides for the leasing by the Company or any Restricted Subsidiary, for an initial term of three years or more, of any Restricted Property, whether now owned or hereafter acquired, which are to be sold or transferred by the Company or any Restricted Subsidiary after the date of the Fiscal Agency Agreement to such Person for a sale price of US\$10,000,000 (or the equivalent thereof) or more where the rental payments are denominated in a currency other than the currency of Korea.

“Subsidiary” means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

9. Consolidation, Merger and Sale of Assets

The Company, without the consent of the Holders of any of the Notes, may consolidate with, or merge into, or sell, transfer, lease or convey its assets substantially as an entirety (each a “transaction”) to any corporation organized under the laws of Korea, provided that (a) any successor corporation expressly assumes, by an agreement supplemental to the Fiscal Agency Agreement executed and delivered to the Fiscal Agent, the Company’s obligations under the Notes and the Fiscal Agency Agreement, (b) after giving effect to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (c) such successor corporation has the benefit of a credit rating which, at the time and immediately after such transaction takes place, is no worse than the credit rating of the Company, and (d) if, as a result of any such transaction, properties or assets of the Company or a Restricted Subsidiary would become subject to a Lien which would not be permitted under these Conditions, the Company or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Notes (together with, if the Company shall so determine, any other indebtedness of the Company or such Subsidiary then existing or thereafter created which is not subordinate to the Notes) equally and ratably with (or prior to) all indebtedness secured thereby.

10. Events of Default

The occurrence and continuance of one or more of the following events will constitute an event of default (“Event of Default”) with respect to the Notes:

- (a) default in the payment of any installment of interest upon any of the Notes, whether at maturity, upon redemption or otherwise, as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or
- (b) default in the payment of all or any part of the principal of any of the Notes, whether at maturity, upon redemption or otherwise, as and when the same shall become due and payable; or
- (c) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company contained in the Notes for a period of 60 days after the date on which written notice specifying such failure, stating that notice is a “Notice of Default” under these Conditions and demanding that the Company remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Company or to the Company at the office of the Fiscal Agent by the Holders of at least 10% in aggregate principal amount of the Notes at the time outstanding; or
- (d) any External Indebtedness of the Company in the aggregate principal amount of US\$30,000,000 or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Company or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Company in respect of External Indebtedness of any other Person in the aggregate principal amount of US\$30,000,000 or more not being honored when, and remaining dishonored after becoming, due and called; provided that, if any such default under any such External Indebtedness shall be cured or waived, then the default under these Conditions by reason thereof shall be deemed to have been cured and waived; or
- (e) a court or administrative or other governmental agency or body having jurisdiction over the Company shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or for any substantial part of its property or ordering the winding up, dissolution or liquidation of its affairs, or shall otherwise adjudicate or find the Company to be bankrupt or insolvent and such decree or order shall remain unstayed and in effect for a period of 120 consecutive days; or
- (f) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or for any substantial part of its property, or cease to carry on the whole or substantially the whole of its business or make any general assignment for the benefit of creditors, or enter into any composition with its creditors or take corporate action in furtherance of any such actions.

If an Event of Default with respect to the Notes occurs and is continuing, the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding may declare the principal amount of and all accrued but unpaid interest on all the Notes to be due and payable immediately, by a notice in writing to the Company at the office of the Fiscal Agent, and upon such declaration any such principal amount and interest shall become immediately due and payable. Upon such declaration, the Fiscal Agent

shall give notice thereof to the Company and, at the direction and expense of the Company, to the Holders of the Notes, by mail and publication. If, after any such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Company pays or deposits with the Fiscal Agent all amounts then due with respect to the Notes (other than amounts due solely because of such declaration) and cures all other Events of Default with respect to the Notes, such defaults may be waived and such declaration may be annulled and rescinded by the Holders of more than 50% in aggregate outstanding principal amount of the Notes by written notice thereof to the Company at the office of the Fiscal Agent.

11. Meetings of Holders; Modifications and Amendments

- (a) The Company at any time may, and at any time after the Notes shall have become immediately due and payable due to a default upon a request in writing made by Holders holding not less than 10% of the aggregate outstanding principal amount of the Notes shall, convene a meeting of Holders of the Notes. Any such request in writing by the Holders shall be delivered to the Fiscal Agent. Further provisions concerning meetings of the Holders are set forth in the Fiscal Agency Agreement.
- (b) Modifications and amendments to the Fiscal Agency Agreement or the Notes requiring consent of Holders may be made, and future compliance therewith or past defaults by the Company may be waived, with the consent of the Company and the Holders of more than 50% in aggregate principal amount of the Notes at the time outstanding, or of such lesser percentage as may act at a meeting of Holders held in accordance with the provisions of the Fiscal Agency Agreement; provided that no such modification, amendment or waiver of the Fiscal Agency Agreement or any Note may, without the consent of each Holder affected thereby, (i) change the stated maturity of the principal of or interest on any such Note; (ii) reduce the principal of or interest on any such Note; (iii) change the currency of payment of the principal of or interest on any such Note; or (iv) reduce the above-stated percentage of aggregate principal amount of Notes outstanding or reduce the quorum requirements or the percentage of votes required for the taking of any action. Any modifications, amendments or waivers consented to or approved at a meeting will be conclusive and binding on all Holders of Notes whether or not they have given such consent or were present at such meeting, and on all future Holders of Notes whether or not notation of such modifications, amendments or waivers is made upon the Notes. Any instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note.
- (c) At a meeting of the Holders of the Notes called for any of the above purposes, Persons entitled to vote a majority in aggregate principal amount of the Notes at the time outstanding shall constitute a quorum. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than ten days; at the reconvening of any meeting further adjourned for lack of a quorum, the Persons entitled to vote 25% in aggregate principal amount of the Notes at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. At a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid, any resolution to modify or amend, or to waive compliance with, any of the covenants or conditions referred to above (other than those set forth in clauses (i) through (iv) of Condition 11(b)) shall be effectively passed if passed by the Persons entitled to vote the lesser of (i) a majority in aggregate principal amount of Notes then outstanding or (ii) 75% in aggregate principal amount of the Notes represented and voting at the meeting.

- (d) The Fiscal Agency Agreement and these Conditions of the Notes may be modified, supplemented or amended by the Company and the Fiscal Agent, without the consent of the Holder of any Note, for the purpose of adding to the covenants of the Company for the benefit of the Holders, surrendering any right or power conferred upon the Company, securing the Notes, curing any ambiguity, correcting or supplementing any defective provision therein, implementing the provisions of this Condition 11 or in any other manner which the Company may deem necessary or desirable and which shall not adversely affect the interests of the Holders of the Notes in any material respect, to all of which each Holder of any Note shall, by acceptance thereof, consent. Any determination required to be made pursuant to this Condition 11(d) will be made by the Company, and none of the Fiscal Agent, the Registrar and the Transfer Agent shall have any responsibility or liability whatsoever with respect to such determination.

12. Notices

Except as otherwise expressly provided herein, whenever the Fiscal Agency Agreement or the Notes require that the Company or the Fiscal Agent give notice to the Holder thereof, the Company or the Fiscal Agent will cause such notice to be mailed to the Holders of Notes at their respective addresses as they appear on the Note Register. If by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impracticable to give notice to the Holders of Notes in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Company or by the Fiscal Agent on behalf of and at the instruction of the Company shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice given to any particular Holder of a Note shall affect the sufficiency of any notice with respect to other Notes.

While all the Notes are represented by the Global Certificate and the Global Certificate is deposited with a common depository for Euroclear and Clearstream or any other clearing system, notices to Holders of the Notes may be given by delivery of the relevant notice to Euroclear, Clearstream or, as the case may be, such other clearing system and, in any case, such notices shall be deemed to have been given to the Holders of the Notes in accordance with this Condition 12 on the date of delivery to Euroclear, Clearstream or, as the case may be, such other clearing system.

13. Valid Obligations

The Company hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of the Notes, and to constitute the same the valid and legally binding obligation of the Company enforceable in accordance with their terms, have been done and performed and have happened in due and strict compliance with the applicable laws of the State of New York.

14. Further Issues

The Company may from time to time, without the consent of the Holders, create and issue further notes to the extent permitted under the applicable laws, having terms and conditions the same as those of the Notes, or the same except for the issue date and the date and amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

15. Governing Law and Submission to Jurisdiction

The Fiscal Agency Agreement and the Notes are governed by, and construed in accordance with, the laws of the State of New York.

The Company agrees that any suit, action or proceeding against the Company brought by any Holder arising out of or based upon the Fiscal Agency Agreement or the Notes may be instituted in any State or U.S. federal court in The City of New York and County of New York, and waives any objection

which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the non-exclusive jurisdiction of such courts in any suit, action or proceeding. The Company has appointed KT America, Inc., presently located at 811 Wilshire Blvd., Suite 1440, Los Angeles, California 90017, as its authorized agent (the "Authorized Agent," which expression shall include any replacement authorized agent) upon whom process may be served in any suit, action or proceeding arising out of or based upon the Fiscal Agency Agreement or the Notes that may be instituted in any State or U.S. federal court in The City of New York and County of New York, by any Holder and expressly accepts the non-exclusive jurisdiction of any such court in respect of any such suit, action or proceeding. The Company agrees to take any and all action, including the filing of any and all documents that may be necessary to continue such appointment in full force and effect as aforesaid. If for any reason the appointment of the Authorized Agent shall cease to be in force the Company shall forthwith appoint a new agent to be the Authorized Agent and shall give notice thereof to the Fiscal Agent in any manner permitted by applicable law and the Holders in accordance with Condition 12. Service of process upon the Authorized Agent in any manner permitted by applicable law shall be deemed, in every respect, effective service of process upon the Company. Notwithstanding the foregoing, any action arising out of or based upon the Notes may be instituted in any court of competent jurisdiction in Korea or any other jurisdiction. The Company hereby waives any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to the Fiscal Agency Agreement or the Notes.

THE GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Notes in respect of which they are issued while they are represented by the Global Certificate, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in paragraphs 1 to 6 below.

1. Accountholders

For so long as all of the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an “Accountholder”) (in which regard any certificate or other document issued by Euroclear or Clearstream (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression “Noteholders” and references to “holding of Notes” and to “holder of Notes” shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Company and the Fiscal Agent, solely in the nominee for the relevant clearing system (the “Relevant Nominee”) in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, as the case may be, for its share of each payment made to the Relevant Nominee.

2. Cancellation

Cancellation of any Note following its redemption or purchase by the Company will be effected by reduction in the aggregate principal amount of the Notes in the Note Register and by the annotation of the appropriate schedule to the Global Certificate.

3. Payments

Payments of principal and interest in respect of Notes represented by the Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of the Global Certificate to or to the order of the Registrar or such other transfer agent as shall have been notified to the holder of the Global Certificate for such purpose.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system’s rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

4. Notices

So long as all the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by the Conditions. Any such notice shall be deemed validly given on the day after it has been delivered to the relevant clearing systems as aforesaid.

5. Registration of Title

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, as appropriate, notifies the Company that it is unwilling or unable to continue as a clearing system in connection with the Global Certificate, and in each case a

successor clearing system approved by the Fiscal Agent is not appointed by the Company within 90 days after receiving such notice from Euroclear or Clearstream. In these circumstances, title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Fiscal Agent will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal, premium (if any) or interest in respect of the Notes.

6. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

TAXATION

Korean Taxation

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisors.

The taxation of non-resident individuals and non-Korean corporations (“Non-Residents”) depends on whether they have a “permanent establishment” (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

Tax on Interest

Interest on the Notes paid to Non-Residents, being foreign currency denominated bonds issued outside of Korea, is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the “STTCL”).

If the tax exemption under the STTCL referred to above were to cease to be in effect, the rate of income tax or corporation tax applicable to interest on the Notes, for a Non-Resident without a permanent establishment in Korea, would be 14% of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10% of the income or corporation tax (raising the total tax rate to 15.4%).

The tax rates may be reduced by an applicable tax treaty, convention or agreement between Korea and the resident country of the recipient of the income. The relevant tax treaties are discussed below.

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Notes to other Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents with or without permanent establishments in Korea from the transfer taking place outside Korea of the Notes are currently exempt from taxation by virtue of STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable treaty reducing or eliminating tax on capital gains, the applicable rate of tax would be the lower of 11% (including local income tax) of the gross realization proceeds or (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22% (including local income tax) of the realized gain (i.e., the excess of the gross realization proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean law to allow offsetting of gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of Notes issued by Korean companies. The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty or on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the instruments being sold, the purchaser or such withholding agent must withhold an amount equal to 11% of the gross realization proceeds. Any amounts withheld by the purchaser or such withholding agent must be paid to the competent Korean tax office. The purchaser or withholding agent must pay any withholding tax no later than the tenth day of the month following the

month in which the payment for the purchase of the relevant instruments occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or such withholding agent to penalties under Korean tax laws.

Inheritance and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea or had resided in Korea continuously for at least 183 days immediately prior to his death and (b) all property located in Korea that passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10% to 50% based on the value of the relevant property. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, bonds issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and, consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift. Prospective purchasers should consult their personal tax advisors regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the holders of the Notes in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by the Company. No securities transaction tax will be imposed upon the transfer of the Notes.

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with, *inter alia*, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America, under which the rate of withholding tax on interest is reduced, generally to between 5 and 16.5% (including local income tax), and the tax on capital gains is often eliminated.

Each holder of the Notes should inquire whether such holder is entitled to the benefit of a tax treaty with respect to any transaction involving the Notes. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the payer or the Company a certificate as to his tax residence. In the absence of sufficient proof, the payer or the Company must withhold taxes in accordance with the above discussion.

Furthermore, in order for a Non-Resident to claim the benefit of a tax rate reduction or tax exemption on certain Korean source income (such as interest or capital gains) under an applicable tax treaty, Korean tax law requires such Non-Resident (or its agents) to submit an application (for reduced withholding tax rate, "application for entitlement to reduced tax rate," and in the case of exemptions from withholding tax, "application for tax exemption," along with a certificate of tax residency of such Non-Resident issued by a competent authority of the Non-Resident's country of tax residence, subject to certain exceptions) as the beneficial owner of such Korean source income ("BO application"). Such application should be submitted to the withholding agent prior to the payment date of the relevant income. Subject to certain exceptions, where the relevant income is paid to an overseas investment vehicle (which is not the beneficial owner of such income) ("OIV"), a beneficial owner claiming the benefit of an applicable tax treaty with respect to such income must submit its BO application to such OIV, which must submit an OIV report and a schedule of beneficial owners (and the BO applications collected from each beneficial owner, in case of the application for tax exemption) to the withholding agent prior to the payment date of such income. As one of the exceptions, effective from January 1, 2020, an OIV that was not established for the purpose of unfairly reducing Korean income tax liabilities

and bears tax liabilities in the country of which it is a resident of is deemed as the beneficial owner of the Korean source income. The benefits under a tax treaty between Korea and the country of which the OIV is a resident will apply with respect to the relevant income paid to such OIV, subject to certain application requirements as prescribed by the Corporate Income Tax or Individual Income Tax Law. In the case of a tax exemption application, the withholding agent is required to submit such applications (together with the applicable OIV report in the case of income paid to an OIV) to the relevant district tax office by the ninth day of the month following the date of the payment of such income. However, this requirement does not apply to tax exemptions under Korean tax laws such as the STTCL.

Withholding and Gross Up

As mentioned above, interest on the Notes paid to Non-Residents without a permanent establishment in Korea is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to STTCL if the Notes are deemed to be issued outside Korea under the STTCL. However, in the event that the payer or the Company is required by law to make any withholding or deduction for or on account of any Korean taxes (as more fully described in “Terms and Conditions of the Notes – Taxation”) the Company has agreed to pay (subject to the customary exceptions as set out in “Terms and Conditions of the Notes – Taxation”) such Additional Amounts as may be necessary in order that the net amounts received by the holder of any Note after such withholding or deduction shall equal the respective amounts which would have been received by such holder in the absence of such withholding or deduction.

Proposed Financial Transaction Tax (“FTT”)

On February 14, 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “Participating Member States”) which, if enacted, could apply under certain circumstances, to transactions involving the Notes. The issuance and subscription of Notes should be exempt. Estonia has officially announced its withdrawal from the negotiations.

The mechanism by which the tax would be applied and collected is not yet known, but if the proposed directive or any similar tax is adopted, transactions in the Notes would be subject to higher costs, and the liquidity of the market for the Notes may be diminished.

Following the lack of consensus in the negotiations on the Commission’s Proposal, the Participating Member States (excluding Estonia which withdrew) have agreed to continue negotiations on a new proposal based on the French model of the tax which would only concern listed shares of EU companies whose market capitalization exceeds €1 billion as of December 1 of the year preceding the taxation year. According to this new proposal, the applicable tax rate would be at least 0.2%. Primary market transactions should be exempt. However, this new proposal could be subject to changes before any implementation, the timing of which remains unclear.

Additional EU Member States may decide to participate and/or certain of the Participating Member States may decide to withdraw (in addition to Estonia which already withdrew).

Prospective holders of the Notes are advised to seek their own professional advice in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes.

SUBSCRIPTION AND SALE

Subject to the terms and conditions in a Purchase Agreement dated August 24, 2020 (the “Purchase Agreement”), each Manager named below has severally agreed to purchase, and we have agreed to sell to each Manager, the principal amount of the Notes set forth opposite the Manager’s name.

<u>Managers</u>	<u>Principal Amount of Notes</u>
BNP Paribas	US\$80,000,000
Citigroup Global Markets Limited	80,000,000
Crédit Agricole Corporate and Investment Bank.	80,000,000
The Hongkong and Shanghai Banking Corporation Limited.	80,000,000
Standard Chartered Bank	80,000,000
Total	<u>US\$400,000,000</u>

The Purchase Agreement provides that we will pay the Managers an underwriting commission and reimburse the Managers for certain of their expenses incurred in connection with the issue of the Notes. We have agreed to indemnify the Managers against certain liabilities, including liabilities under the Securities Act or to contribute to payments which the Managers may be required to make in respect of any such liabilities. The Purchase Agreement may be terminated in certain circumstances prior to payment of the issue price to us.

We have been advised that the Managers propose to resell the Notes at the issue price set forth on the cover page of this Offering Circular. The price at which the Notes are offered and other selling terms may be changed from time to time without notice by the Managers. The Managers may offer the Notes in various jurisdictions through certain of their affiliates.

The Notes are a new issue of securities with no established trading market. We have been advised by the Managers that they intend to make a market in the Notes, but they are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes.

In connection with the Offering, the Managers may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Managers of a greater number of Notes than they are required to purchase in the Offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the Offering is in progress. These activities by the Stabilisation Managers, as well as other purchases by the Stabilisation Managers for their own accounts, may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Stabilisation Managers at any time. These transactions may be effected in the open market or otherwise.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Managers and their respective affiliates have, from time to time, provided, and may in the future provide, various financial advisory, commercial and investment banking services and other services to us and to persons and entities with relationships with us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Managers and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and financial instruments for their own account and for the accounts of their customers and may at any time hold long and short positions in

such securities and instruments. Such investment and trading activities may involve or relate to our assets, securities and/or instruments or the assets, securities and/or instruments of persons and entities related to us. The Managers and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. Each Manager and/or its affiliate(s) may place orders, purchase Notes and be allocated Notes for asset management and/or proprietary purposes (and such orders, purchase and allocations may be material), acting as investor for their own accounts and not with a view to distribution, and may in that capacity retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Any offer or sale in the United States will be made by affiliates of the Managers who are broker-dealers registered under the Exchange Act.

If you purchase Notes in this Offering, you will be deemed to have made representations and agreements as described under “Transfer Restrictions.”

Selling Restrictions

Hong Kong

Each of the Managers has severally represented, warranted and agreed that:

- (a) it has not offered or sold, and will not offer or sell, in the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”), by means of any document, any Notes other than (1) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or (2) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law. No. 25 of 1948 as amended) (the “FIEL”) and disclosure under the FIEL has not been and will not be made with respect to any Notes. Each Manager has severally represented, warranted and agreed that it has not offered or sold, and it will not offer or sell, directly or indirectly, the Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or

benefit of, any resident of Japan except (1) pursuant to an exemption from the registration requirements of the FIEL and (2) in compliance with any other applicable laws and regulations and ministerial guidelines of Japan.

Korea

The Notes have not been and will not be registered under the FSCMA. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transaction Law of Korea and its Enforcement Decree), except as otherwise permitted under applicable Korean laws and regulations.

In addition, until the expiration of one year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than to a Korean QIB registered with KOFIA as a Korean QIB as defined in the Regulation on Issuance, Public Disclosure, etc. of Securities of Korea, provided that (a) the Notes are denominated, and the principal and interest payments thereunder are made, in a currency other than Korean won, (b) the amount of the Notes acquired by such Korean QIBs in the primary market is limited to less than 20 percent of the aggregate issue amount of the Notes, (c) the Notes are listed on one of the major overseas securities markets designated by the Financial Supervisory Service of Korea, or certain procedures, such as registration or report with a foreign financial investment regulator, have been completed for offering of the Notes in a major overseas securities market, (d) the one-year restriction on offering, delivering or selling of Notes to a Korean resident other than a Korean QIB is expressly stated in the Notes, the relevant underwriting agreement, subscription agreement, and the offering circular and (e) we and the Managers shall individually or collectively keep the evidence of fulfillment of conditions (a) through (d) above after having taken necessary actions therefor.

Singapore

Each Manager has acknowledged that this Offering Circular has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA – We have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

European Economic Area and the United Kingdom

In relation to each Member State of the European Economic Area and the United Kingdom (each, a “Relevant State”), each Manager has represented and agreed that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant dealer or dealers nominated by us for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes shall require us or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129, as amended.

United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Dubai International Financial Centre

Each Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is: (i) an “Exempt Offer” in accordance with the Market Rules 2012 of the Dubai Financial Services Authority (the “DFSA”) and (ii) made only to persons who meet the Professional Client (as defined in the DFSA) criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Italy

The Offering has not been registered with the Commissione Nazionale per le Società e la Borsa (“CONSOB”) pursuant to Italian securities legislation and, accordingly, each Manager has not offered, sold or distributed, and will not offer, sell or distribute, any Notes or any copy of this Offering Circular or any other offer document in the Republic of Italy (“Italy”) in an offer to the public of financial products under the meaning of Article 1, paragraph 1, letter t) of Legislative Decree no. 58 of February 24, 1998 (the “Consolidated Financial Services Act”), unless an exemption applies. Accordingly, the Notes shall only be offered, sold or delivered in Italy:

- (a) to qualified investors (investitori qualificati), pursuant to Article 100 the Consolidated Financial Services Act and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time (“Regulation No. 11971”); or
- (b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Consolidated Financial Services Act and Article 34-ter of Regulation No. 11971.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the “Banking Act”), CONSOB Regulation No. 16190 of October 29, 2007, all as amended;

- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement that may be imposed from time to time by CONSOB or other Italian authority.

Note that, in any subsequent distribution of the Notes in the Italy, Article 100-bis of the Consolidated Financial Services Act may require compliance with the law relating to public offers of securities. Furthermore, where the Notes are placed solely with “qualified investors” and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorized person at whose premises the Notes were purchased, unless an exemption provided for under the Consolidated Financial Services Act applies.

Switzerland

The offering of the Notes in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act (“FinSA”). The Notes will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Offering Circular does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Notes.

General

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Manager or any affiliate of any Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Manager or its affiliate on behalf of the Company in such jurisdiction.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult with legal counsel prior to making any offer, resale, pledge or other transfers of the Notes.

Transfer Restrictions Under Korean Law

Each purchaser of the Notes, by accepting delivery of this Offering Circular, will be deemed to have acknowledged and represented and agreed as follows:

1. The Notes have not been and will not be registered under the FSCMA. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transaction Law of Korea and its Enforcement Decree), except as otherwise permitted under applicable Korean laws and regulations.

In addition, until the expiration of one year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than to a Korean QIB registered with KOFIA as a Korean QIB as defined in the Regulation on Issuance, Public Disclosure, etc. of Securities of Korea, provided that (a) the Notes are denominated, and the principal and interest payments thereunder are made, in a currency other than Korean won, (b) the amount of the Notes acquired by such Korean QIBs in the primary market is limited to less than 20 percent of the aggregate issue amount of the Notes, (c) the Notes are listed on one of the major overseas securities markets designated by the Financial Supervisory Service of Korea, or certain procedures, such as registration or report with a foreign financial investment regulator, have been completed for offering of the Notes in a major overseas securities market, (d) the one-year restriction on offering, delivering or selling of Notes to a Korean resident other than a Korean QIB is expressly stated in the Notes, the relevant underwriting agreement, subscription agreement, and the offering circular and (e) we and the Managers shall individually or collectively keep the evidence of fulfillment of conditions (a) through (d) above after having taken necessary actions therefor.

2. The Notes will bear legends to the effect as described in paragraph 1 above.

Transfer Restrictions Applicable to the Notes

The Notes have not been and will not be registered under the Securities Act. The Notes may not be offered or sold to any person in the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In addition, no transfer of any interest in the Global Certificate may be made to any U.S. person outside the United States or any person in the United States for a period of 40 days after the later of the commencement of this offering and the latest closing date of this offering. Terms used but not defined in this section are defined in Regulation S.

Except in certain limited circumstances, interests in the Notes may only be held through interests in the Global Certificate. Such interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants. See “Terms and Conditions of the Notes” and “The Global Certificate.”

Each purchaser of the Notes, by accepting delivery of this Offering Circular, will be deemed to have acknowledged and represented and agreed as follows:

1. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer.

2. Each person purchasing the Notes prior to the expiration of 40 days after the later of the commencement of the offering and the latest closing date (the “Distribution Compliance Period”) is purchasing such Notes in an offshore transaction meeting the requirements of Regulation S.
3. The Notes will not be sold, pledged or transferred to, or for the account or benefit of, any U.S. person outside the United States or any person in the United States during the Distribution Compliance Period.
4. Such purchaser will not offer, sell, pledge or otherwise transfer any interest in the Notes except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
5. The Notes will bear legends to the following effect, unless we determine otherwise in compliance with applicable law, and such purchaser will observe the restrictions contained therein:

THE NOTES EVIDENCED HEREBY (THE “NOTES”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”).

PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE LATEST CLOSING DATE (THE “DISTRIBUTION COMPLIANCE PERIOD”), THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY U.S. PERSON OUTSIDE THE UNITED STATES OR ANY PERSON IN THE UNITED STATES. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE NOTES EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING AND FOLLOWING RESTRICTIONS.

THE ABOVE LEGEND WILL NO LONGER BE EFFECTIVE AFTER THE END OF THE DISTRIBUTION COMPLIANCE PERIOD WITH RESPECT TO THE NOTES, AFTER WHICH THE NOTES EVIDENCED HEREBY WILL NO LONGER BE SUBJECT TO THE RESTRICTIONS SET FORTH IN THIS LEGEND, PROVIDED THAT AT SUCH TIME AND THEREAFTER THE OFFER OR SALE OF THE NOTES EVIDENCED HEREBY WOULD NOT BE RESTRICTED UNDER ANY APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR OF THE STATES OR TERRITORIES OF THE UNITED STATES.

THE NOTES HAVE NOT BEEN REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. ACCORDINGLY, THE NOTES HAVE NOT BEEN OFFERED, SOLD OR DELIVERED AND WILL NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF KOREA AND THE REGULATIONS THEREUNDER), OR TO ANY OTHER PERSON FOR REOFFERING, RESALE OR RE-DELIVERY, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA, EXCEPT AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL BUYER (OR A “KOREAN QIB,” AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A KOREAN QIB AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA, PROVIDED THAT (A) THE NOTES ARE DENOMINATED, AND THE PRINCIPAL AND INTEREST PAYMENTS THEREUNDER ARE MADE, IN A CURRENCY OTHER THAN KOREAN WON, (B) THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS

IN THE PRIMARY MARKET IS LIMITED TO LESS THAN 20 PERCENT OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES, (C) THE NOTES ARE LISTED ON ONE OF THE MAJOR OVERSEAS SECURITIES MARKETS DESIGNATED BY THE FINANCIAL SUPERVISORY SERVICE OF KOREA, OR CERTAIN PROCEDURES, SUCH AS REGISTRATION OR REPORT WITH A FOREIGN FINANCIAL INVESTMENT REGULATOR, HAVE BEEN COMPLETED FOR OFFERING OF THE NOTES IN A MAJOR OVERSEAS SECURITIES MARKET, (D) THE ONE-YEAR RESTRICTION ON OFFERING, DELIVERING OR SELLING OF NOTES TO A KOREAN RESIDENT OTHER THAN A KOREAN QIB IS EXPRESSLY STATED IN THE NOTES, THE RELEVANT UNDERWRITING AGREEMENT, SUBSCRIPTION AGREEMENT, AND THE OFFERING CIRCULAR AND (E) THE COMPANY AND THE MANAGERS SHALL INDIVIDUALLY OR COLLECTIVELY KEEP THE EVIDENCE OF FULFILLMENT OF CONDITIONS (A) THROUGH (D) ABOVE AFTER HAVING TAKEN NECESSARY ACTIONS THEREFOR.

LEGAL MATTERS

Certain legal matters with respect to the issue and sale of the Notes will be passed upon for us by Kim & Chang, Seoul, Korea and for the Managers by Cleary Gottlieb Steen & Hamilton LLP. Kim & Chang may rely on the opinion of Cleary Gottlieb Steen & Hamilton LLP with respect to matters of New York law, and Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of Kim & Chang with respect to matters of Korean law.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The annual financial statements incorporated in this Offering Circular by reference to the KT 2019 Annual Report on Form 20-F for the year ended December 31, 2019, and the effectiveness of internal control over financial reporting as of December 31, 2019 have been audited by Samil PricewaterhouseCoopers, an independent registered public accounting firm, as stated in their report incorporated herein.

With respect to our unaudited financial information for the six-month periods ended June 30, 2020 and 2019 included in this Offering Circular, Samil PricewaterhouseCoopers reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated August 14, 2020 appearing herein states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
KT Corporation

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim financial statements of KT Corporation and its subsidiaries (collectively referred to as the “Group”). These financial statements consist of the consolidated interim statement of financial position as at June 30, 2020, and the related consolidated interim statements of profit or loss and comprehensive income for the three-month and six-month periods ended June 30, 2020 and 2019, and consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2020 and 2019, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“Korean IFRS”) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standard on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying consolidated interim financial statements do not present fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Other Matters

We have audited the consolidated statement of financial position of the Group as at December 31, 2019, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 10, 2020. The consolidated statement of financial position as at December 31, 2019, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2019.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

August 14, 2020

This report is effective as of August 14, 2020, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

KT Corporation and Subsidiaries
Consolidated Interim Statements of Financial Position
June 30, 2020 and December 31, 2019

<i>(in millions of Korean won)</i>	Notes	June 30, 2020 (Unaudited)	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	4	₩ 2,942,236	₩ 2,305,894
Trade and other receivables, net	4,5	5,683,349	5,906,445
Other financial assets	4,6	1,140,390	868,388
Current tax assets		1,230	68,120
Inventories, net	7	640,575	665,498
Current assets held for sale	9	82,992	83,602
Other current assets	8	1,989,727	2,000,308
Total current assets		12,480,499	11,898,255
Non-current assets			
Trade and other receivables, net	4,5	1,217,078	1,181,797
Other financial assets	4,6	541,597	821,658
Property and equipment, net	10	13,454,522	13,785,299
Right-of-use assets	17	752,314	788,497
Investment properties, net	10	1,491,534	1,387,430
Intangible assets, net	10	2,647,536	2,834,037
Investments in associates and joint ventures	11	315,429	267,660
Deferred tax assets		410,891	411,171
Other non-current assets	8	692,035	685,488
Total non-current assets		21,522,936	22,163,037
Total assets		₩ 34,003,435	₩ 34,061,292

KT Corporation and Subsidiaries
Consolidated Interim Statements of Financial Position
June 30, 2020 and December 31, 2019

<i>(in millions of Korean won)</i>	Notes	June 30, 2020 (Unaudited)	December 31, 2019
Liabilities			
Current liabilities			
Trade and other payables	4,12	₩ 6,601,683	₩ 7,597,478
Borrowings	4,13	1,667,309	1,185,725
Other financial liabilities	4, 6	1,728	943
Current tax liabilities		340,429	66,266
Provisions	14	185,163	175,612
Deferred income		51,763	53,474
Other current liabilities	8	1,061,804	1,031,958
Total current liabilities		9,909,879	10,111,456
Non-current liabilities			
Trade and other payables	4,12	811,058	1,082,219
Borrowings	4,13	6,320,309	6,113,142
Other financial liabilities	4,6	162,525	149,136
Net defined benefit liabilities	15	472,844	365,663
Provisions	14	124,485	78,549
Deferred income	20	98,351	99,180
Deferred tax liabilities		316,151	425,468
Other non-current liabilities	8	414,053	449,526
Total non-current liabilities		8,719,776	8,762,883
Total liabilities		18,629,655	18,874,339
Equity attribute to owners of the Controlling Company			
Share capital		1,564,499	1,564,499
Share premium		1,440,258	1,440,258
Retained earnings	18	11,934,464	11,637,185
Accumulated other comprehensive income		39,251	194,934
Other components of equity	19	(1,155,911)	(1,170,083)
		13,822,561	13,666,793
Non-controlling interests			
		1,551,219	1,520,160
Total equity		15,373,780	15,186,953
Total liabilities and equity		₩ 34,003,435	₩ 34,061,292

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

KT Corporation and Subsidiaries
Consolidated Interim Statements of Profit or Loss
Three-Month and Six-Month Periods Ended June 30, 2020 and 2019

	Notes	Periods Ended June 30			
		2020 (Unaudited)		2019 (Unaudited)	
		Three months	Six months	Three months	Six months
<i>(in millions of Korean won, except per share amounts)</i>					
Operating revenue	20	₩ 5,876,503	₩ 11,708,219	₩ 6,098,533	₩ 11,932,910
Operating expenses	21	<u>5,534,640</u>	<u>10,983,278</u>	<u>5,810,277</u>	<u>11,242,564</u>
Operating profit		341,863	724,941	288,256	690,346
Other income	22	61,273	110,130	68,643	132,712
Other expenses	22	78,024	137,017	60,225	123,815
Finance income	23	24,066	265,714	130,605	248,006
Finance costs	23	36,423	280,378	138,858	261,766
Share of net profits (losses) of associates and joint ventures	11	<u>(4,886)</u>	<u>(8,339)</u>	<u>(4,825)</u>	<u>(4,166)</u>
Profit before income tax expense		307,869	675,051	283,596	681,317
Income tax expense	24	<u>100,294</u>	<u>240,890</u>	<u>80,529</u>	<u>218,480</u>
Profit for the period		<u>₩ 207,575</u>	<u>₩ 434,161</u>	<u>₩ 203,067</u>	<u>₩ 462,837</u>
Profit for the period attributable to:					
Owners of the Controlling Company		₩ 176,605	₩ 384,920	₩ 173,934	₩ 405,024
Non-controlling interest		30,970	49,241	29,133	57,813
Earnings per share attributable to the equity holders of the Controlling Company during the period (in Korean won):					
Basic earnings per share	25	₩ 720	₩ 1,570	₩ 710	₩ 1,652
Diluted earnings per share		720	1,569	709	1,652

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

KT Corporation and Subsidiaries
Consolidated Interim Statements of Comprehensive Income
Three-Month and Six-Month Periods Ended June 30, 2020 and 2019

(in millions of Korean won)	Notes	Periods Ended June 30			
		2020		2019	
		(Unaudited)		(Unaudited)	
	Three months	Six months	Three months	Six months	
Profit for the period		₩ 207,575	₩ 434,161	₩ 203,067	₩ 462,837
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of the net defined benefit liabilities	15	(2,625)	(3,198)	(7,949)	(8,175)
Share of remeasurement gain of associates and joint ventures		(768)	72	1	662
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6	92,972	40,969	63,673	115,522
Items that may be subsequently reclassified to profit or loss:					
Valuation gain (loss) on cash flow hedges	6	(21,379)	74,179	31,404	66,340
Other comprehensive income from cash flow hedges reclassified to profit or loss		32,820	(77,209)	(26,163)	(53,423)
Share of other comprehensive income from associates and joint ventures		709	578	(615)	(1,547)
Exchange differences on translation of foreign operations		(11,954)	(9,907)	1,272	3,047
Other comprehensive income for the period, net of tax		<u>89,775</u>	<u>25,484</u>	<u>61,623</u>	<u>122,426</u>
Total comprehensive income for the period		<u>₩ 297,350</u>	<u>₩ 459,645</u>	<u>₩ 264,690</u>	<u>₩ 585,263</u>
Total comprehensive income for the period attributable to:					
Owners of the Controlling Company		₩ 250,692	₩ 413,052	₩ 217,025	₩ 492,140
Non-controlling interests		46,658	46,593	47,665	93,123

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

KT Corporation and Subsidiaries
Consolidated Interim Statements of Changes in Equity
Six-Month Periods Ended June 30, 2020 and 2019

(in millions of Korean won)

	Notes	Attributable to owners of the Controlling Company							Total equity
		Share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Other components of equity	Total	Non-controlling interest	
Balance as at January 1, 2019		W 1,564,499	W 1,440,258	W 11,328,859	W 50,158	W (1,181,083)	W 13,202,691	W 1,528,589	W 14,731,280
Changes in accounting policies		-	(6,149)	-	-	-	(6,149)	-	(6,149)
Comprehensive income									
Profit for the period		-	-	405,024	-	-	405,024	57,813	462,837
Remeasurements of net defined benefit liabilities	15	-	-	(3,223)	-	-	(3,223)	(4,952)	(8,175)
Valuation gain on cash flow hedge	6	-	-	12,917	12,917	-	12,917	-	12,917
Share of other comprehensive income of associates and joint ventures		-	-	(1,100)	(1,100)	-	(1,100)	(447)	(1,547)
Share of gain on remeasurements of associates and joint ventures		-	-	650	-	-	650	12	662
Gain(Loss) on disposal of equity instruments at fair value through other comprehensive income		-	-	(1,433)	-	-	(1,433)	1,433	-
Gain on valuation of financial instruments at fair value through other comprehensive income		-	-	76,587	76,587	-	76,587	38,935	115,522
Exchange differences on translation of foreign operations		-	2,718	-	2,718	-	2,718	329	3,047
Total comprehensive income for the period		-	-	401,018	91,122	-	492,140	93,123	585,263
Transactions with owners									
Dividends paid by the Controlling Company		-	-	(269,659)	-	-	(269,659)	-	(269,659)
Dividends paid to non-controlling interest of subsidiaries		-	-	-	-	-	-	(35,500)	(35,500)
Appropriations of loss on disposal of treasury stock		-	-	(15,169)	-	15,169	-	-	-
Change in ownership interest in subsidiaries		-	-	-	-	484	484	(3,975)	(3,491)
Disposal of treasury stock		-	-	-	-	118	118	-	118
Others		-	-	-	-	2,760	2,760	(9)	2,757
Subtotal		-	-	(284,828)	-	18,531	(266,297)	(39,478)	(305,775)
Balance as at June, 2019 (Unaudited)		W 1,564,499	W 1,440,258	W 11,438,900	W 141,280	W (1,162,552)	W 13,422,385	W 1,582,234	W 15,004,619

KI Corporation and Subsidiaries
Consolidated Interim Statements of Changes in Equity
Six-Month Periods Ended June 30, 2020 and 2019

(in millions of Korean won)

	Attributable to owners of the Controlling Company									
	Notes	Share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Other components of equity	Total	Non-controlling interest	Total equity	
Balance as at January 1, 2020		W 1,564,499	W 1,440,258	W 11,637,165	W 194,934	W (1,170,083)	W 13,666,793	W 1,520,160	W 15,186,953	
Comprehensive income										
Profit for the period		-	-	384,920	-	-	384,920	49,241	434,161	
Remeasurements of net defined benefit liabilities	15	-	-	(502)	-	-	(502)	(2,696)	(3,198)	
Valuation loss on cash flow hedges	6	-	-	-	(2,935)	-	(2,935)	(95)	(3,030)	
Share of other comprehensive income of associates and joint ventures		-	-	-	578	-	578	-	578	
Share of gain on remeasurements of associates and joint ventures		-	-	(13)	-	-	(13)	85	72	
Gain on valuation of financial instruments at fair value through other comprehensive income		-	-	184,330	(149,086)	-	35,244	5,725	40,969	
Exchange differences on translation of foreign operations		-	-	-	(4,240)	-	(4,240)	(5,667)	(9,907)	
Total comprehensive income for the period		-	-	568,735	(155,683)	-	413,052	46,593	459,645	
Transactions with owners										
Dividends paid by the Controlling Company		-	-	(269,766)	-	-	(269,766)	-	(269,766)	
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	(40,753)	(40,753)	
Appropriations of loss on disposal of treasury stock		-	-	(1,690)	-	1,690	-	-	-	
Change in ownership interest in subsidiaries		-	-	-	-	11,934	11,934	25,219	37,153	
Disposal of treasury stock		-	-	-	-	3,640	3,640	-	3,640	
Others		-	-	-	-	(3,092)	(3,092)	-	(3,092)	
Subtotal		-	-	(271,456)	-	14,172	(257,284)	(15,534)	(272,818)	
Balance as at June 30, 2020 (Unaudited)		W 1,564,499	W 1,440,258	W 11,934,464	W 39,251	W (1,155,911)	W 13,822,561	W 1,551,219	W 15,373,780	

KT Corporation and Subsidiaries
Consolidated Interim Statements of Cash Flows
Six-Month Periods Ended June 30, 2020 and 2019

<i>(in millions of Korean won)</i>	Notes	Periods Ended June 30	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	26	₩ 2,407,736	₩ 2,469,048
Interest paid		(121,001)	(120,585)
Interest received		125,013	138,859
Dividends received		13,019	16,400
Income tax paid		7,092	(232,092)
Net cash inflow from operating activities		2,431,859	2,271,630
Cash flows from investing activities			
Collection of loans		35,030	32,344
Disposal of financial assets at fair value through profit or loss		196,776	632,625
Disposal of financial assets at amortized cost		194,600	288,211
Disposal of financial assets at fair value through other comprehensive income		350,964	-
Disposal of assets held-for-sale		342	28,172
Disposal of investments in associates and joint ventures		110	10,253
Disposal of property and equipment, and investment properties		13,558	21,334
Disposal of intangible assets		5,795	2,759
Disposal of right-of-use assets		213	4,051
Acquisition of new subsidiary		11,045	-
Discontinued operations		-	2,000
Loans granted		(22,293)	(24,264)
Acquisition of financial assets at fair value through profit or loss		(369,455)	(463,099)
Acquisition of financial assets at amortized cost		(261,137)	(220,484)
Acquisition of financial assets at fair value through other comprehensive income		(38)	(446)
Acquisition of investments in associates and joint ventures		(59,408)	(4,399)
Acquisition of property and equipment, and investment properties		(1,650,921)	(1,623,268)
Acquisition of intangible assets		(431,371)	(416,016)
Acquisition of right-of-use assets		(5,228)	(4,158)
Net cash outflow from investing activities		(1,991,418)	(1,734,385)

KT Corporation and Subsidiaries
Consolidated Interim Statements of Cash Flows
Six-Month Periods Ended June 30, 2020 and 2019

	Notes	Periods Ended June 30	
		2020 (Unaudited)	2019 (Unaudited)
<i>(in millions of Korean won)</i>			
Cash flows from financing activities			
Proceeds from borrowings		1,036,111	584,050
Settlement of derivative assets and liabilities, net		-	33,635
Transaction with non-controlling interest		32,329	(4,439)
Cash inflow from other financing activities		-	19,283
Repayments of borrowings		(455,516)	(1,066,858)
Dividends paid		(310,519)	(305,159)
Decrease in finance lease liabilities		(93,314)	(251,555)
Others		(13,674)	-
Net cash inflow (outflow) from financing activities		<u>195,417</u>	<u>(991,043)</u>
Effect of exchange rate change on cash and cash equivalents		<u>484</u>	<u>501</u>
Net increase (decrease) in cash and cash equivalents		636,342	(453,297)
Cash and cash equivalents			
Beginning of the period		2,305,894	2,703,422
End of the period		<u>₩ 2,942,236</u>	<u>₩ 2,250,125</u>

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

KT Corporation and Subsidiaries

Notes to the Consolidated Interim Financial Statements

June 30, 2020 and 2019 (Unaudited), and December 31, 2019

1. General Information

The consolidated financial statements include the accounts of KT Corporation, which is the controlling company as defined under Korean IFRS 1110 *Consolidated Financial Statements*, and its 65 controlled subsidiaries as described in Note 1.2 (collectively referred to as the “Group”).

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 telephone 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 Stock 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, the additional ADS representing 55,502,161 government-owned shares were issued at 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 at June 30, 2020, the Korean government does not own any shares in the Controlling Company.

1.2 Consolidated Subsidiaries

The consolidated subsidiaries as at June 30, 2020 and December 31, 2019, are as follows:

Subsidiary	Type of business	Location	Controlling percentage ownership ¹ (%)		Closing month
			June 30, 2020	December 31, 2019	
KT Powertel Co., Ltd. ²	Trunk radio system business	Korea	44.8%	44.8%	December
KT Linkus Co., Ltd.	Public telephone maintenance	Korea	92.4%	92.4%	December
KT Submarine Co., Ltd. ^{2,4}	Submarine cable construction and maintenance	Korea	39.3%	39.3%	December
KT Telecop Co., Ltd.	Security service	Korea	86.8%	86.8%	December
KT Hitel Co., Ltd.	Data communication	Korea	67.1%	67.1%	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 Corporation and Subsidiaries

Notes to the Consolidated Interim Financial Statements

June 30, 2020 and 2019 (Unaudited), and December 31, 2019

Subsidiary	Type of business	Location	Controlling percentage ownership ¹ (%)		Closing month
			June 30, 2020	December 31, 2019	
KT Strategic Investment Fund No.2	Investment fund	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.	Payment security service for credit card, others	Korea	50.9%	50.9%	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. ⁴	Internet banking ASP and security solutions	Korea	58.2%	58.2%	December
Smartro Co., Ltd.	VAN (Value Added Network) business	Korea	64.5%	64.5%	December
KTDS Co., Ltd. ⁴	System integration and maintenance	Korea	95.5%	95.5%	December
KT M Hows Co., Ltd.	Mobile marketing	Korea	90.0%	90.0%	December
KT M&S Co., Ltd.	PCS distribution	Korea	100.0%	100.0%	December
GENIE Music Corporation (KT Music Corporation) ^{2,4}	Online music production and distribution	Korea	36.2%	36.0%	December
KT MOS Bukbu Co., Ltd. ⁴	Telecommunication facility maintenance	Korea	100.0%	100.0%	December
KT MOS Nambu Co., Ltd. ⁴	Telecommunication facility maintenance	Korea	98.4%	98.4%	December
KT Skylife Co., Ltd. ⁴	Satellite broadcasting business	Korea	50.3%	50.3%	December
Skylife TV Co., Ltd.	TV contents provider	Korea	92.6%	92.6%	December
KT Estate Inc.	Residential building development and supply	Korea	100.0%	100.0%	December
KT AMC Co., Ltd.	Asset management and consulting services	Korea	100.0%	100.0%	December
NEXR Co., Ltd.	Cloud system implementation	Korea	100.0%	100.0%	December
KTGDH Co., Ltd. (KTSB Data Service 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, Inc. ^{3,4}	Solution provider and IPTV advertisement sales business	Korea	44.0%	44.0%	December
KT Sports Co., Ltd.	Management of sports group	Korea	100.0%	100.0%	December
KT Music Contents Fund No.1	Music contents investment business	Korea	80.0%	80.0%	December
KT Music Contents Fund No.2	Music contents investment business	Korea	100.0%	100.0%	December
KT-Michigan Global Content Fund	Content investment business	Korea	88.6%	88.6%	December
Autopion Co., Ltd.	Information and communication service	Korea	100.0%	100.0%	December
KTCS Corporation ^{2,4}	Database and online information provider	Korea	30.9%	30.9%	December
KTIS Corporation ^{2,4}	Database and online information provider	Korea	30.1%	30.1%	December
KT M Mobile	Special category telecommunications operator and sales of communication device	Korea	100.0%	100.0%	December
KT Investment Co., Ltd.	Technology business finance	Korea	100.0%	100.0%	December
Whowho&Company Co., Ltd.	Software development and supply	Korea	100.0%	100.0%	December

KT Corporation and Subsidiaries

Notes to the Consolidated Interim Financial Statements

June 30, 2020 and 2019 (Unaudited), and December 31, 2019

Subsidiary	Type of business	Location	Controlling percentage ownership ¹ (%)		Closing month
			June 30, 2020	December 31, 2019	
PlayD Co., Ltd. (N Search Marketing Co., Ltd.)	Advertising agency	Korea	70.4%	100.0%	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 Belgium	Foreign investment business	Belgium	100.0%	100.0%	December
KT ORS Belgium	Foreign investment business	Belgium	100.0%	100.0%	December
KT Japan Co., Ltd. (Korea Telecom Japan Co., Ltd.)	Foreign telecommunication business	Japan	100.0%	100.0%	December
KBTO sp.zo.o.	Electronic communication business	Poland	97.4%	97.2%	December
Korea Telecom China Co., Ltd.	Foreign telecommunication business	China	100.0%	100.0%	December
KT Dutch B.V.	East Telecom management	Netherlands	100.0%	100.0%	December
East Telecom LLC	Fixed line internet business	Uzbekistan	91.6%	91.0%	December
KT America, Inc. (Korea Telecom America, Inc)	Foreign investment business	USA	100.0%	100.0%	December
PT. BC Card Asia Pacific	Software development and supply	Indonesia	99.9%	99.9%	December
KT Hong Kong Telecommunications Co., Ltd.	Fixed line telecommunication business	Hong Kong	100.0%	100.0%	December
Korea Telecom Singapore Pte. Ltd.	Foreign investment business	Singapore	100.0%	100.0%	December
Texnoprosistem LLP	Fixed line internet business	Uzbekistan	100.0%	100.0%	December
Nasmedia Thailand Company Limited	Internet advertising solution	Thailand	99.9%	99.9%	December
KT Huimangjjeum	Manufacturing	Korea	100.0%	100.0%	December
GE Premier 1st Corporate Restructuring Real Estate Investment Trust Co.	Residential building investment and rent	Korea	63.5%	63.5%	December
K-REALTY RENTAL HOUSING REIT 3	Residential building	Korea	100.0%	100.0%	December
Storywiz	Contents and software development and supply	Korea	100.0%	-	December
KT ENGCORE Co., Ltd.	Telecommunication facility construction and maintenance	Korea	100.0%	-	December

¹ Sum of the ownership interests owned by the Controlling Company and subsidiaries.

² Although the Controlling Company owns less than 50% ownership in this entity, this entity is consolidated as the Controlling Company can exercise the majority voting rights in its decision-making process at all times considering the historical voting pattern at the shareholders' meetings.

³ Although the Controlling Company owns less than 50% ownership in this entity, this entity is consolidated as the Controlling Company holds the majority of voting right based on an agreement with other investors.

⁴ The number of subsidiaries' treasury stock is deducted from the total number of shares when calculating the controlling percentage ownership.

KT Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
June 30, 2020 and 2019 (Unaudited), and December 31, 2019

1.3 Changes in Scope of Consolidation

Subsidiaries newly included/excluded to/from the consolidation during six-month period ended June 30, 2020:

Changes	Location	Name of subsidiary	Reason
Included	Korea	Storywiz	Newly established
Included	Korea	KT ENGCORE Co., Ltd.	Transferred
Excluded	Uzbekistan	Super iMax LLC	Merged
Excluded	Indonesia	PT. KT Indonesia	Liquidated

Summarized information for consolidated subsidiaries as at June 30, 2020 and December 31, 2019 and for the six-month periods ended June 30, 2020 and 2019, is as follows:

(in millions of Korean won)

	June 30, 2020			
	Total assets	Total liabilities	Operating revenues	Profit (loss) for the period
KT Powertel Co., Ltd.	₩ 115,939	₩ 16,367	₩ 27,690	₩ 2,153
KT Linkus Co., Ltd.	60,011	54,114	41,725	(2,566)
KT Submarine Co., Ltd.	123,512	19,939	36,023	1,698
KT Telecop Co., Ltd.	283,690	159,464	158,320	(1,125)
KT Hitel Co., Ltd.	268,849	71,153	161,998	(4,099)
KT Service Bukbu Co., Ltd.	63,706	59,181	105,215	(1,293)
KT Service Nambu Co., Ltd.	60,548	55,455	124,683	(3,282)
BC Card Co., Ltd. ¹	3,957,422	2,640,029	1,666,561	53,789
H&C Network ¹	269,789	63,453	160,284	462
Nasmedia Co., Ltd. ¹	344,267	156,710	51,764	9,188
KTDS Co., Ltd. ¹	143,713	93,253	207,060	3,340
KT M Hows Co., Ltd.	82,497	57,350	19,541	3,461
KT M&S Co., Ltd.	222,242	191,121	319,535	(1,244)
GENIE Music Corporation (KT Music Corporation)	254,237	97,383	122,348	4,143
KT MOS Bukbu Co., Ltd.	32,998	27,981	30,989	482
KT MOS Nambu Co., Ltd.	39,508	30,153	33,923	1,820
KT Skylife Co., Ltd. ¹	868,876	141,591	345,584	39,637
KT Estate Inc. ¹	1,655,852	297,392	211,102	8,436
KTGDH Co., Ltd. (KTSB Data Service Co., Ltd.)	10,800	1,715	2,097	276
KT Sat Co., Ltd.	642,452	114,453	86,674	5,126
KT Sports Co., Ltd.	22,903	17,752	20,260	(2,115)
KT Music Contents Fund No.1	4,932	1,522	222	175
KT Music Contents Fund No.2	14,883	136	39	(106)
KT-Michigan Global Content Fund	11,719	91	99	-
Autopion Co., Ltd.	7,525	5,398	3,663	(202)

KT Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
June 30, 2020 and 2019 (Unaudited), and December 31, 2019

(in millions of Korean won)

	June 30, 2020			
	Total assets	Total liabilities	Operating revenues	Profit (loss) for the period
KT M Mobile Co., Ltd.	135,090	30,635	82,150	(861)
KT Investment Co., Ltd. ¹	73,848	56,046	1,466	556
KTCS Corporation ¹	361,639	196,350	424,708	6,951
KTIS Corporation	307,916	134,823	223,054	8,519
Next Connect PFV	378,741	17,892	8	(288)
KT Japan Co., Ltd. (Korea Telecom Japan Co., Ltd.) ¹	1,791	2,900	905	(38)
Korea Telecom China Co., Ltd.	982	32	426	97
KT Dutch B.V.	32,665	11,943	14,679	3,231
KT America, Inc. (Korea Telecom America, Inc.)	4,824	554	3,197	169
KT Rwanda Networks Ltd. ²	135,649	203,687	8,559	(16,470)
KT Belgium	96,752	9	-	1
KT ORS Belgium	7,142	9	-	-
KBTO sp.zo.o.	1,239	323	373	(2,230)
AOS Ltd. ²	13,318	6,848	2,787	265
KT Hong Kong Telecommunications Co., Ltd.	12,934	9,801	8,390	761
KT Huimangjiseum	2,486	1,325	1,598	208
GE Premier 1st Corporate Restructuring Real Estate Investment Trust Co.	6,225	1,150	153	30
Storywiz	22,308	7,144	4,334	(567)
KT ENGCORE Co., Ltd.	159,119	152,011	60,366	1,331

(in millions of Korean won)

	December 31, 2019		June 30, 2019	
	Total assets	Total liabilities	Operating revenues	Profit (loss) for the period
KT Powertel Co., Ltd.	₩ 118,052	₩ 19,766	₩ 31,304	₩ 2,233
KT Linkus Co., Ltd.	70,494	62,088	46,837	(1,708)
KT Submarine Co., Ltd.	120,947	18,452	22,666	(552)
KT Telecop Co., Ltd.	279,878	153,841	163,916	(3,541)
KT Hitel Co., Ltd.	279,818	74,769	154,040	2,536
KT Service Bukbu Co., Ltd.	64,802	58,984	106,277	(581)
KT Service Nambu Co., Ltd.	63,917	55,548	129,980	776
BC Card Co., Ltd. ¹	3,912,982	2,594,232	1,746,306	78,645
H&C Network ¹	282,016	68,401	157,798	1,440
Nasmedia Co., Ltd. ¹	356,236	203,105	59,304	11,186
KTDS Co., Ltd. ¹	158,153	105,462	198,222	2,506
KT M Hows Co., Ltd.	74,326	50,638	15,423	2,912
KT M&S Co., Ltd.	248,142	215,777	372,360	7,456

KT Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
June 30, 2020 and 2019 (Unaudited), and December 31, 2019

(in millions of Korean won)

	December 31, 2019		June 30, 2019	
	Total assets	Total liabilities	Operating revenues	Profit (loss) for the period
GENIE Music Corporation (KT Music Corporation)	234,131	80,952	107,687	4,079
KT MOS Bukbu Co., Ltd.	33,376	28,841	29,433	433
KT MOS Nambu Co., Ltd.	34,258	26,722	29,982	1,063
KT Skylife Co., Ltd. ¹	848,276	142,839	344,875	32,303
KT Estate Inc. ¹	1,686,000	295,706	229,822	25,000
KTGDH Co., Ltd. (KTSB Data Service Co., Ltd.)	10,437	1,628	1,948	175
KT Sat Co., Ltd.	651,195	127,523	80,481	6,851
KT Sports Co., Ltd.	15,603	8,333	27,854	2,596
KT Music Contents Fund No.1	10,579	1,677	264	124
KT Music Contents Fund No.2	7,675	279	255	118
KT-Michigan Global Content Fund	11,688	61	199	(95)
Autopion Co., Ltd.	7,460	4,894	2,660	(300)
KT M Mobile Co., Ltd.	135,917	30,603	81,988	(4,707)
KT Investment Co., Ltd. ¹	73,463	56,212	1,405	446
KTCS Corporation ¹	378,171	213,983	460,628	5,823
KTIS Corporation	305,798	137,524	230,192	8,419
Next Connect PFV	385,412	24,275	974	(454)
Korea Telecom Japan Co., Ltd. ¹	1,851	2,858	1,041	853
Korea Telecom China Co., Ltd.	879	39	334	2
KT Dutch B.V.	31,003	50	-	10
Super iMax LLC	3,568	5,304	2,260	(141)
East Telecom LLC ¹	20,857	16,302	8,159	1,501
Korea Telecom America, Inc.	4,611	537	3,287	282
PT. KT Indonesia	8	-	-	-
KT Rwanda Networks Ltd. ²	132,461	183,164	9,356	(14,468)
KT Belgium	93,321	11	-	(36)
KT ORS Belgium	6,913	14	-	(34)
KBTO sp.zo.o.	1,767	245	240	(2,250)
AOS Ltd. ²	12,337	3,993	3,012	(605)
KT Hong Kong Telecommunications Co., Ltd.	5,126	2,923	6,143	214
KT Huimangjjeum GE Premier 1st Corporate Restructuring Real Estate Investment Trust Co.	2,129	1,019	36	(346)
K-REALTY RENTAL HOUSING REIT ³	300	-	-	-

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

² At the end of the reporting period, convertible preferred stock issued by subsidiaries is included in liabilities.

KT Corporation and Subsidiaries

Notes to the Consolidated Interim Financial Statements

June 30, 2020 and 2019 (Unaudited), and December 31, 2019

2. Significant Accounting Policies

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 the International Financial Reporting Standards as issued by the Republic of Korea (Korean IFRS). The accompanying consolidated interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The consolidated interim financial statements of the Group as at and for the six-month period ended June 30, 2020, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective or has been early adopted as at June 30, 2020.

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

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2020.

- Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1107 *Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

The amendments allow to apply the exceptions when forward-looking analysis is performed in relation the application of hedge accounting, while uncertainties arising from interest rate benchmark reform exist. The exceptions require the Group assumes that the interest rate

KT Corporation and Subsidiaries

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benchmark, on which the hedged items and the hedging instruments are based on, is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective.

The Group's risk exposure, directly affected by the interest rate benchmark reform, is the variable rate borrowings of USD 510,689 thousand and SGD 284,000 thousand with maximum remaining maturity of four years. To hedge fluctuations in cash flows of borrowings resulting from the changes in USD LIBOR of 3 months and SGD SOR of 6 months - an interest rate benchmark, the Group entered into an interest rate swap contract for a nominal amount of USD 510,689 thousand and SGD 284,000 thousand, and designated it as a hedging instrument of cash flow hedge.

(2) New standards and interpretations not yet adopted by the Group

Certain new accounting standard and interpretation that have been published but have not been early adopted by the Group, are set out below.

- Agenda Decision of the International Accounting Standards Committee – Lease Period

The International Accounting Standards Interpretations Committee (IFRS IC) announced on December 16, 2019 that all economic disadvantages resulting from the termination of a lease are taken into account when determining the enforceable period for 'the useful life of lease term and lease asset improvement rights'. The Group is analyzing the effect of changes in accounting policies on the consolidated financial statements for enforceable periods in accordance with the decision and will reflect the effect in the consolidated financial statements after the analysis is completed.

2.2 Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2019, except for the changes due to the application of amendment and enactments of standards described in Note 2.1 (1) and the one described below.

(1) Income Tax Expense

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

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3. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Actual results may differ from these estimates.

During 2020, the spread of COVID-19 has a material impact on domestic and foreign economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group, and the impact is expected to be continued to the consolidated annual financial statements in 2020.

Significant accounting estimates and assumptions applied in the preparation of the consolidated interim financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently determined.

4. Financial Instruments by Category

Financial instruments by category as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

Financial assets	June 30, 2020				
	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	₩ 2,942,236	₩ -	₩ -	₩ -	₩ 2,942,236
Trade and other receivables ¹	5,468,735	-	1,382,958	-	6,851,693
Other financial assets	514,128	781,002	234,016	152,841	1,681,987

¹ Lease receivables and others which are not applied to financial instruments by category are excluded.

(in millions of Korean won)

Financial liabilities	June 30, 2020			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit and loss	Derivatives used for hedging	Total
Trade and other payables	₩ 7,412,741	₩ -	₩ -	₩ 7,412,741
Borrowings	7,987,618	-	-	7,987,618
Other financial liabilities	149,104	56	15,093	164,253

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(in millions of Korean won)

Financial assets	December 31, 2019				Total
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivatives used for hedging	
Cash and cash equivalents	₩ 2,305,894	₩ -	₩ -	₩ -	₩ 2,305,894
Trade and other receivables ¹	5,796,207	-	1,256,266	-	7,052,473
Other financial assets	441,804	632,324	557,342	58,576	1,690,046

¹ Lease receivables and others which are not applied to financial instruments by category are excluded.

(in millions of Korean won)

Financial liabilities	December 31, 2019			Total
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit and loss	Derivatives used for hedging	
Trade and other payables	₩ 8,679,697	₩ -	₩ -	₩ 8,679,697
Borrowings	7,298,867	-	-	7,298,867
Other financial liabilities	129,945	38	20,096	150,079

5. Trade and Other Receivables

Trade and other receivables as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020			
	Total amounts	Provision for impairment	Present value discount	Carrying amount
Current assets				
Trade receivables	₩ 3,652,962	₩ (297,521)	₩ (8,151)	₩ 3,347,290
Other receivables	2,426,605	(90,278)	(268)	2,336,059
	<u>₩ 6,079,567</u>	<u>₩ (387,799)</u>	<u>₩ (8,419)</u>	<u>₩ 5,683,349</u>
Non-current assets				
Trade receivables	853,447	(4,325)	(37,453)	811,669
Other receivables	427,174	(6,064)	(15,701)	405,409
	<u>₩ 1,280,621</u>	<u>₩ (10,389)</u>	<u>₩ (53,154)</u>	<u>₩ 1,217,078</u>

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	December 31, 2019			
	Total amounts	Provision for impairment	Present value discount	Carrying amount
Current assets				
Trade receivables	₩ 3,451,107	₩ (291,202)	₩ (9,510)	₩ 3,150,395
Other receivables	2,834,893	(78,572)	(271)	2,756,050
	<u>₩ 6,286,000</u>	<u>₩ (369,774)</u>	<u>₩ (9,781)</u>	<u>₩ 5,906,445</u>
Non-current assets				
Trade receivables	874,859	(4,117)	(43,597)	827,145
Other receivables	382,468	(5,108)	(22,708)	354,652
	<u>₩ 1,257,327</u>	<u>₩ (9,225)</u>	<u>₩ (66,305)</u>	<u>₩ 1,181,797</u>

Details of other receivables as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Loans	₩ 79,415	₩ 84,148
Receivables ¹	2,182,124	2,588,064
Accrued income	11,811	8,630
Refundable deposits ²	373,232	352,293
Loans receivable	123,353	105,961
Finance lease receivables	53,707	39,726
Others	14,168	15,560
Less: Provision for impairment	<u>(96,342)</u>	<u>(83,680)</u>
	<u>₩ 2,741,468</u>	<u>₩ 3,110,702</u>

¹ The settlement receivables of BC Card Co., Ltd. of ₩ 1,454,630 million (December 31, 2019: ₩ 1,786,610 million) are included.

² Escrow deposit of ₩ 16,218 million, for the reimbursement of KT ENGCORE Co., Ltd.'s rehabilitation receivables, are included.

The maximum exposure of trade and other receivables to credit risk is the carrying amount of each class of receivables mentioned above as at June 30, 2020.

A portion of the trade receivables is classified as financial assets at fair value through other comprehensive income considering the trade receivables business model for managing the asset and the cash flow characteristics of the contract.

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6. Other Financial Assets and Liabilities

Details of other financial assets and liabilities as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Other financial assets		
Financial assets at amortized cost ¹	₩ 514,128	₩ 441,804
Financial assets at fair value through profit or loss ^{1,2,3}	781,002	632,324
Financial assets at fair value through other comprehensive income ¹	234,016	557,342
Derivatives used for hedging	152,841	58,576
Less: Non-current	<u>(541,597)</u>	<u>(821,658)</u>
Current	<u>₩ 1,140,390</u>	<u>₩ 868,388</u>
Other financial liabilities		
Financial liabilities at amortized cost	₩ 149,104	₩ 129,945
Financial liabilities at fair value through profit or loss	56	38
Derivatives used for hedging	15,093	20,096
Less: Non-current	<u>(162,525)</u>	<u>(149,136)</u>
Current	<u>₩ 1,728</u>	<u>₩ 943</u>

¹ As at June 30, 2020, the Group's other financial assets amounting to ₩ 101,486 million (December 31, 2019: ₩ 91,445 million), which consist of checking account deposits, time deposits and others, are subject to withdrawal restrictions.

² As at June 30, 2020, MMW(Money Market Wrap) and MMT(Money Market Trust) amounting to ₩ 512,500 million (December 31, 2019: ₩ 406,062 million) are included in other financial assets.

³ Investment in Korea Software Financial Cooperative amounting to ₩ 4,773 million is provided as collateral.

Details of financial assets at fair value through profit or loss as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Equity instruments (Listed)	₩ 166	₩ 232
Equity instruments (Unlisted)	78,610	90,357
Debt securities	702,087	541,657
Derivative held for trading	139	78
	<u>781,002</u>	<u>632,324</u>
Less: Non-current	<u>(200,658)</u>	<u>(219,026)</u>
Current	<u>₩ 580,344</u>	<u>₩ 413,298</u>

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 at June 30, 2020.

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Details of financial assets at fair value through other comprehensive income as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Equity instruments (Listed)	₩ 4,754	₩ 6,738
Equity instruments (Unlisted)	222,516	543,518
Debt securities	6,746	7,086
	<u>234,016</u>	<u>557,342</u>
Less: Non-current	(234,016)	(556,147)
Current	<u>₩ -</u>	<u>₩ 1,195</u>

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

The Group disposed shares of Mastercard Inc. amounting to ₩ 350,777 million at fair value. Upon disposal, ₩ 265,087 million is reclassified as accumulated other comprehensive income after tax and ₩ 184,330 million is reclassified as retained earnings of attributable to owners of the controlling company.

Details of valuation of derivatives used for hedging as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap ¹	₩ -	₩ 2,170	₩ -	₩ 1,464
Currency swap ²	147,501	12,923	55,569	18,632
Currency forwards ³	5,340	-	3,007	-
	<u>152,841</u>	<u>15,093</u>	<u>58,576</u>	<u>20,096</u>
Less: Non-current	(94,111)	(13,409)	(28,304)	(19,177)
Current	<u>₩ 58,730</u>	<u>₩ 1,684</u>	<u>₩ 30,272</u>	<u>₩ 919</u>

¹ The interest rate swap contract is to hedge the risk of variability in future fair value of the borrowings.

² The currency swap contract is to hedge the risk of variability in cash flow from the borrowings. In applying the cash flow hedge accounting, the Group hedges its exposures to cash flow fluctuation until September 7, 2034.

³ The currency forward contract is to hedge the risk of variability in cash flow from transactions in foreign currencies due to changes in foreign exchange rate.

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

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The valuation gains and losses on the derivative contracts for the six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

Type of transaction	2020			2019		
	Valuation gain	Valuation loss	Other comprehensive income ¹	Valuation gain	Valuation loss	Other comprehensive income ¹
Interest rate swap	₩ -	₩ -	₩ (1,605)	₩ -	₩ -	₩ (1,402)
Currency swap	108,063	7,062	102,824	75,830	-	90,002
Currency forwards	3,174	-	-	5,622	-	-
	₩ 111,237	₩ 7,062	₩ 101,219	₩ 81,452	₩ -	₩ 88,600

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

The ineffective portion recognized in profit or loss on the cash flow hedge is valuation gain of ₩ 2,537 million for the period ended June 30, 2020 (six-month period ended June 30, 2019: valuation gain of ₩ 3,114 million).

Details of financial liabilities at fair value through profit or loss at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020		December 31, 2019	
Financial liabilities at fair value through profit or loss				
Derivative liabilities held for trading	₩	56	₩	38

The valuation gain and loss on financial liabilities at fair value through profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Valuation gain	Valuation loss	Valuation gain	Valuation loss
Derivative liabilities held for trading	₩	82	₩	19
			₩	146
			₩	93

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7. Inventories

Inventories as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020			December 31, 2019		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	₩ 770,454	₩ (133,943)	₩ 636,511	₩ 805,691	₩ (144,438)	₩ 661,253
Others	4,064	-	4,064	4,245	-	4,245
	<u>₩ 774,518</u>	<u>₩ (133,943)</u>	<u>₩ 640,575</u>	<u>₩ 809,936</u>	<u>₩ (144,438)</u>	<u>₩ 665,498</u>

Cost of inventories recognized as expenses for the six-month period ended June 30, 2020, amounts to ₩ 1,906,031 million (six-month period ended March 31, 2019: ₩ 2,094,465 million) and valuation loss on inventory amounts to ₩ 10,495 million for the six-month period ended June 30, 2020 (six-month period ended March 31, 2019: valuation loss of ₩ 7,468 million).

8. Other Assets and Liabilities

Other assets and liabilities as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020		December 31, 2019	
Other assets				
Advance payments	₩	151,005	₩	179,475
Prepaid expenses ¹		1,970,456		1,935,037
Contract assets ¹		552,833		557,041
Others		7,468		14,243
Less: Non-current		(692,035)		(685,488)
Current	₩	<u>1,989,727</u>	₩	<u>2,000,308</u>
Other liabilities				
Advances received ¹	₩	240,727	₩	198,366
Withholdings		79,750		99,844
Unearned revenue ¹		77,954		65,228
Lease liabilities		690,114		729,139
Contract liabilities ¹		367,047		365,610
Others		20,265		23,297
Less: Non-current		(414,053)		(449,526)
Current	₩	<u>1,061,804</u>	₩	<u>1,031,958</u>

¹ The amounts include adjustments arising from adoption of Korean IFRS 1115 (Note 20).

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9. Assets Held for Sale

In the prior period, the Group has decided to sell all of the equity holdings of ISU-kth Content Investment Cooperative, with the approval of the Board of Directors and shareholders and classified them as assets held for sale. As at June 30, 2020, the Group is in the process of selling these assets with the approval of general meeting of members.

During the prior period, the Group decided to sell some real estate, in which the amount of ₩ 82,865 million was classified as assets held for sale and will be sold in the current year.

10. Property and Equipment, Investment Properties, and Intangible Assets

Changes in property and equipment for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
Beginning, net	₩	13,785,299	₩	13,068,257
Effect from changes in accounting policy ¹		-		(209,760)
Acquisition and capital expenditure		1,106,069		1,695,279
Disposal and termination		(37,208)		(35,567)
Depreciation		(1,279,453)		(1,221,326)
Transfer to investment property		(139,437)		(47,302)
Others		19,252		(56,749)
Ending, net	₩	13,454,522	₩	13,192,832

¹ With the application of Korean IFRS 1116, the assets were reclassified from property and equipment to right-of-use assets.

Details of property and equipment provided as collateral as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>			June 30, 2020		
	Carrying amount	Secured amount	Related line item	Related amount	Secured party
Land and Buildings	₩ 16,961	₩ 17,072	Borrowings and others	₩ 4,352	Industrial Bank of Korea/Korea Development Bank/K Bank

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(in millions of Korean won)

	December 31, 2019				
	Carrying amount	Secured amount	Related line item	Related amount	Secured party
Land and Buildings	₩ 17,097	₩ 18,705	Borrowings and others	₩ 4,347	Industrial Bank of Korea/Korea Development Bank/K Bank
Others	45,851	41,681	Borrowings	3,473	Shinhan Bank

Changes in investment properties for the six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020	2019
Beginning, net	₩ 1,387,430	₩ 1,091,084
Effect from changes in accounting policy ¹	-	46,666
Acquisition	7,760	213,479
Disposal	(654)	(40)
Depreciation	(35,367)	(32,917)
Transfer from property and equipment	139,437	71,602
Others	(7,072)	-
Ending, net	₩ 1,491,534	₩ 1,389,874

As at June 30, 2020, the Group (Lessor) has entered into a non-cancellable operating lease contract relating to real estate lease. The future minimum lease fee under this contract is ₩ 66,876 million for one year or less, ₩ 104,945 million more than one year and less than five years, ₩ 88,403 million over five years, and ₩ 260,224 million in total.

Details of investment properties provided as collateral as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020			
	Carrying amount	Secured amount	Related account	Related amount
Land and Buildings	₩ 821,521	₩ 65,264	Deposits	₩ 58,447
Land and Buildings	1,869	2,277	Borrowings	1,897

(in millions of Korean won)

	December 31, 2019			
	Carrying amount	Secured amount	Related account	Related amount
Land and Buildings	₩ 854,874	₩ 62,896	Deposits	₩ 56,831
Land and Buildings	1,915	3,044	Borrowings	1,903

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Changes in intangible assets for the six-month periods ended June 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
Beginning, net	₩	2,834,037	₩	3,407,123
Effect from changes in accounting policy ¹		-		(26,207)
Acquisition and capital expenditure		91,604		71,455
Disposal and termination		(6,810)		(4,338)
Amortization		(320,672)		(329,140)
Others		49,377		13,864
Ending, net	₩	<u>2,647,536</u>	₩	<u>3,132,757</u>

¹ With the application of Korean IFRS 1116, the assets were reclassified from intangible assets to right-of-use assets.

The carrying amount of membership rights and others, excluding goodwill, with indefinite useful life not subject to amortization is ₩ 206,029 million as at June 30, 2020 (December 31, 2019: ₩ 203,240 million).

Goodwill is allocated to the Group's cash-generating unit which is identified by operating segments. As at June 30, 2020, goodwill allocated to each cash-generating unit is as follows:

<i>(In millions of Korean won)</i>		
Operating Segment	Cash-Generating Unit	Amount
ICT	Mobile services ¹	₩ 65,057
Finance	BC Card Co., Ltd. ¹	41,234
Others	GENIE Music Corporation (KT Music Corporation) ¹	53,871
	PlayD Co., Ltd. (N SEARCH MARKETING Co., Ltd.) ¹	42,745
	KT Telecop Co., Ltd. ¹	15,418
	KT MOS Bukbu Co., Ltd. and others	57,804
		<u>₩ 276,129</u>

¹ The recoverable amounts of telecom wireless business, BC Card Co., Ltd., PlayD Co., Ltd. (N SEARCH MARKETING Corporation) and KT Telecop Co., Ltd. are calculated based on value-in use calculations. The recoverable amounts of GENIE Music Corporation (KT Music Corporation) is calculated based on fair value less costs to sell. These calculations use pre-tax cash flow projections for the next five years based on financial budgets. Cash flow that exceeds the period of financial budgets is projected by expected growth rate. This growth rate does not exceed the long-term average growth rate of the industry which the cash-generate unit belongs in. The Group estimated its revenue growth rate based on past performance and its expectation of future market changes. The Group determined cash flow projections based on past performance and its estimation of market growth. Specific risk of related operating segment is reflected in discount rate.

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11. Investments in Associates and Joint Ventures

Details of associates as at June 30, 2020 and December 31, 2019, are as follows:

	Percentage of ownership (%)		Location	Closing month
	June 30, 2020	December 31, 2019		
Korea Information & Technology Fund	33.3%	33.3%	Korea	December 31
KT-IBKC Future Investment Fund 1 ¹	50.0%	50.0%	Korea	December 31
KT-CKP New Media Investment Fund	-	49.7%	Korea	December 31
K Bank Inc. ²	10.0%	10.0%	Korea	December 31
Hyundai Robotics Co., Ltd ³	10.0%	-	Korea	December 31

¹ At the end of the reporting period, even though the Group has 50% ownership, the equity method of accounting has been applied as the Group, which is a limited partner of the investment fund, cannot participate in determining the operating and financial policies.

² At the end of the reporting period, although the Group owns less than 20% ownership in ordinary share, this entity is included in investments in associates as the Group has a significant influence in determining the operating and financial policies. Furthermore, 12.1% of non-voting convertible stock are excluded from the ownership percentage.

³ At the end of the reporting period, although the Group has less than 20% ownership in ordinary share, this entity is included in investments in associates as the Group has a significant influence in determining the operating and financial policies.

Changes in investments in associates and joint ventures for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020					
	Beginning	Acquisition (Disposal)	Share of net profit			Ending
			(loss) from associates and joint ventures ¹	Others		
Korea Information & Technology Fund	₩ 163,975	₩ -	₩ (346)	₩ (9,240)	₩ 154,389	
KT-IBKC Future Investment Fund 1	14,100	-	768	-	14,868	
KT-CKP New Media Investment Fund	134	(134)	-	-	-	
K Bank Inc.	45,158	-	(9,920)	8	35,246	
Hyundai Robotics Co., Ltd	-	50,000	-	-	50,000	
Others ¹	44,293	17,730	1,262	(2,359)	60,926	
	₩ 267,660	₩ 67,596	₩ (8,236)	₩ (11,591)	₩ 315,429	

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<i>(in millions of Korean won)</i>	2019				
	Beginning	Acquisition (Disposal)	Share of net profit		Ending
			(loss) from associates and joint ventures ¹	Others	
Korea Information & Technology Fund	₩ 148,255	₩ -	₩ (220)	₩ (4,280)	₩ 143,755
KT-SB Venture Investment	4,470	(4,470)	-	-	-
KT-IBKC Future Investment Fund 1 ¹	9,961	3,250	(76)	(1,318)	11,817
KT-CKP New Media Investment Fund	281	-	17	-	298
K Bank Inc.	52,655	-	(9,392)	(199)	43,064
Others ¹	56,785	(5,735)	5,505	(9,773)	46,782
	<u>₩ 272,407</u>	<u>₩ (6,955)</u>	<u>₩ (4,166)</u>	<u>₩ (15,570)</u>	<u>₩ 245,716</u>

¹ KT investment Co., Ltd., a subsidiary of the Group, recognized its share in net profit (loss) from associates and joint ventures as operating revenue and expense. These include its share in net loss from associates and joint ventures of ₩ 103 million (six-month period ended June 30, 2019: net income of ₩ 10 million) recognized as operating revenue and expense during the period.

Summarized financial information of associates and joint ventures as at June 30, 2020 and December 31, 2019 and for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020			
	Assets	Liabilities	Operating revenue	Profit (loss) for the period
Korea Information & Technology Fund	₩ 463,167	₩ -	₩ -	₩ (1,036)
KT-IBKC Future Investment Fund 1	29,738	-	1,901	1,538
K Bank Inc.	2,060,492	1,900,900	34,567	(44,920)
Hyundai Robotics Co., Ltd	433,642	141,432	1,805	1,047

<i>(in millions of Korean won)</i>	December 31, 2019		June 30, 2019	
	Assets	Liabilities	Operating revenue	Profit (loss) for the period
Korea Information & Technology Fund	₩ 491,924	₩ -	₩ -	₩ (659)
KT-IBKC Future Investment Fund 1	28,200	-	437	(152)
KT-CKP New Media Investment Fund	270	-	35	33
K Bank Inc.	2,558,631	2,354,159	46,426	(49,956)

Due to the discontinuance of equity method of accounting, the Group has not recognized loss from associates and joint ventures of ₩ 2,599 million for the six-month period ended June 30, 2020 (six-month period ended March 31, 2019: loss of ₩ 6,092 million). The accumulated comprehensive loss of associates and joint ventures as at June 30, 2020, which was not recognized by the Group, is ₩ 10,000 million (December 31, 2019: ₩ 12,599 million).

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12. Trade and Other Payables

Details of trade and other payables as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
Current liabilities				
Trade payables	₩	1,234,563	₩	1,304,795
Other payables		5,367,120		6,292,683
	₩	<u>6,601,683</u>	₩	<u>7,597,478</u>
Non-current liabilities				
Trade payables	₩	2,273	₩	1,733
Other payables		808,785		1,080,486
	₩	<u>811,058</u>	₩	<u>1,082,219</u>

Details of other payables as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
Non-trade payables ¹	₩	3,800,844	₩	5,275,224
Accrued expenses		987,528		987,624
Operating deposits		1,188,641		910,045
Others		198,892		200,276
Less: Non-current		(808,785)		(1,080,486)
Current	₩	<u>5,367,120</u>	₩	<u>6,292,683</u>

¹ Settlement payables of BC Card Co., Ltd., a subsidiary of the Group, of ₩ 1,496,801 million related to credit card transactions are included as at June 30, 2020 (December 31, 2019: ₩ 1,824,068 million).

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13. Borrowings

Details of borrowings as at June 30, 2020 and December 31, 2019, are as follows:

Debentures

<i>(in millions of Korean won and foreign currencies in thousands)</i>			June 30, 2020		December 31, 2019	
Type	Maturity	Annual interest rates	Foreign currency	Korean won	Foreign currency	Korean won
MTNP notes ¹	Sep. 7, 2034	6.500%	USD 100,000	₩ 120,070	USD 100,000	₩ 115,780
MTNP notes	Jul. 18, 2026	2.500%	USD 400,000	480,280	USD 400,000	463,120
MTNP notes	Aug. 7, 2022	2.625%	USD 400,000	480,280	USD 400,000	463,120
FR notes ²	Aug. 23, 2020	LIBOR(3M)+0.40%	USD 200,000	240,140	USD 200,000	231,560
FR notes ²	Aug. 23, 2023	LIBOR(3M)+0.90%	USD 100,000	120,070	USD 100,000	115,780
MTNP notes	Jul. 6, 2020	0.310%	JPY 4,000,000	44,642	JPY 4,000,000	42,539
MTNP notes	Jul. 6, 2021	0.380%	JPY 16,000,000	178,568	JPY 16,000,000	170,155
MTNP notes	Nov. 13, 2020	0.300%	JPY 30,000,000	334,815	JPY 30,000,000	319,041
MTNP notes	Jul. 19, 2022	0.220%	JPY 29,600,000	330,351	JPY 29,600,000	314,787
MTNP notes	Jul. 19, 2024	0.330%	JPY 400,000	4,464	JPY 400,000	4,254
FR notes ²	Nov. 01, 2024	LIBOR(3M)+0.98%	USD 350,000	420,245	USD 350,000	405,230
FR notes ²	Jun. 19, 2023	SOR(6M)+0.5%	SGD 284,000	244,734	-	-
The 180-2nd Public bond	Apr. 26, 2021	4.710%	-	380,000	-	380,000
The 181-3rd Public bond	Aug. 26, 2021	4.090%	-	250,000	-	250,000
The 182-2nd Public bond	Oct. 28, 2021	4.310%	-	100,000	-	100,000
The 183-2nd Public bond	Dec. 22, 2021	4.090%	-	90,000	-	90,000
The 183-3rd Public bond	Dec. 22, 2031	4.270%	-	160,000	-	160,000
The 184-2nd Public bond	Apr. 10, 2023	2.950%	-	190,000	-	190,000
The 184-3rd Public bond	Apr. 10, 2033	3.170%	-	100,000	-	100,000
The 185-2nd Public bond	Sep. 16, 2020	3.650%	-	300,000	-	300,000
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 188-1st Public bond	Jan. 29, 2020	-	-	-	-	160,000
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 189-2nd Public bond	Jan. 28, 2021	1.946%	-	130,000	-	130,000
The 189-3rd Public bond	Jan. 28, 2026	2.203%	-	100,000	-	100,000
The 189-4rd Public bond	Jan. 28, 2036	2.351%	-	70,000	-	70,000
The 190-1st Public bond	Jan. 29, 2021	2.548%	-	110,000	-	110,000
The 190-2nd Public bond	Jan. 30, 2023	2.749%	-	150,000	-	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 191-1st Public bond	Jan. 14, 2022	2.048%	-	220,000	-	220,000
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

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Type	Maturity	Annual interest rates	June 30, 2020		December 31, 2019	
			Foreign currency	Korean won	Foreign currency	Korean won
The 191-4th Public bond	Jan. 14, 2039	2.213%	-	90,000	-	90,000
The 192-1st Public bond	Oct. 11, 2022	1.550%	-	340,000	-	340,000
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	1.174%	-	150,000	-	-
The 193-2nd Public bond	Jun. 17, 2025	1.434%	-	70,000	-	-
The 193-3rd Public bond	Jun. 17, 2030	1.608%	-	20,000	-	-
The 193-4th Public bond	Jun. 15, 2040	1.713%	-	60,000	-	-
The 148th MTN	Jun. 23, 2023	1.513%	-	100,000	-	-
Subtotal			-	7,638,659	-	7,045,366
Less: Current portion			-	(1,538,837)	-	(1,052,032)
Discount on bonds			-	(20,064)	-	(20,780)
Total			-	₩ 6,079,758	-	₩ 5,972,554

¹ As at June 30, 2020, the Group 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.

² The Libor (3M) and SOR (6M) is approximately 0.302% and 0.261% as at June 30, 2020.

Convertible bonds

(in millions of Korean won)

Type	Issuance Date	Maturity	Annual Interest Rate	June 30, 2020	December 31, 2019
The 1st CB(Private) ^{1,2}	Jun. 5, 2020	Jun. 5, 2025	0.000%	₩ 8,000	₩ -
Redemption Premium			-	2,267	-
Bond discount issuance			-	(4,807)	-
Subtotal			-	5,460	-
Current portion			-	-	-
			-	₩ 5,460	₩ -

¹ Ordinary shares of Storywiz are subject to conversion (appraisal period: June 5, 2021~ May 4, 2025).

² Nominal interest rate and maturity yield is approximately 0% and 5% and will be settled on maturity.

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Short-term borrowings

(in millions of Korean won)

Type	Financial institution	Annual interest rates	June 30, 2020		December 31, 2019	
Operational	NongHyup Bank	2.490%	₩	15,000	₩	15,000
	Shinhan Bank	2.590%~3.090%		30,025		57,500
	Korea Development Bank	3.850%		10,000		10,000
	Soohyup Bank	-		-		1,000
Facility Loans	Hana Bank	4.200%		11,000		-
			₩	66,025	₩	83,500

Long-term borrowings

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

Financial institution	Type	Annual interest rates	June 30, 2020		December 31, 2019	
			Foreign currency	Korean won	Foreign currency	Korean won
Export-Import Bank of Korea	Inter-Korean Cooperation Fund ¹	1.500%	-	₩ 3,208	-	₩ 3,454
Industrial Bank of Korea	General loans	2.980%	-	6,000	-	6,000
Shinhan Bank	General loans	2.810%	-	5,000	-	5,000
	General loans ²	LIBOR(3M)+2.130%	USD 25,000	30,018	-	-
	Facility loans ²	LIBOR(3M)+1.340%	USD 25,918	31,120	USD 25,918	30,008
	Vessel facility loans	-	-	-	USD 3,000	3,473
CA-CIB	Long-term CP	1.260%	-	100,000	-	-
NongHyup Bank	Facility loans	2.000%	-	67	-	79
Korea Development Bank	General loans	3.020%	-	10,000	-	10,000
	General loans Redeemable	3.310%	-	30,000	-	30,000
Others	convertible preferred stock	-	-	-	-	950
	Kookmin Bank and other ²	LIBOR(3M)+1.850%	USD 68,397	82,125	USD 87,940	101,816
Subtotal			-	297,538	-	190,780
Less: Current portion			-	(62,447)	-	(50,192)
			-	₩ 235,091	-	₩ 140,588

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

² LIBOR(3M) is approximately 0.302% as at June 30, 2020.

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Repayment schedule of the Group's debentures and borrowings including the portion of current liabilities as at June 30, 2020, is as follows:

(in millions of Korean won)

	Debentures			Borrowings			Total
	In local currency	In foreign currency	Sub-total	In local currency	In foreign currency	Sub-total	
Jul. 1, 2020 ~ Jun. 30, 2021	₩ 920,000	₩ 619,597	₩ 1,539,597	₩ 81,543	₩ 46,929	₩ 128,472	₩ 1,668,069
Jul. 1, 2021 ~ Jun. 30, 2022	660,000	178,568	838,568	36,518	35,196	71,714	910,282
Jul. 1, 2022 ~ Jun. 30, 2023	930,000	1,055,365	1,985,365	100,512	61,138	161,650	2,147,015
Jul. 1, 2023 ~ Jun. 30, 2024	190,000	120,070	310,070	493	-	493	310,563
After Jul. 1, 2024	1,948,000	1,025,059	2,973,059	1,234	-	1,234	2,974,293
	₩ 4,648,000	₩ 2,998,659	₩ 7,646,659	₩ 220,300	₩ 143,263	₩ 363,563	₩ 8,010,222

14. Provisions

Changes in provisions for the six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020			
	Litigation	Restoration cost	Others	Total
Beginning balance	₩ 64,241	₩ 113,289	₩ 76,631	₩ 254,161
Increase (transfer)	112	(257)	8,294	8,149
Usage	(261)	(888)	(3,856)	(5,005)
Reversal	(50)	(348)	(2,346)	(2,744)
Scope change	-	195	54,892	55,087
Ending balance	₩ 64,042	₩ 111,991	₩ 133,615	₩ 309,648
Current	₩ 64,042	₩ 21,177	₩ 99,944	₩ 185,163
Non-current	-	90,814	33,671	124,485

(in millions of Korean won)

	2019			
	Litigation	Restoration cost	Others	Total
Beginning balance	₩ 58,760	₩ 118,828	₩ 97,868	₩ 275,456
Increase (transfer)	(8,623)	6,195	12,543	10,115
Usage	(35,624)	(1,662)	(9,836)	(47,122)
Reversal	-	(2,761)	(13,950)	(16,711)
Ending balance	₩ 14,513	₩ 120,600	₩ 86,625	₩ 221,738
Current	₩ 14,513	₩ 1,804	₩ 84,354	₩ 100,671
Non-current	-	118,796	2,271	121,067

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15. Net Defined Benefit Liabilities

The amounts recognized in the statements of financial position as at June 30, 2020 and December 31, 2019, are determined as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
Present value of defined benefit obligations	₩	2,478,220	₩	2,427,351
Fair value of plan assets		(2,009,148)		(2,069,710)
Liabilities	₩	472,844	₩	365,663
Assets	₩	3,772	₩	8,022

Changes in the defined benefit obligations for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
Beginning	₩	2,427,351	₩	2,201,876
Current service cost		123,693		121,591
Interest expense		21,365		23,138
Historical service cost		971		-
Benefits paid		(104,303)		(40,360)
Remeasurements		5,011		10,893
Scope change		1,268		-
Others		2,864		2,611
Ending	₩	2,478,220	₩	2,319,749

Changes in the fair value of plan assets for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
Beginning	₩	2,069,710	₩	1,643,046
Interest income		18,695		17,634
Remeasurements on plan assets		1,289		(1,175)
Employer contributions		13,105		32,249
Benefits paid		(92,874)		(40,950)
Others		(777)		1,577
Ending	₩	2,009,148	₩	1,652,381

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Amounts recognized in the consolidated statement of profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
Current service cost	₩	123,693	₩	121,591
Net interest cost		2,670		5,504
Historical service cost		971		-
Account transfers		(8,230)		(8,573)
Total expenses	₩	119,104	₩	118,522

16. Commitments and Contingencies

As at June 30, 2020, major commitments with local financial institutions are as follows:

<i>(in millions of Korean won and foreign currencies in thousands)</i>	Financial institution	Currency	Limit	Used amount
Bank overdraft	Kookmin Bank and others	KRW	1,487,000	5,000
Inter-Korean Cooperation Fund	Export-Import Bank of Korea	KRW	37,700	3,207
Insurance for Economic Cooperation project	Export-Import Bank of Korea	KRW	3,240	1,732
Collateralized loan on electronic accounts receivable-trade	Shinhan Bank and others	KRW	442,660	19,593
Plus electronic notes payable	Industrial Bank of Korea	KRW	50,000	1,564
Loans for working capital	Korea Development Bank and others	KRW	244,110	148,740
Facility loans	Shinhan Bank and others	KRW	100,123	67
	Kookmin Bank and others	USD	212,000	68,397
Derivatives transaction limit	Korea Development Bank	KRW	100,000	6,888
Total		KRW	2,464,833	186,791
		USD	212,000	68,397

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As at June 30, 2020, guarantees received from financial institutions are as follows:

<i>(in millions of Korean won and foreign currencies in thousands)</i>	Financial institution	Currency	Limit
Performance guarantee	Seoul Guarantee Insurance and others	KRW	169,174
		USD	8,569
Guarantee for import letters of credit	Industrial Bank of Korea and others	USD	5,500
Refund guarantee for advances received	Korea Development Bank	USD	1,859
Guarantee for payment in foreign currency	KEB Hana Bank and others	USD	26,911
		PLN ¹	13,751
Comprehensive credit line	KEB Hana Bank and others	KRW	41,100
		USD	8,700
Bid guarantee	KEB Hana Bank	USD	400
Bid guarantee		KRW	69,919
Performance guarantee / warranty guarantee	Korea Software Financial Cooperative and others	KRW	460,445
Guarantee for advance payments/others		KRW	226,415
Warranty guarantee		KRW	357
Performance guarantee		KRW	11,617
Bid guarantee	Seoul Guarantee Insurance	KRW	10,000
Guarantees for licensing		KRW	4,908
Guarantees for depositions		KRW	3,764
Merchant business guarantee insurance		KRW	170
		KRW	997,869
	Total	USD	51,939
		PLN ¹	13,751

¹ Polish Zloty.

As at June 30, 2020, guarantees provided by the Group to a third party, are as follows:

(in millions of Korean won)

	Subject to payment guarantees	Creditor	Limit	Used amount	Period
KT Estate Inc.	Busan Gaya Centreville Buyers	Shinhan Bank	4,861	4,858	Nov. 10, 2017 ~ Oct. 31, 2020
KT Estate Inc.	Daegu Beomeo-Crossroads SeohanIDaum Buyers	Shinhan Bank	7,946	7,929	Oct. 29, 2017 ~ Nov. 30, 2020
KT ENGSCORE Co., Ltd ¹	Gasam solar power plant Inc.	Shinhan Bank	4,700	1,539	Jan. 08, 2025
KT ENGSCORE Co., Ltd ¹	SPP Inc.	Suhyup Bank	3,250	630	Feb. 16, 2024
KT ENGSCORE Co., Ltd ¹	Korea cell Inc.	Suhyup Bank	3,250	515	Feb. 16, 2024
KT ENGSCORE Co., Ltd ¹	San-ya agricultural association corporation	Suhyup Bank	3,250	734	Feb. 16, 2024
KT ENGSCORE Co., Ltd ¹	Korean delta solar first Co., Ltd.	NH INVESTMENT & SECURITIES CO.,LTD.	39,000	39,000	Jun. 08, 2017

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KT ENGCORE Co., Ltd ¹	Ciocanesti Korea Co., Ltd.	NH INVESTMENT & SECURITIES CO.,LTD.	7,600	7,600	Jun. 08, 2017
KT ENGCORE Co., Ltd ¹	Korean delta solar second Co., Ltd.	NH INVESTMENT & SECURITIES CO.,LTD.	9,000	9,000	Jul. 12, 2017
KT Hitel Co., Ltd.	Shinhan Bank	Cash payers	700	-	Apr. 17, 2020 ~ Apr. 16, 2021
Nasmedia	Stockholders Association Members	Korea Securities Finance Corp	5,654	3,070	-

¹ KT ENGCORE Co., Ltd, the subsidiary of the Group is subject to make payments, depending on reimbursement of principal debtor.

The Controlling Company is jointly and severally obligated with KT Sat Co., Ltd., to pay KT Sat Co., Ltd.'s liabilities incurred prior to spin-off. As at June 30, 2020, the Controlling Company and KT Sat Co., Ltd. are jointly and severally liable for reimbursement of ₩ 1,817 million.

For the six-month period ended June 30, 2020, the Group made agreements with the Securitization Specialty Companies (2020: Giga LTE Forty ninth to Fifty Securitization Specialty Co., Ltd., 2019: Giga LTE Forty third to Forty eighth 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 securitization specialty company.

As at June 30, 2020, the Group is a defendant in 192 lawsuits with the total claimed amount of ₩ 95,172 million (2019: ₩ 214,877 million). As at June 30, 2020, litigation provisions of ₩ 64,042 million for pending lawsuits and unasserted claims are recorded as liabilities for potential loss in the ordinary course of business. The final outcome of the cases cannot be estimated as at the end of the reporting period.

According to the financial and other covenants included in certain debentures 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 restrictions on the provision of additional collateral and disposal of certain assets.

As at June 30, 2020, the Group participates in Algerie Sidi Abdela new town development consortium (percentage of ownership: 2.5%) and has joint liability with other consortium participants.

As at June 30, 2020, the contract amount of property and equipment acquisition agreements made but not yet recognized amounts to ₩ 640,286 million (December 31, 2019: ₩ 851,798 million).

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17. Leases

Set out below is information for leases when the Group is a lessee. Information when the Group is a lessor is described in Note 10.

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

<i>(In millions of Korean won)</i>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Right-of-use assets		
Property and buildings	₩ 520,819	₩ 540,787
Machinery and track facilities	132,151	140,296
Others	99,344	107,414
Total	<u>₩ 752,314</u>	<u>₩ 788,497</u>
Investment property (buildings)	₩ 28,875	₩ 50,010

<i>(in millions of Korean won)</i>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Lease liabilities ¹		
Current	₩ 346,530	₩ 355,833
Non-current	343,584	373,306
	<u>₩ 690,114</u>	<u>₩ 729,139</u>

¹ Included in the line items other current liabilities and other non-current liabilities' in the consolidated statement of financial position (Note 8).

For the six-month period ended June 30, 2020, increase of right-of-use assets was ₩ 84,378 million.

The consolidated statement of profit or loss relating to leases for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Depreciation of right-of-use assets		
Property and buildings	₩ 145,640	₩ 157,215
Machinery and track facilities	33,439	46,340
Others	27,516	23,481
	<u>₩ 206,595</u>	<u>₩ 227,036</u>
Depreciation of investment properties	₩ 10,356	₩ 10,070
Interest expense relating to lease liabilities	17,649	21,019
Expenses relating to short-term leases	4,911	2,244
Expenses relating to leases of low-value assets that are not short-term leases	12,856	17,082
Expenses relating to variable lease payments not included in lease liabilities	4,063	3,127

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The total cash outflow for leases for six-month period ended in June 30, 2020 was ₩ 115,144 million.

18. Retained Earnings

Details of retained earnings as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
Legal reserve ¹	₩	782,249	₩	782,249
Voluntary reserves ²		4,651,362		4,651,362
Unappropriated retained earnings		6,500,853		6,203,574
Total	₩	<u>11,934,464</u>	₩	<u>11,637,185</u>

¹ 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 deficits, if any, with the ratification of the Controlling Company's majority shareholders.

² In accordance with the Restrictions on Special Taxation Act, R&D and HR related reserves under the voluntary reserves are separately accumulated when retained earnings from tax reserve funds are disposed, when income tax is recalculated from tax return adjustments.

19. Other Components of Equity

The Group's other components of equity as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
Treasury stock	₩	(819,049)	₩	(825,838)
Gain on disposal of treasury stock		(230)		1,229
Share-based payments		4,677		7,769
Equity transactions within consolidated entities ¹		(341,309)		(353,243)
Total	₩	<u>(1,155,911)</u>	₩	<u>(1,170,083)</u>

¹ Includes profit or loss from transactions with non-controlling interests and investment differences from changes in equity ratios of subsidiaries.

As at June 30, 2020 and December 31, 2019, the details of treasury stock are as follows:

	June 30, 2020		December 31, 2019	
Number of shares		15,739,783		15,870,258
Amount <i>(in millions of Korean won)</i>	₩	819,049	₩	825,838

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

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

The Group has recognized the following amounts relating to revenue in the statement of profit or loss for the three and six-month periods ended June 30, 2020 and 2019:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Revenue from contracts with customers	₩ 5,828,576	₩ 11,609,405	₩ 6,049,702	₩ 11,830,312
Revenue from other sources	47,927	98,814	48,831	102,598
Total	<u>₩ 5,876,503</u>	<u>₩ 11,708,219</u>	<u>₩ 6,098,533</u>	<u>₩ 11,932,910</u>

Operating revenues for the three and six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Services provided	₩ 5,099,682	₩ 10,131,947	₩ 5,150,178	₩ 10,124,859
Sales of goods	776,821	1,576,272	948,355	1,808,051
Total	<u>₩ 5,876,503</u>	<u>₩ 11,708,219</u>	<u>₩ 6,098,533</u>	<u>₩ 11,932,910</u>

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

The contract assets and liabilities recognized in relation to revenue from contracts with customers are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Contract assets ¹	₩ 743,972	₩ 703,078
Contract liabilities ¹	387,252	413,442
Deferred revenue ²	91,670	92,557

¹ The Group recognized contract assets of ₩ 191,139 million and contract liabilities of ₩ 20,205 million for longterm construction contracts as at June 30, 2020 (2019: contract assets of ₩ 146,037 million and contract liabilities of ₩ 47,832 million). The Group recognizes contract assets as trade and other receivables, and contract liabilities as other current liabilities.

² Deferred revenue recognized relating to government grants is excluded.

The contract costs recognized as assets are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Incremental costs of contract establishment	₩ 1,745,714	₩ 1,764,009
Costs of Contract performance	90,698	85,234

The Group recognized ₩ 884,052 million of operating expenses in the current reporting period (2019: ₩ 772,703 million) which relate to contract cost assets.

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For the three and six-month periods ended June 30, 2020 and 2019, the recognized revenue arising from carried-forward contract liabilities from prior year is as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Revenue recognized that was included in the contract liability balance at the beginning of the year				
Allocation of the transaction price	₩ 70,725	₩ 146,983	₩ 74,198	₩ 157,724
Deferred revenue of joining/installment fees	12,137	22,728	11,470	24,207
Total	₩ 82,862	₩ 169,711	₩ 85,668	₩ 181,931

21. Operating Expenses

Operating expenses for the three and six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Salaries and wages	₩ 983,652	₩ 1,987,599	₩ 1,006,133	₩ 1,989,930
Depreciation	647,609	1,298,901	616,554	1,254,243
Depreciation of right-of-use assets	102,965	206,595	121,796	227,093
Amortization of intangible assets	160,182	317,997	164,691	329,140
Commissions	234,348	480,036	270,179	488,214
Interconnection charges	134,347	265,648	132,139	271,846
International interconnection fees	45,210	90,089	55,654	111,145
Purchase of inventories	912,910	1,870,612	1,103,297	2,025,577
Changes of inventories	(5,917)	24,924	38,788	76,356
Sales commissions	565,003	1,096,281	588,637	1,136,976
Service costs	519,023	973,866	388,240	764,334
Utilities	81,829	168,447	72,556	149,035
Taxes and dues	76,157	137,662	66,212	130,690
Rent	33,776	65,585	39,068	75,916
Insurance premiums	16,296	34,617	19,874	38,108
Installation fees	33,426	58,171	37,654	77,197
Advertising expenses	29,438	55,574	45,294	74,773
Research and development expenses	36,165	76,116	40,360	80,408
Card service costs	749,056	1,431,802	763,435	1,502,652
Others	179,165	342,756	239,716	438,931
Total	₩ 5,534,640	₩ 10,983,278	₩ 5,810,277	₩ 11,242,564

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Details of employee benefits for the three and six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Short-term employee benefits	₩ 906,286	₩ 1,829,666	₩ 928,769	₩ 1,835,623
Post-employment benefits (defined benefits)	60,367	119,104	58,873	118,522
Post-employment benefits (defined contributions)	13,329	28,124	15,522	28,753
Share-based payments	994	2,594	1,489	2,978
Others	2,676	8,111	1,480	4,054
Total	₩ 983,652	₩ 1,987,599	₩ 1,006,133	₩ 1,989,930

22. Other Income and Other Expenses

Other income for the three and six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Gain on disposal of property and equipment and investment properties	₩ 3,205	₩ 10,873	₩ 2,625	₩ 10,230
Gain on disposal of intangible assets	217	1,932	970	1,226
Gain on disposal of right-of-use assets	222	601	1,392	2,665
Gain on disposal of investments in associates	-	-	3,708	3,689
Compensation on property and equipment	44,833	73,781	42,897	62,668
Gain on government subsidies	2,551	6,728	3,509	6,976
Others	10,245	16,215	13,542	45,258
Total	₩ 61,273	₩ 110,130	₩ 68,643	₩ 132,712

Other expenses for the three and six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Loss on disposal of property and equipment	₩ 20,835	₩ 36,435	₩ 13,363	₩ 24,503
Loss on disposal of intangible assets	228	900	858	2,805
Loss on disposal of right-of-use assets	4,898	5,938	854	1,554
Loss on disposal of investments in associates	8	33	1,336	4,790
Donations	13,054	13,311	22,905	44,726

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Other allowance for bad debts	9,476	18,540	4,908	9,675
Others	29,525	61,860	16,001	35,762
Total	₩ 78,024	₩ 137,017	₩ 60,225	₩ 123,815

23. Financial Income and Costs

Details of financial income for three and the six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Interest income	₩ 65,262	₩ 133,806	₩ 69,215	₩ 138,621
Gain on foreign currency transactions	2,664	8,727	7,826	9,450
Gain on foreign currency translation	(604)	7,729	2,310	5,792
Gain on settlement of derivatives	1,816	2,172	6,332	6,332
Gain on valuation of derivatives	(45,824)	111,319	41,924	81,598
Others	752	1,961	2,998	6,213
Total	₩ 24,066	₩ 265,714	₩ 130,605	₩ 248,006

Details of financial costs for the three and six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Interest expenses	₩ 68,390	₩ 136,750	₩ 79,393	₩ 153,103
Loss on foreign currency transactions	2,952	7,904	14,538	18,140
Loss on foreign currency translation	(44,665)	121,567	43,195	86,451
Loss on settlement of derivatives	23	37	-	-
Loss on valuation of derivatives	6,396	7,081	19	93
Loss on disposal of trade receivables	2,511	4,728	1,580	3,510
Others	816	2,311	133	469
Total	₩ 36,423	₩ 280,378	₩ 138,858	₩ 261,766

24. Income Tax Expense

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. As at June 30, 2020, the estimated average annual income tax rate used for the year ending December 31, 2020 is 35.68%.

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25. Earnings per Share

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

Basic earnings per share from operations for the three and six-month periods ended June 30, 2020 and 2019, are calculated as follows:

	2020		2019	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shares (in millions of Korean won)	₩ 176,605	₩ 384,920	₩ 173,934	₩ 405,024
Weighted average number of ordinary shares outstanding (in number of shares)	245,244,229	245,242,889	245,144,997	245,144,883
Basic earnings per share (in Korean won)	₩ 720	₩ 1,570	₩ 710	₩ 1,652

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 bonds and other share-based payments.

Diluted earnings per share from operations for the three and six-month periods ended June 30, 2020 and 2019, are calculated as follows:

	2020		2019	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shares (in millions of Korean won)	₩ 176,605	₩ 384,920	₩ 173,934	₩ 405,024
Adjusted net income attributable to ordinary shares (in millions of Korean won)	-	-	(141)	(141)
Diluted profit attributable to ordinary shares (in millions of Korean won)	176,605	384,920	173,793	404,883
Number of dilutive potential ordinary shares outstanding (in number of shares)	127,797	129,136	3,931	4,045
Weighted average number of ordinary shares outstanding (in number of shares)	245,372,026	245,372,025	245,148,928	245,148,928
Diluted earnings per share (in Korean won)	720	1,569	709	1,652

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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.

26. Cash Generated from Operations

Cash flows from operating activities for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
1. Profit for the period	₩ 434,161	₩ 462,837
2. Adjustments for:		
Income tax expense	240,891	218,480
Interest income ¹	(143,368)	(150,391)
Interest expense ¹	137,090	153,361
Dividend income	(2,312)	(1,963)
Depreciation	1,314,820	1,254,243
Amortization of intangible assets	320,672	329,140
Depreciation of right-of-use assets	206,595	227,093
Provisions for severance benefits (defined benefits)	127,333	127,095
Allowance for bad debts	62,004	58,778
Share of net profit or loss of associates and joint ventures	8,339	4,166
Loss on disposal of associates and joint ventures	33	1,101
Loss on disposal of property and equipment and investment properties	25,562	14,273
Loss on impairment of property and equipment	1,535	-
Loss (gain) on disposal of right-of-use assets	5,337	(1,111)
Loss (gain) on disposal of intangible assets	(1,032)	1,579
Loss on impairment of intangible assets	1,023	-
Loss on foreign currency translation	113,838	80,659
Gain on valuation of derivatives	(106,373)	(87,837)
Loss on disposal of financial assets at amortized cost	1	1
Loss (gain) on disposal of financial assets at fair value through profit or loss	428	(4,198)
Loss (gain) on valuation of financial assets at fair value through profit or loss	725	(646)
Others	50,573	91,125
3. Changes in operating assets and liabilities		
Increase in trade receivables	(120,126)	(541,583)
Decrease (increase) in other receivables	203,982	(227,229)

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Decrease (increase) in other current assets	45,419	(161,140)
Increase in other non-current assets	(47,824)	(143,983)
Decrease in inventories	39,095	65,899
Decrease in trade payables	(139,309)	(181,074)
Increase (decrease) in other payables	(364,261)	822,570
Increase in other current liabilities	12,167	143,024
Increase (decrease) in other non-current liabilities	(604)	25,175
Increase (decrease) in provisions	2,983	(56,129)
Increase (decrease) in deferred revenue	53	(221)
Decrease in plan assets	79,605	14,457
Payment of severance benefits	(101,319)	(68,503)
4. Cash generated from operations(1+2+3)	<u>₩ 2,407,736</u>	<u>₩ 2,469,048</u>

¹ BC Card Co., Ltd. and other subsidiaries of the Group recognized interest income and expenses as operating revenue and expenses, respectively. Related interest income ₩ 9,562 million (six-month period ended June 30, 2019: ₩ 11,770 million) recognized as operating revenue and interest expenses recognized as operating expenses are ₩ 341 million (six-month period ended June 30, 2019: ₩ 258 million)

Significant transactions not affecting cash flows for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Reclassification of the current portion of borrowings	₩ 619,783	₩ 160,132
Reclassification of construction-in-progress to property and equipment	683,053	336,961
Reclassification of other payables from property and equipment	(534,636)	285,491
Reclassification of other payables from intangible assets	(343,012)	(344,561)
Reclassification of other payables from defined benefit liabilities	2,983	(28,143)
Reclassification of other payables from plan assets	163	(5,756)

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27. Changes in Liabilities Arising from Financing Activities

(in millions of Korean won)

2020

	Beginning	Cash flows	Non-cash				Ending
			Newly acquired	Exchange differences	Fair value changes	Others	
Borrowings	₩ 7,298,867	₩ 580,595	₩ -	₩ 109,296	₩ -	₩ (1,141)	₩ 7,987,617
Lease liabilities	729,139	(93,314)	79,150	5	20	(24,886)	690,114
Other financial liabilities	-	(13,674)	13,674	-	-	-	-
Derivative liabilities	20,096	(483)	-	(14,713)	18,173	(7,980)	15,093
Derivative assets	(58,576)	(862)	-	(87,321)	(15,047)	8,965	(152,841)
Total	₩ 7,989,526	₩ 472,262	₩ 92,824	₩ 7,267	₩ 3,146	₩ (25,042)	₩ 8,539,983

(in millions of Korean won)

2019

	Beginning	Cash flows	Non-cash				Ending
			Newly acquired	Exchange differences	Fair value changes	Others	
Borrowings	₩ 6,648,294	₩ (482,808)	₩ -	₩ 80,449	₩ -	₩ 10,913	₩ 6,256,848
Lease liabilities	163,858	(251,555)	780,575	-	-	72,880	765,758
Derivative liabilities	65,067	-	-	(19,350)	(9,294)	(13,376)	23,047
Derivative assets	(29,843)	33,635	-	(54,079)	(8,575)	(702)	(59,564)
Total	₩ 6,847,376	₩ (700,728)	₩ 780,575	₩ 7,020	₩ (17,869)	₩ 69,715	₩ 6,986,089

28. Segment Information

The Group's operating segments are as follows:

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

Details of operating revenues and profit by each segment for the three and six-month periods ended June 30, 2020 and 2019, are as follows:

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	2020					
	Operating revenues		Operating Profit		Depreciation and amortization ¹	
	Three months	Six months	Three months	Six months	Three months	Six months
ICT	₩ 4,339,675	₩ 8,768,742	₩ 252,702	₩ 552,307	₩ 810,587	₩ 1,624,495
Finance	868,137	1,668,387	34,525	67,827	10,776	18,674
Satellite TV	177,669	345,584	26,122	50,333	21,265	43,005
Others	1,453,855	2,760,581	38,756	67,355	89,829	179,929
	6,839,336	13,543,294	352,105	737,822	932,457	1,866,103
Elimination	(962,833)	(1,835,075)	(10,242)	(12,881)	(21,701)	(42,610)
Consolidated amount	₩ 5,876,503	₩ 11,708,219	₩ 341,863	₩ 724,941	₩ 910,756	₩ 1,823,493

(In millions of Korean won)

	2019					
	Operating revenues		Operating profit		Depreciation and amortization ¹	
	Three months	Six months	Three months	Six months	Three months	Six months
ICT ²	₩ 4,558,529	₩ 8,892,813	₩ 191,137	₩ 487,582	₩ 792,897	₩ 1,604,590
Finance	881,796	1,748,430	38,992	86,312	6,466	13,187
Satellite TV	174,176	344,875	17,068	38,166	23,908	47,935
Others	1,442,369	2,775,433	59,692	97,479	98,907	183,471
	7,056,870	13,761,551	306,889	709,539	922,178	1,849,183
Elimination	(958,337)	(1,828,641)	(18,633)	(19,193)	(19,138)	(38,707)
Consolidated amount	₩ 6,098,533	₩ 11,932,910	₩ 288,256	₩ 690,346	₩ 903,040	₩ 1,810,476

¹ Sum of depreciation of property and equipment, investment properties, right-of-use assets and amortization of intangible assets.

² The prior year segment reporting has been reclassified to reflect the current year changes for comparability purposes.

Operating revenues for the three-month and six-month periods ended June 30, 2020 and 2019, and non-current assets as at June 30, 2020 and December 31, 2019, by geographical region, are as follows:

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(in millions of Korean won)

	2020		
	Operating revenues		Non-current assets¹
	Three months	Six months	June 30, 2020
Domestic	₩ 5,856,982	₩ 11,670,505	₩ 18,263,304
Overseas	19,521	37,714	82,603
Total	<u>₩ 5,876,503</u>	<u>₩ 11,708,219</u>	<u>₩ 18,345,907</u>

(in millions of Korean won)

	2019		
	Operating revenues		Non-current assets¹
	Three months	Six months	December 31, 2019
Domestic	₩ 6,081,196	₩ 11,900,507	₩ 18,718,584
Overseas	17,337	32,403	76,679
Total	<u>₩ 6,098,533</u>	<u>₩ 11,932,910</u>	<u>₩ 18,795,263</u>

¹ Non-current assets include property and equipment, intangible assets, investment properties, and right-of-use-assets

29. Related Party Transactions

The list of related party of the Group as at June 30, 2020, is as follows:

Relationship	Name of Entity
Associates and joint ventures	Korea Information & Technology Investment Fund (KIF Investment Fund), K- Realty CR-REITs No.1, Boston Global Film & Contents Fund L.P., QTT Global (Group) Company Limited, CU Industrial Development Co., Ltd., KD Living, Inc., Oscar Ent. Co., Ltd., LoginD Co., Ltd., K-REALTY CR-REIT 6, K Bank, Inc., ISU-kth Contents Investment Fund, Daiwon Broadcasting Co., Ltd., KT-DSC creative economy youth start-up investment fund, Korea electronic Vehicle charging service, K-REALTY RENTAL HOUSING REIT 2, AI RESEARCH INSTITUTE, KT-IBKC Future Investment Fund 1, Gyeonggi-KT Yoojin Superman Fund, FUNDA Co., Ltd., CHAMP IT Co.,Ltd., Alliance Internet Corp., Little big pictures, Virtual Realm Sendirian Berhad, KT Philippines Co., Ltd., KT-Smart Factory Investment Fund, Studio Discovery Co., Ltd , Studio&NEW Co., Ltd., KT Young Entrepreneurs DNA Investment Fund, Hyundai Robotics Co., Ltd.
Others ¹	KHS Corp.

¹ Although the entity is not the related party of the Group in accordance with Korean IFRS 1024, the entity belongs to the Large Enterprise Group to which the Group also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

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Outstanding balances of receivables and payables in relations to transactions with related parties as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

		June 30, 2020			
		Receivables		Payables	
		Trade receivables	Other receivables	Other payables	Lease liabilities
Associates and joint ventures	K- Realty CR-REITs No.1	₩ 596	₩ 26,700	₩ -	₩ 40,816
	K Bank, Inc.	498	11,274	20,825	-
	Others	51	1,155	623	-
Others	KHS Corp.	1	-	1	-
	Total	₩ 1,146	₩ 39,129	₩ 21,448	₩ 40,816

(in millions of Korean won)

		December 31, 2019				
		Receivables		Payables		
		Trade receivables	Other receivables	Trade payables	Other payables	Lease liabilities
Associates and joint ventures	K- Realty CR-REITs No.1	₩ 608	₩ 23,100	₩ -	₩ -	₩ 57,907
	K Bank, Inc.	583	13,664	-	557	-
	Others	434	1,177	-	711	-
Others	KT ENGCORE Co., Ltd.	4,497	9,517	1,169	148,503	74
	KHS Corp.	-	-	-	2	-
	Total	₩ 6,122	₩ 47,458	₩ 1,169	₩ 149,773	₩ 57,981

Significant transactions with related parties for the six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

		2020			
		Sales		Purchases	
		Operating revenue	Other income	Operating expenses	Others¹
Associates and joint ventures	K- Realty CR-REITs No.1	₩ 813	₩ -	₩ 262	₩ -
	KIF Investment fund	-	-	-	-
	K Bank, Inc.	8,430	-	4,040	-
	Others ¹	310	37	4,885	-
Others	KT ENGCORE Co., Ltd. ²	2,385	-	25,862	61,491
	KHS Corp.	50	-	6,208	-
	Total	₩ 11,988	₩ 37	₩ 41,257	₩ 61,491

¹ Amounts include acquisition of property and equipment, and others.

² Transactions before reclassification as subsidiary of the Group

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(in millions of Korean won)

		2019			
		Sales		Purchases	
		Operating revenue	Other income	Operating expenses	Others ¹
Associates	K- Realty CR-REITs No.1	₩ 647	₩ -	₩ -	₩ -
and	KIF Investment fund	-	-	-	-
joint ventures	K Bank, Inc.	8,859	-	4,122	-
	KD Living, Inc.	20	-	2,593	-
	Daiwon Broadcasting Co., Ltd.	14	-	2,959	-
	Others	530	55	15	-
Others	KT ENGCORE Co., Ltd.	4,037	10	41,505	73,723
	KHS Corp.	-	-	7,055	-
	Total	<u>₩ 14,107</u>	<u>₩ 65</u>	<u>₩ 58,249</u>	<u>₩ 73,723</u>

¹ Amounts include acquisition of property and equipment, and others.

(in millions of Korean won)

		2020		2019	
		Finance costs	Finance income	Finance costs	Finance income
Associates	K- Realty CR-REITs No.1	₩ 703	₩ 2,261	₩ 1,400	₩ 8,744
and	KIF Investment fund	-	9,241	-	4,279
joint ventures	KD Living, Inc.	-	-	-	-
	Daiwon Broadcasting Co., Ltd.	-	43	-	77
	Others	-	-	-	69
Others	KT ENGCORE Co., Ltd ¹	1	-	1	-
	Total	<u>₩ 704</u>	<u>₩ 11,545</u>	<u>₩ 1,401</u>	<u>₩ 13,169</u>

¹ Transactions before reclassification as a subsidiary of the Group

Key management compensation for the six-month periods ended June 30, 2020 and 2019, consists of:

(in millions of Korean won)

	2020		2019	
Salaries and other short-term benefits	₩	1,033	₩	1,016
Post-employment benefits		179		173
Stock-based compensation		<u>2,806</u>		<u>439</u>
Total	₩	<u>4,018</u>	₩	<u>1,628</u>

Fund transactions with related parties for the six-month periods ended June 30, 2020 and 2019, are as follows:

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(in millions of Korean won)

	2020			
	Repayments¹		Equity contributions in cash and others	
Associates and Joint ventures				
K- Realty CR-REITs No.1	₩	13,593	₩	-
Studio&NEW Co., Ltd.		-		8,333
Studio Discovery Co., Ltd.		-		3,000
KT Young Entrepreneurs DNA Investment Fund		-		3,600
KT-Smart Factory Investment Fund		-		2,800
KT-CKP new media investment fund		-		(148)
Hyundai Robotics Co., Ltd.		-		50,000
Others				
KT ENGCORE Co., Ltd ²		34		-
Total	₩	13,627	₩	67,585

¹ Amounts include lease transactions.

² Transactions before reclassified as a subsidiary of the Group

(in millions of Korean won)

	2019			
	Repayments¹		Equity contributions in cash and others	
Associates and Joint ventures				
KT-IBKC future investment fund 1	₩	-	₩	3,750
Virtual Realm Sendirian Berhad		-		550
KT-DSC creative economy youth start-up investment fund		-		(360)
K- Realty CR-REITs No.1		13,961		-
Others		-		99
Others				
KT ENGCORE Co., Ltd		66		-
Total	₩	14,027	₩	4,039

¹ Amounts include lease transactions.

At the end of the reporting period, there are no collateral and payment guarantees provided by the related parties.

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30. Fair Value

(1) Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 2,942,236	1	₩ 2,305,894	1
Trade and other receivables				
Financial assets measured at amortized cost ²	5,468,735	1	5,796,207	1
Financial assets at fair value through other comprehensive income	1,382,958	1,382,958	1,256,266	1,256,266
Other financial assets				
Financial assets measured at amortized cost	514,128	1	441,804	1
Financial assets at fair value through profit or loss	781,002	781,002	632,324	632,324
Financial assets at fair value through other comprehensive income	234,016	234,016	557,342	557,342
Derivative financial assets for hedging	152,841	152,841	58,576	58,576
Total	<u>₩ 11,475,916</u>		<u>₩ 11,048,413</u>	
Financial liabilities				
Trade and other payables	7,412,741	1	8,679,697	1
Borrowings	7,987,618	1	7,298,867	1
Other financial liabilities				
Financial liabilities at amortized cost	149,104	1	129,945	1
Financial liabilities at fair value through profit or loss	56	56	38	38
Derivative financial liabilities for hedging	15,093	15,093	20,096	20,096
Total	<u>₩ 15,564,612</u>		<u>₩ 16,128,643</u>	

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

² With the application of Korean IFRS 1107, lease receivables are excluded from fair value disclosure.

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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.

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Trade and other receivables				
Financial assets at fair value through other comprehensive income	₩ -	₩ 1,382,958	₩ -	₩ 1,382,958
Other financial assets				
Financial assets at fair value through profit or loss	165	327,177	453,660	781,002
Financial assets at fair value through other comprehensive income	4,754	184,595	44,667	234,016
Derivative financial assets for hedging	-	112,288	40,553	152,841
Total	₩ 4,919	₩ 2,007,018	₩ 538,880	₩ 2,550,817

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Liabilities

Other financial liabilities

Financial liabilities at fair value through profit or loss	₩	-	₩	56	₩	-	₩	56
Derivative financial liabilities for hedging		-		15,093		-		15,093
Total	₩	-	₩	15,149	₩	-	₩	15,149

(in millions of Korean won)

December 31, 2019

	Level 1	Level 2	Level 3	Total
Assets				
Trade and other receivables				
Financial assets at fair value through other comprehensive income	₩	-	₩	1,256,266
Other financial assets				
Financial assets at fair value through profit or loss	232	136,951	495,141	632,324
Financial assets at fair value through other comprehensive income	6,738	508,550	42,054	557,342
Derivative financial assets for hedging	-	40,788	17,788	58,576
Total	₩ 6,970	₩ 1,942,555	₩ 554,983	₩ 2,504,508
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	₩	-	₩	38
Derivative financial liabilities for hedging		-		20,096
Total	₩	-	₩	20,134

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(3) Transfers Between Fair Value Hierarchy Levels of 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.

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)

	2020					
	Financial assets					
	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Derivative financial assets for hedging	
Beginning balance	₩	495,141	₩	42,054	₩	17,788
Purchases		97,556		4,809		-
Reclassifications		(1,585)		-		-
Disposals		(137,658)		(431)		-
Amount recognized in profit or loss		206		(463)		16,448
Amount recognized in other comprehensive income		-		(1,302)		6,317
Ending balance	₩	453,660	₩	44,667	₩	40,553

(In millions of Korean won)

	2019							
	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	₩	163,600	₩	311,536	₩	(10,183)	₩	7,758
Purchases		21,220		6,040		-		-
Reclassifications		17,486		(444,875)		-		-
Disposals		(14,313)		(940)		-		-
Amount recognized in profit or loss		(425)		45		14,767		-
Amount recognized in other comprehensive income		-		168,819		11,870		-
Ending balance	₩	187,568	₩	40,625	₩	16,454	₩	7,758

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(4) Valuation Techniques and 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 at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020		
	Fair value	Level	Valuation techniques
Assets			
Trade and other receivables			
Financial assets at fair value through other comprehensive income	₩ 1,382,958	2	DCF Model
Other financial assets			
Financial assets at fair value through profit or loss	780,837	2,3	DCF Model, Adjusted Net Asset model
Financial assets at fair value through other comprehensive income	229,262	2,3	DCF Model Comparable Company Analysis
Derivative financial assets for hedging	152,841	2,3	DCF Model, Hull-White model
Liabilities			
Other financial liabilities			
Financial liabilities at fair value through profit or loss	₩ 56	2	DCF Model
Derivative financial liabilities for hedging	15,093	2	DCF Model

(in millions of Korean won)

	December 31, 2019		
	Fair value	Level	Valuation techniques
Assets			
Trade and other receivables			
Financial assets at fair value through other comprehensive income	₩ 1,256,266	2	DCF Model
Other financial assets			
Financial assets at fair value through profit or loss	632,092	2,3	DCF Model, Adjusted Net Asset model
Financial assets at fair value through other comprehensive income	550,604	2,3	DCF Model, Comparable Company Analysis
Derivative financial assets for hedging	58,576	2,3	DCF Model, Hull-White model

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Liabilities

Other financial liabilities

Financial liabilities at fair value through profit or loss	₩	38	2	DCF Model
Derivative financial liabilities for hedging		20,096	2	DCF Model

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

(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 for the year.

In relation to this, details and changes of the total deferred differences for the six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Derivatives used for hedging		Derivatives used for hedging	
Beginning balance	₩	3,682	₩	5,107
New transactions		-		-
Recognized at fair value through profit or loss		(713)		(713)
Ending balance	₩	2,969	₩	4,394

31. Business Combination

To foster a company specialized in engineering within the Group, KT Corporation (the controlling company) has acquired 1,400,000 shares (59.8%) of KT ENGCORE Co., Ltd. and KT Estate Inc., subsidiary of the Group acquired 940,000 shares (40.2% of KT ENGCORE Co., Ltd.) on March 16, 2020. Through these transactions, the Group consolidated KT ENGCORE Co., Ltd. as a subsidiary and accounted for in accordance with Korean IFRS 1103 *Business Combination*.

With the acquisition method, the Group identified intangible assets amounting to ₩ 314 million and goodwill amounting ₩ 40,785 million.

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Details and amounts of total transfer consideration, acquired assets and liabilities on control acquisition date are as follows:

<i>(in millions of Korean won)</i>	Amounts
Total transfer consideration (a)	₩ 46,800
Acquired assets and liabilities (b) ¹	6,015
Cash and cash equivalents	57,845
Trade and other receivables	95,814
Other financial assets	3,110
Other assets	14,021
Inventories	1,521
Property and equipment	3,128
Intangible assets	721
Trade and other payables	(105,964)
Other liabilities	(4,883)
Current tax liabilities	(3,664)
Provisions	(54,366)
Net defined benefit liabilities	(1,268)
Goodwill (a-b)	₩ 40,785

¹ Assets and liabilities are measured at fair value based on K-IFRS 1103 *Business Combination*.

Goodwill is subject to change as the fair value of identifiable assets and liabilities has been confirmed as at June 30, 2020.

After the acquisition of control, operating income included in the consolidated statement before the removal of intercompany transactions is ₩ 60,366 million and profit for the period is ₩ 1,331 million. If KT ENGSCORE Co., Ltd. was included in the consolidation scope from the beginning of January 1, 2020, operating revenue and net loss of the Group, which would have been recognized on the consolidated statement of profit or loss, would have amounted to ₩ 156,026 million and ₩ 5,182 million, respectively.

32. Events after the Reporting Period

KT Corporation (the controlling company) sold all of its shares in K Bank Inc. to BC Card Co., Ltd., a subsidiary of the Group on July 7, 2020. BC Card Co., Ltd., a subsidiary of the Group participated in stock issuance of K Bank Inc. and acquired 28,302,356 of ordinary shares and 10,699,915 of convertible shares amounting to ₩ 195 billion on July 28, 2020.

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