kth 3Q16 Earnings Release

28th Oct 2016

Disclaimer

This presentation has been prepared by KT Hitel Co., Ltd. ("the Company"). This presentation contains forward-looking statements, which are subject to risks, uncertainties, and assumptions. This presentation is being presented solely for your information and is subject to change without notice. No representation or warranty, expressed or implied, is made and no reliance should be placed on the accuracy, actuality, fairness, or completeness of the information presented.

Please be informed that items included in our operating income have been prepared in accordance with K-IFRS 1001 released on October, 2012, which was revised to coincide with the Korean Accounting Standards for Non-Public Entities ("KAS-NPEs"). As such, our disposal gains from real estates and others have been excluded from our operating income.

The Company, its affiliates or representatives accept no liability whatsoever for any losses arising from any information contained in the presentation. This presentation does not constitute an offer or invitation to purchase or subscribe for any shares of the Company, and no part of this presentation shall form the Basis of or be relied upon in connection with any contract or commitment.

Any decision to purchase shares of the Company should be made solely on the Basis of information, which has been publicly filed with the Securities and Exchange Commission or the Korea Stock Exchange and distributed to all investors.

The contents of this presentation may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

If you have any related questions to this material, please contact IR department.

E-mail : sooyeon.song@kt.com / hyoungjoo.park@kt.com
Fax : 82-2-3289-2060

3Q16 Financial Highlights (1)

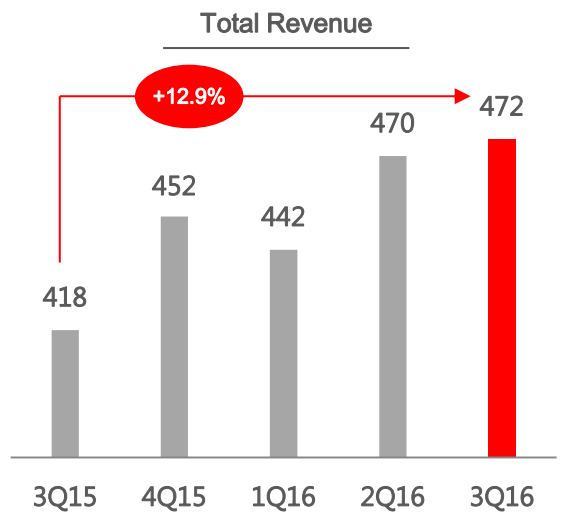
Review of 3Q16 Earnings

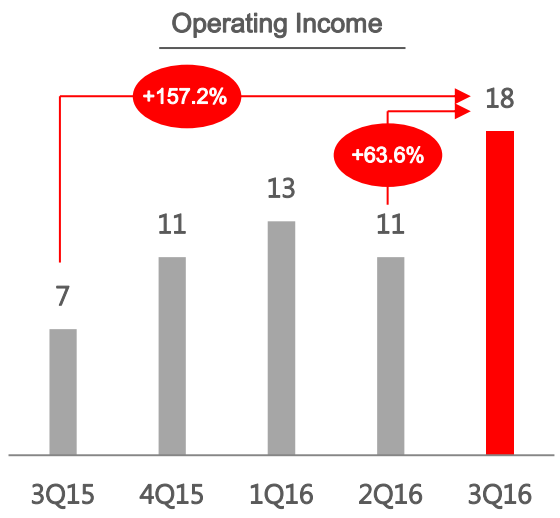
- Total Revenue : recorded 47.2 billion won, increased by +0.4% QoQ and +12.9% YoY.
- Operating Income : recorded 1.8 billion won, increased by +63.6% QoQ and +157.2% YoY as the significantly strong sales of T-Commerce Division.
- Net Income : recorded 1.3 billion won, turned itself around QoQ but decreased by -69.0% YoY due to reflection of disposal gain for KT-Capital's stock in 3rd Quarter 2015.

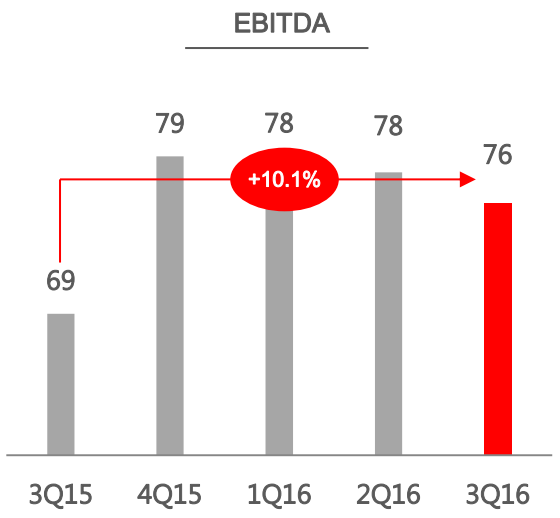
(Unit: KRW 100 million)

Classification	3Q15	2Q16	3Q16	QoQ(%)	YoY(%)
Total Revenue	418	470	472	+0.4	+12.9
Operating Expense	405	459	454	-1.1	+10.7
Operating Income	7	11	18	+63.6	+157.2
Net Income	42	-10	13	Turn-around	-69.0
EBITDA	69	78	76	-2.6	+10.1

Earnings for recent Five Quarters (Unit: KRW 100 million)







3Q16 Financial Highlights (2)

Review of 3Q16 Business Units

- T-Commerce Unit : increased by +27.6% QoQ and +84.3% YoY as the improving of products mix and competition. consequently, company's earning increased by strong expansion in T-Commerce unit.

- Contents Distribution Unit : decreased by -5.3% QoQ and -20.9% YoY due to delay distribution for new movie line-ups. revenue variability will decrease as we focusing on packaged products of existing copyrights and enhancement of non-movie products and expansion distribution channel.

- ICT Platform Unit : decreased by -18.7% QoQ and -2.6% YoY due to deferred revenue in some project. business outlook is positive as the winning contracts in both non-captive market and captive market.

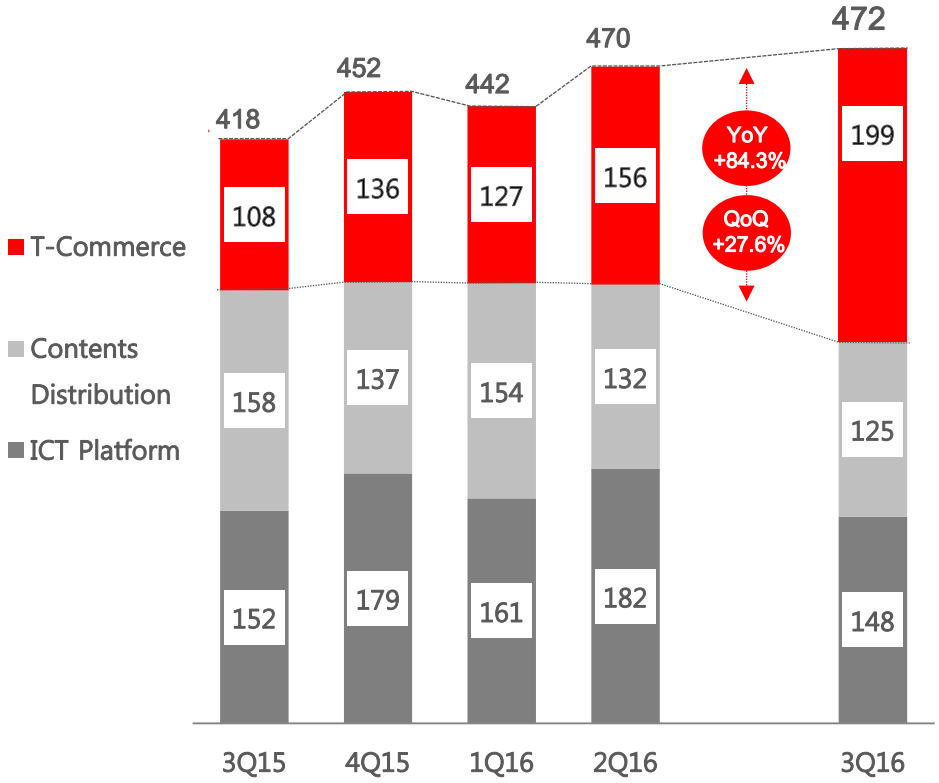
(Unit: KRW 100 million)

Classification	3Q15	2Q16	3Q16	QoQ(%)	YoY(%)
T-Commerce Unit	108	156	199	+27.6	+84.3
Contents Distribution Unit	158	132	125	-5.3	-20.9
ICT Platform Unit	152	182	148	-18.7	-2.6
Total Revenue	418	470	472	+0.4	+12.9

Revenue Breakdown for recent Five Quarters

company's total revenue increased, driven by significant growth of T-Commerce business

(Unit: KRW 100 million)



3Q16 Financial Highlights (3)

Review of 3Q16 Operating Expenses

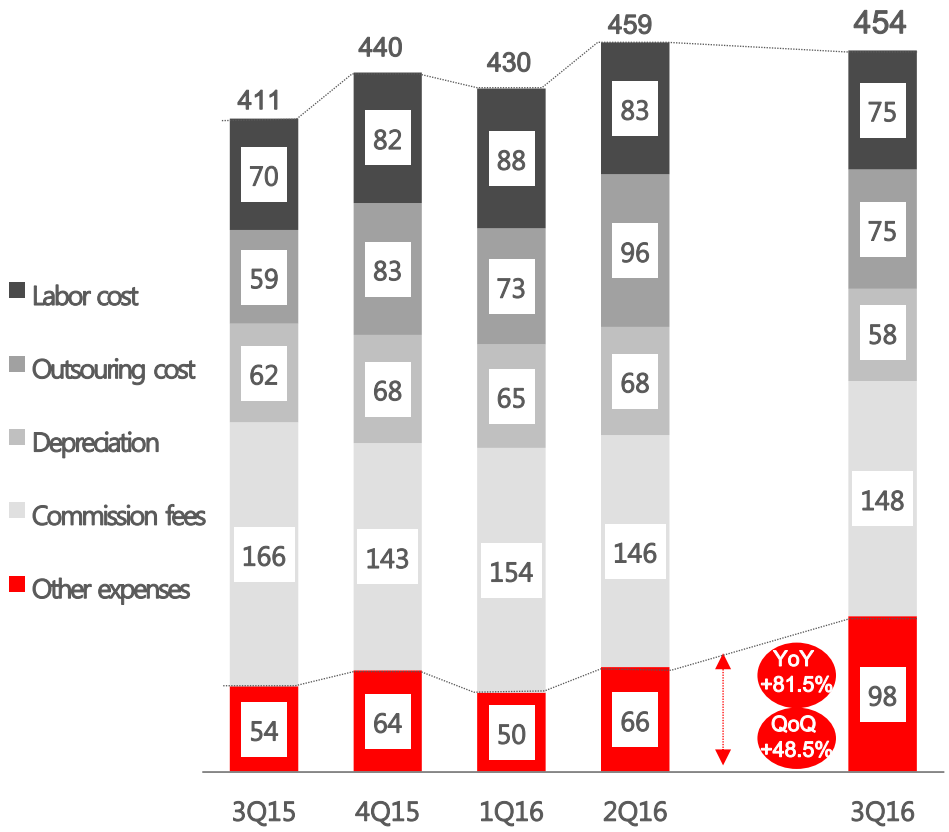
- decreased by -1.1% QoQ but increased by +10.5% YoY.
- in other expenses, increased by +48.5% QoQ, and +81.5% YoY due to increase of K Shopping promotion, etc.

(Unit: KRW 100 million)

Classification	3Q15	2Q16	3Q16	QoQ(%)	YoY(%)
Labor cost	70	83	75	-9.6	+7.1
Outsourcing cost	59	96	75	-21.9	+27.1
Depreciation	62	68	58	-14.7	-6.5
Commission fees	166	146	148	+1.4	-10.8
Other expenses	54	66	98	+48.5	+81.5
Operating Expenses	411	459	454	-1.1	+10.5

Operating Expenses for recent Five Quarters

(Unit: KRW 100 million)



3Q16 Financial Highlights (3)

(K-IFRS / non-consolidated)

(Unit: KRW, 100million)

Financial Position	3Q15	4Q15	1Q16	2Q16	3Q16
Assets	2,378	2,358	2,335	2,313	2,330
Current assets	1,520	1,574	1,573	1,556	1,521
Cash &cash equivalents	361	337	306	335	334
Trade & other rec	490	500	520	490	440
Trade and other current receivables	258	319	314	293	293
Inventories	10	7	6	11	32
Other current non-financial assets	401	410	427	427	422
Non-current assets	858	784	762	757	809
Other non-current financial assets	275	240	236	215	217
Investments in subsidiaries	11	11	11	11	19
Property, plant and equipment	157	163	160	159	161
Intangible assets	294	279	276	256	253
Other non-current non-financial assets	121	89	79	116	160
Liabilities	318	339	309	323	327
Current liabilities	304	337	302	320	319
Trade and other current payables	238	241	257	274	272
Borrowings	-				-
Other current financial liabilities	66	96	45	46	40
Non-current liabilities	14	3	7	3	8
Post-employment benefit obligations	12	1	6	1	6
Non-current provisions	-	-	-	1	1
Other non-current financial liabilities	2	2	1	1	1
Equity	2,060	2,018	2,026	1,990	2,003
Capital Stock	357	357	357	357	357
Share premium	2,145	2,145	2,145	2,145	2,145
Other capital component	6	(21)	(27)	(54)	(64)
Retained earnings	(448)	(462)	(449)	(458)	(446)

Income statement	3Q15	4Q15	1Q16	2Q16	3Q16
Operating revenue	418	452	443	470	472
Content distribution	158	138	154	132	199
Smart solution	152	178	161	182	125
T-commerce	108	136	128	156	148
Operating expense	411	441	430	459	454
Labor cost	70	82	88	83	75
Outsourced labor cost	59	83	73	96	75
depreciation	62	68	65	68	58
Commission fees	166	143	154	146	148
Advertising expenses	11	8	8	10	11
Other expenses	43	56	42	56	87
Operating income	7	11	13	11	18
Non-operating income (loss)	87	(16)	7	(16)	0
Non-operating income	5	5	3	1	1
Non-operating cost	12	22	5	20	3
Finance income (loss)	94	1	9	3	3
Income before income taxes	94	(5)	20	-5	18
Income tax expense	52	3	6	6	5
Net income	42	(8)	14	(10)	13

Thank you