

Selected consolidated statement of cash flow data

	Year Ended December 31,				
	2015	2016	2017	2018	2019
	(In billions of Won)				
Net cash generated from operating activities	4,230	4,771	3,878	4,010	3,745
Net cash used in investing activities	(2,402)	(3,485)	(3,483)	(2,704)	(3,887)
Net cash used in financing activities	(1,164)	(943)	(1,363)	(532)	(250)

Operating Data

	As of December 31,				
	2015	2016	2017	2018	2019
Lines installed (thousands) (1)	23,607	24,858	24,343	23,660	23,315
Lines in service (thousands) (1)	12,440	11,871	11,220	10,655	10,068
Lines in service per 100 inhabitants (1)	24.6	23.0	21.7	20.6	19.6
Mobile subscribers (thousands)	18,038	18,892	20,015	21,120	21,922
Broadband Internet subscribers (thousands)	8,328	8,516	8,758	8,729	8,962

(1) Including public telephones.

Item 3.B. Capitalization and Indebtedness

Not applicable.

Item 3.C. Reasons for the Offer and Use of Proceeds

Not applicable.

Item 3.D. Risk Factors

You should carefully consider the following factors.

Risks Relating to Our Business

Competition in each of our principal business areas is intense.

We face significant competition in each of our principal business areas. In the markets for mobile services, fixed-line services and media and content services, we compete primarily with SK Telecom Co., Ltd. ("SK Telecom") and LG Uplus Corp. ("LG U+") (including their affiliates). In the past two decades, considerable consolidation in the telecommunications industry has occurred, resulting in the current competitive landscape comprising three network service providers that offer a wide range of telecommunications and data communications services. Each of our primary competitors has recently acquired or announced plans to acquire a leading cable TV operator in Korea to significantly increase their market shares in the pay TV market, which we expect will further intensify competition. In December 2019, LG U+ completed its acquisition of a controlling interest in CJ Hello Co., Ltd., which subsequently became LG HelloVision Co., Ltd. In February 2019, SK Telecom announced its plan to merge with t-broad Co., Ltd. ("t-broad"), which is expected to be completed in the second quarter of 2020.

To a lesser extent, we also compete with various value-added service providers and network service providers as classified under the Framework Act on Telecommunications and the Telecommunications Business Act, including mobile virtual network operators ("MVNOs") that lease mobile networks and offer mobile services, VoIP service providers that offer Internet telephone

services, cable TV operators, text messaging service providers (particularly Kakao Corp. (“Kakao”)) and voice resellers, many of which offer competing services at lower prices. We also face changes in the evolving landscape of the market for media and content services arising from the increasing popularity of global over-the-top media services such as Netflix. The entrance of new service providers in the markets for mobile services, fixed-line services and media and content services may further increase competition, as well as cause downward price pressure on the fees we charge for our services. For a discussion of our market shares in key markets, please see “Item 4. Information on the Company—Item 4.B. Business Overview—Competition.”

We compete primarily based on our service performance, quality and reliability, ability to accurately identify and respond to evolving consumer demand, and pricing. With the launch of the next generation 5G mobile services in April 2019, competition has further intensified among the three network service providers, which has resulted in an increase in marketing expenses as well as additional capital expenditures related to implementing 5G mobile services. Mobile service providers also grant subsidies or subscription discount rates to subscribers who purchase new handsets and agree to a minimum subscription period, and we compete also based on such amounts. We and SK Telecom have been designated as market-dominating business entities in the local telephone and mobile markets, respectively, under the Telecommunications Business Act. Under this Act, a market-dominating business entity may not engage in any act of abuse, such as unreasonably interfering with business activities of other business entities, hindering unfairly the entry of newcomers or substantially restricting competition to the detriment of the interests of consumers. In addition, changes in our local telephone rates and mobile rates of SK Telecom require prior approval from the MSIT. The KCC has also issued guidelines on fair competition of the telecommunications companies.

In the financial services market, our credit and check cards issued under the “BC Card” brand pursuant to co-brand agreements with member companies compete principally with cards issued by other leading credit card companies in Korea with their own merchant payment networks, such as Shinhan Card, Hyundai Card and Samsung Card. Our member companies that issue co-branded credit or check cards include Woori Card, NH Card, Industrial Bank of Korea and KB Kookmin Card. We also compete with service providers that provide outsourcing services related to business operations of credit card companies. Competition in the credit card and check card businesses has increased substantially as existing credit card companies, consumer finance companies and other financial institutions in Korea have made significant investments and engaged in aggressive marketing campaigns and promotions for their credit and check cards, as well as investing in operational infrastructure that may reduce the need for our outsourcing services.

Our inability to adapt to changes in the competitive landscape and compete against our competitors in our principal business areas could have a material adverse effect on our business, financial condition and results of operations.

Failure to renew existing bandwidth licenses, acquire adequate additional bandwidth licenses or use our bandwidth efficiently may adversely affect our mobile telecommunications business and results of operations.

One of the principal limitations on a wireless network’s subscriber capacity is the amount of bandwidth allocated to a service provider. We have acquired a number of licenses to secure bandwidth capacity to provide our broad range of services, for which we typically make an initial payment as well as pay usage fees during the license period. We made bandwidth license payments of 271 billion in 2017, 573 billion in 2018 and 389 billion in 2019. For our outstanding payment obligations relating to our bandwidth licenses as of December 31, 2019, see “Item 5. Operating and Financial Review and Prospects—Item 5.A. Operating Results—Overview—Acquisition of New Bandwidth Licenses and Usage Fees.” For more information on our bandwidth licenses, see “Item 4. Information on the Company—Item 4.D. Property, Plant and Equipment—Mobile Networks.”

The growth of our mobile telecommunications business and the increase in usage of wireless data transmission services have significantly increased the utilization of our bandwidth, because wireless data applications are generally more bandwidth-intensive than voice services. The current trend of increasing data transmission use and the increasing sophistication of multimedia contents are likely to put additional strain on the bandwidth capacity of mobile service providers. In the event we are unable to maintain sufficient bandwidth capacity by renewing existing bandwidth licenses, receiving additional bandwidth allocation or cost-effectively implementing technologies that enhance the efficiency of our bandwidth usage, our subscribers may perceive a general decrease in the quality of mobile telecommunications services. No assurance can be given that bandwidth constraints will not adversely affect the growth of our mobile telecommunications business. Furthermore, we may be required to make substantial payments to acquire additional bandwidth capacity in order to meet increasing bandwidth demand, which may adversely affect our business, financial condition and results of operations.

The ongoing global pandemic of a new strain of coronavirus ("COVID-19") and any possible recurrence of other types of widespread infectious diseases, may adversely affect our business, financial condition or results of operations.

The COVID-19, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 that was first reported to have been transmitted to humans in late 2019 and has since spread globally, has materially and adversely affected the global economy and financial markets in recent months as well as disrupted our business operations. The World Health Organization declared the COVID-19 as a pandemic in March 2020. In light of the Government's recommendation for social distancing, we implemented in late February 2020 remote work arrangements for a portion of our workforce, including for substantially all of our employees in areas severely impacted by the pandemic. While we do not believe that such temporary arrangements have had a material adverse impact on our business, a prolonged outbreak of COVID-19 may result in further disruption in the normal operations of our business, including implementation of further work arrangements requiring employees to work remotely and/or temporary closures of our facilities, which may lead to a reduction in labor productivity.

Other risks associated with a prolonged outbreak of COVID-19 or other types of widespread infectious diseases may potentially include:

- increase in unemployment among our customers who may not be able to meet payment obligations, which in turn may decrease demand for our products and services;
- service disruptions, outages and performance problems due to capacity constraints caused by an overwhelming number of people accessing our services simultaneously;
- disruptions in supply of mobile handsets or telecommunications equipment from our vendors;
- depreciation of the Won against major foreign currencies, which in turn may increase the cost of imported equipment necessary for expansion and enhancement of our telecommunications infrastructure; and
- impairments in the fair value of our investments in companies that may be adversely affected by the pandemic.

We are currently not able to estimate the duration or full magnitude of harm from COVID-19. In the event that COVID-19 or other types of widespread infectious diseases cannot be effectively and timely contained, our business, financial condition and results of operations may be adversely affected.

Introduction of new services, including our 5G mobile services launched in April 2019, poses challenges and risks to us.

The telecommunications industry is characterized by continual advances and improvements in telecommunications technology, and we have been continually researching and implementing technology upgrades and additional telecommunications services to maintain our competitiveness. For example, we have been building more advanced mobile telecommunications networks based on 5G technology and commenced providing commercial 5G mobile services with transmission speed of up to 1.5 Gbps in April 2019, initially focusing on the Seoul metropolitan area, six additional metropolitan cities, high-traffic commercial areas and university campuses as well as major transportation infrastructure such as highways, railways and airports. We plan to further expand the coverage nationwide and increase the transmission speed of our 5G services. As we continue to compete with SK Telecom and LG U+ to improve network quality, introduce new services and accommodate increased data usage of subscribers, we may incur significant expenses to acquire additional bandwidth licenses and incur significant capital expenditures to build out and improve our network. We have made extensive efforts to develop advanced technologies as well as provide a variety of services with enhanced speed, latency and connectivity. Furthermore, we are also continually upgrading our broadband network to enable better fiber-to-the-home ("FTTH") connection, which enhances data transmission speed and connection quality. FTTH is a telecommunication architecture in which a communication path is provided over optical fiber cable extending from the telecommunications operator's switching equipment to homes or offices. FTTH uses fiber optic cable, which is able to carry a high-bandwidth signal for longer distances without degradation. FTTH enables us to deliver enhanced services that require high bandwidth with stability, such as IPTV and other digital media and content services.

No assurance can be given that our new services will gain broad market acceptance such that we will be able to derive revenue from such services to justify the license fees, capital expenditures and other investments required to provide such services. For example, we discontinued our wireless broadband Internet access ("WiBro") services in the fourth quarter of 2018, following a steady decrease in its subscriber base in recent years reflecting an increase in popularity of 4G LTE services. If our new services do not gain broad market acceptance, our business, financial condition and results of operations may be adversely affected.

We may not be able to successfully pursue our strategy to acquire businesses and enter into joint ventures that complement or diversify our current business, and we may need to incur additional debt to finance such expansion activities.

One key aspect of our overall business strategy calls for acquisitions of businesses and entering into joint ventures that complement or diversify our current businesses. For example, we have pursued investment opportunities in the financial sector in the past decade that we believe provide attractive growth opportunities. In October 2011, we acquired a controlling interest in BC Card Co., Ltd. ("BC Card"), a leading credit card solutions provider in Korea in which we hold a 69.54% interest. We also acquired 10.00% of the common shares of K Bank Inc. ("K Bank"), an Internet-only bank that began its commercial operations in April 2017, which interest is accounted for using the equity method of accounting. In April 2020, we agreed to transfer such interest to BC Card for 36.3 billion, which transfer would take place only upon satisfaction of certain conditions.

While we plan to continue our search for other suitable acquisition and joint venture opportunities, we cannot provide assurance that we will be able to identify additional attractive opportunities or that we will successfully complete the transactions without encountering administrative, technical, political, financial or other difficulties, or at all. Even if we were to successfully complete the transactions, the success of an acquisition or a joint venture depends largely on our ability to achieve the anticipated synergies, cost savings and growth opportunities from integrating the

business of the acquired company or the joint venture with our current businesses. There can be no assurance that we will achieve the anticipated benefits of the transaction, which may adversely affect our business, financial condition and results of operations. Pursuing acquisitions or joint venture transactions also requires significant capital, and as we pursue further growth opportunities for the future, we may need to raise additional capital through incurring loans or through issuances of bonds or other securities in the international capital markets.

The Korean telecommunications and Internet-related industries are subject to extensive Government regulations, and changes in Government policy relating to these industries could have a material adverse effect on our operations and financial condition.

The Government, primarily through the MSIT and the KCC, has the authority to regulate the telecommunications industry in Korea. The MSIT and the KCC also have the authority to regulate the pay TV industry under the Korea Broadcasting Act and the Internet Multimedia Broadcasting Services Act, which cover our IPTV services as well as our satellite TV services provided through KT Skylife Co., Ltd. ("KT Skylife"), in which we own a 49.99% interest. See "Item 4. Information on the Company—Item 4.B. Business Overview—Regulation." The MSIT's policy is to promote competition through measures designed to prevent the dominant service provider in any such market from exercising its market power in a way that would prevent the emergence and development of viable competitors. Under such regulations, if a network service provider has the largest market share for a specified type of telecommunications service and its revenue from that service for the previous year exceeds a specific revenue amount set by the MSIT, such entity may be designated as a market-dominating business entity that may not engage in any act of abuse, such as unreasonably interfering with business activities of other business entities, hindering unfairly the entry of newcomers or substantially restricting competition to the detriment of the interests of consumers. Furthermore, under the Internet Multimedia Broadcasting Services Act, an IPTV service provider, together with its affiliates providing IPTV services, is restricted from having more than one-third of the market share of all paid broadcasting subscribers in Korea (consisting of IPTV, cable TV and satellite TV subscribers). As of December 31, 2019, KT Skylife and we together had an aggregate market share of 31.6% of all paid broadcasting subscribers in Korea. The KCC has also issued guidelines on fair competition of telecommunications and Internet-related companies. In addition, the Government sets the policies regarding the use of radio frequency bandwidths and allocates the bandwidths used for wireless telecommunications by an auction process or by a planned allocation.

We and SK Telecom have been designated as market-dominating business entities in the local telephone and mobile markets, respectively, and the MSIT, in consultation with the Ministry of Economy and Finance ("MOEF"), currently approves rates charged by us and SK Telecom for such services. The form of our standard agreement for providing local network services and each agreement for interconnection with other service providers must also be reported to the MSIT. Although we compete freely with other network service providers in terms of rate plans for our principal telecommunications and Internet-related services except for rates we charge for local calls, our inability to freely set our local telephone service rates may hurt profits from such businesses and impede our ability to compete effectively against our competitors. In addition, the MSIT may periodically announce policy guidelines that we may be recommended to take into consideration in our telecommunications and Internet-related businesses. In recent years, the MSIT has announced policy guidelines with the objectives of reducing mobile service rates and promoting transparency in the decision making of telecommunications service providers. Specific policy guidelines include monthly rate reductions applicable to certain low-income subscribers as well as subscription rate discounts in lieu of handset subsidies. Starting in December 2017, we began providing rate discounts of up to 11,000 per month to our low-income mobile subscribers on government welfare programs. We also increased the maximum discount rate applicable to mobile subscribers who elect not to receive handset subsidies

from 20.0% to 25.0% starting in September 2017. Such discounts have contributed to a decrease in the average monthly revenue per subscriber of our mobile services from 34,444 in 2017 to 32,021 in 2018 and 31,625 in 2019.

The Government may pursue additional measures to regulate the markets in which we compete. There can be no assurance that we will not adopt additional measures that reduce rates charged to our subscribers as well as adjustments to our handset subsidies and other measures in the future to comply with regulatory requirements or the Government's policy guidelines.

The MSIT may revoke our licenses or suspend any of our businesses if we fail to comply with its rules, regulations and corrective orders, including the rules restricting beneficial ownership and control or any violation of the conditions of our licenses. Alternatively, in lieu of suspension of our business, the MSIT may levy a monetary penalty of up to 3.0% of the average of our annual revenue for the preceding three fiscal years. From time to time, we have been imposed fines for violation of regulations imposed by MSIT and KCC, including imposition of fines of 12.5 billion in January 2018 and 0.9 billion in April 2019 by the KCC for violation of regulations relating to handset sales. There is no guarantee that the laws and regulations to which we are or become subject will not have a material adverse effect on our business, financial condition or results of operations.

Legal cases involving our charitable or political donations and other incidents and allegations, including matters connected to a scandal involving Ms. Soon-sil Choi, a confidante of former President Geun-hye Park, could have a material adverse effect on our business, reputation and stock price.

In April 2014, the Seoul Central District Prosecutor's Office charged Mr. Suk-chae Lee, a former chief executive officer of KT Corporation, with embezzlement and breach of fiduciary duty. Mr. Il Yung Kim, a former president of KT Corporation, was charged as a co-conspirator in the breach of fiduciary duty by Mr. Lee, and Mr. Yu-yeol Seo, a former president of KT Corporation, was charged as a co-conspirator in Mr. Lee's embezzlement. On May 30, 2017, the Supreme Court of Korea confirmed the acquittal of Mr. Lee and Mr. Kim on the charge of breach of fiduciary duty, and reversed the appellate court judgment against Mr. Lee and Mr. Seo (which had sentenced both to a suspended prison term of 18 months, on probation for two years, for allegedly creating and embezzling off-the-book funds of 1.1 billion for personal use between 2009 and 2013) and remanded the case back to the Seoul High Court. On April 26, 2018, the Seoul High Court acquitted Mr. Lee and Mr. Seo of such charge. No indictment or charges of wrongdoing were brought against us or any of our current executives or employees in connection with such indictment of Mr. Lee, Mr. Seo, and Mr. Kim.

In March 2017, the Constitutional Court of Korea found that many Korean corporations, including us, made donations to two non-profit foundations, Mir Foundation and K-Sports Foundation, at former President Park's request. Our contributions comprised 1.1 billion of the total 48.6 billion given to Mir Foundation and 700 million of the total 28.8 billion given to K-Sports Foundation. The Constitutional Court also found that an aide of former President Park, at the direction of the former President, on several occasions asked our previous chief executive officer to hire (and later to change the employment positions of) two individuals, Mr. Dong-Soo Lee and Ms. Hye-Sung Shin. Mr. Lee was hired and later appointed as the head of a business unit in charge of our marketing and advertisement campaigns and Ms. Shin was hired to another position in the same business unit. Subsequently, the same presidential aide also requested that Mr. Lee and our other officers award advertising contracts to Playground Communications Co., Ltd. ("Playground"), an advertising agency in which Ms. Soon-sil Choi, a confidante of former President Park, effectively owns a 70% equity interest, according to the Constitutional Court. The Constitutional Court further held that the companies receiving the purported "requests" from former President Park's aide appeared to have felt immense pressure to comply with the requests and could not easily have rejected them. Playground was awarded seven advertising

contracts for a total of approximately 6.8 billion in 2016, amounting to approximately 3.7% of our annual advertising spending in 2016. In 2016, Playground recognized approximately 517 million of income from such activities. We have not awarded additional advertising contracts to Playground since September 2016, and Mr. Lee and Ms. Shin resigned in November 2016 and May 2016, respectively.

In November 2016, the Korean Prosecutor's Office commenced investigations on former President Park and in April 2017 indicted the former President on charges of bribery, coercion and abuse of power, among others. On August 24, 2018, the Seoul High Court sentenced the former President to a prison term of 25 years and a monetary fine of 20 billion, having found the former President guilty on many of the charges, including the coercion charges relating to the same events underlying the Constitutional Court decisions described above: (i) the employment and changes to the employment positions of Mr. Lee and Ms. Shin at KT Corporation, (ii) the entry into advertising contracts with Playground and (iii) the donations to Mir Foundation and K-Sports Foundation by us and other Korean corporations. The prosecution appealed the appellate court's decision to the Supreme Court of Korea, which, on August 29, 2019, vacated the appellate court judgment against the former President on the bribery-related charges due to errors made in its sentencing process and remanded the case back to the Seoul High Court for retrial. No indictment or charges of wrongdoing were brought against us or any of our executives or employees in connection with such indictment of the former President.

On January 18, 2018, the Korean Prosecutor's Office indicted Mr. Byung-Hun Jun, a former member of the National Assembly, for charges of bribery, corruption and coercion, among others. One of the allegations was that Mr. Jun, during his term as a member of the former Science, ICT, Future Planning, Broadcasting and Communications Committee (currently the Science, ICT, Broadcasting and Communications Committee) of the National Assembly, solicited donations or financial sponsorships from various corporations, including us, to an organization where he used to serve as the president. In February 2019, the Seoul Central District Court found Mr. Jun guilty of the bribery charges and sentenced him to a prison term of five years and an aggregate monetary fine of 375 million, guilty of abuse of authority and sentenced him to a suspended prison term of one year on probation for two years, and not guilty of the charge in connection with soliciting financial sponsorship of 100 million from us. Both Mr. Jun and the Korean prosecution appealed the court's decision. No indictment or charges of wrongdoing were brought against us or any of our executives or employees in connection with Mr. Jun's indictment.

In January 2018, the Korean police commenced an investigation in connection with the allegations that our current and former executives and employees violated the Political Funds Act of Korea, by making certain donations or gifts to various lawmakers using corporate funds. This matter is currently being investigated by the Prosecutors' Office.

In March 2019, the KT New Labor Union filed criminal complaints with the Seoul Central District Prosecutor's Office against our previous chief executive officer, Mr. Chang-Gyu Hwang, alleging charges that include a criminal breach of fiduciary duty, in connection with management consulting (research and survey) contracts entered into between us and others, including certain former public officials, since November 2014. The investigation by the Prosecutor's Office is ongoing.

In April 2019, the Seoul Southern District Prosecutor's Office indicted four former executive officers, including Mr. Suk-chae Lee and Mr. Yu-yeol Seo, for charges of obstruction of business arising from allegedly engaging in a number of improper hirings during the public recruiting process of college graduates in the second half of 2012. In October 2019, the Seoul Southern District Court found the former executive officers guilty of the charges and sentenced Mr. Lee to a prison term of one year and Mr. Seo to a suspended prison term of eight months, on probation for two years. Both the Prosecutor's Office and the former executive officers appealed the court's decision and the case is

currently pending at the Seoul High Court. No indictment or charges of wrongdoing were brought against us or any of our current executives or employees in connection with such indictment of our former executive officers.

We are also cooperating with an investigation by the U.S. Securities and Exchange Commission (the "SEC") related to the above-described matters and other related allegations regarding compliance with the U.S. Foreign Corrupt Practices Act. It is not possible to determine the outcome of any such investigations at this time, including the timing or terms of any potential resolution and what final costs, remediation, payments or other criminal or civil liability may occur. There can be no assurance that the SEC or another regulatory body will not make further regulatory inquiries or pursue further action. Furthermore, there can be no assurance that any outcome or any further developments relating to the above-mentioned matters, including adverse publicity, will not adversely affect our business, financial results, reputation or stock price.

Cybersecurity breaches may expose us to significant legal and financial exposure, damage to our reputation and a loss of confidence of our customers.

Our business involves the storage and transmission of large amounts of confidential information of our subscribers and cardholders, and cybersecurity breaches expose us to a risk of loss of this information, which may lead to improper use or disclosure of such information, ensuing potential liability and litigation, any of which could harm our reputation and adversely affect our business. Even though we strive to take all steps we believe are necessary to protect personal information, hardware, software or applications we develop or procure from third parties may contain defects or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to circumvent our security measures to gain access to our systems or facilities through fraud, trickery or other forms of deceiving our employees, contractors and temporary staff. In addition, because the techniques used to obtain unauthorized access or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures.

In the past, we have experienced cyber-attacks of varying degrees from time to time, including theft of personal information of our subscribers by third parties that have led to lawsuits and administrative actions against us alleging that the leak was related to our management of subscribers' personal information. For example, in July 2012, the police arrested two third-party individuals in connection with the alleged theft of personal information relating to approximately 8.7 million of our mobile phone subscribers. The individuals in question stole personal information through a series of hackings into our mobile customer information system starting from February 2012. Furthermore, in March 2014, the police arrested three third-party individuals in connection with their alleged theft of personal information relating to approximately 9.8 million of our subscribers. The individuals in question stole the personal information of our subscribers through a series of hackings into our main homepage starting from February 2014. If we experience additional significant cybersecurity breaches or fail to detect and appropriately respond to significant cybersecurity breaches, we could be subject to additional government enforcement actions, regulatory sanctions and litigation in the future. In addition, our subscribers and cardholders could lose confidence in our ability to protect their personal information, which could cause them to discontinue using our services altogether. Furthermore, adverse final determinations, decisions or resolutions regarding such matters could encourage other parties to bring related claims and actions against us. Accordingly, our failure to prevent cybersecurity breaches may materially and adversely impact our business, financial condition and results of operations.

Our business and performance may be harmed by a disruption in our services due to failures in or changes to our systems, or by our failure to timely and effectively expand and upgrade our technology and infrastructure.

Our reputation and ability to attract, retain, and serve our subscribers, cardholders and other business partners are dependent in large part upon the reliable performance of our services and the underlying technical infrastructure. Our telecommunications network systems and information technology systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to our business. We have experienced, and may in the future experience, service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, hardware failures, capacity constraints due to an overwhelming number of people accessing our services simultaneously, computer viruses, power losses, fraud and security attacks. Our technical infrastructure is also vulnerable to the risk of damage from natural and other disasters, such as fires, earthquakes, floods, and typhoons, as well as from acts of terrorism and other criminal acts. For example, in November 2018, a fire broke out at one of our facilities located in the Ahyeon district of western Seoul, which temporarily disrupted our wireless, fixed-line and IPTV services in seven districts covered by the facility. We restored most of our services within four days and our fixed-line public switched telephone network ("PSTN") services within 11 days, and we refunded subscription fees ranging from one to six months as compensation to our affected subscribers. In addition, we accepted applications from small business owners for financial assistance, which we provided as appropriate to assist in their recovery from the incident.

As the number of our subscribers and cardholders increases and as our customers access, download and transmit increasing volumes of media contents as well as engage in increasing volumes of financial transactions, we may be required to expand and upgrade our technology and infrastructure to continue to reliably deliver our services. We cannot provide assurance that we will be able to expand and upgrade our technology and infrastructure to meet user demand in a timely manner, or on favorable economic terms. We purchase telecommunications network and other equipment from a limited number of key suppliers, and any discontinuation or interruption in the availability of equipment from our key suppliers for any reason could have an adverse effect on our operations. If our users are unable to readily access our services or access is disrupted, users may seek other service providers instead, and may not return to our services or use our services as often in the future. This would negatively impact our ability to attract subscribers, cardholders and other business partners as well as increase engagement of our customers. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed or continually develop our technology and infrastructure to accommodate actual and anticipated changes in our customers' needs, our business, financial condition and results of operations may be harmed.

Our intellectual property rights are valuable, and our inability to protect them could reduce the value of our products, services and brands.

Our trade secrets, trademarks, copyrights, patents and other intellectual property rights are important assets for us. We rely on, and expect to continue to rely on, a combination of confidentiality and license agreements with our employees, consultants and third parties with whom we have relationships, as well as trademark, trade dress, domain name, copyright, trade secret and patent laws, to protect our brands and other intellectual property rights. However, various events outside of our control may pose a threat to our intellectual property rights, as well as to our products, services and technologies. For example, we may fail to obtain effective intellectual property protection, or effective intellectual property protection may not be available, in every country in which our services are available. Also, the efforts we have taken to protect our intellectual property rights may not be sufficient or effective, and any of our intellectual property rights may be challenged, which could result in them

being narrowed in scope or declared invalid or unenforceable. There can be no assurance that our intellectual property rights will be sufficient to protect against others offering services that are substantially similar to ours and compete with our business.

We also rely on non-patented proprietary information and technology, such as trade secrets, confidential information, know-how and technical information. While in certain cases we have agreements in place with employees and third parties that place restrictions on the use and disclosure of such intellectual property, these agreements may be breached, or such intellectual property may otherwise be disclosed or become known to our competitors, which could cause us to lose competitive advantages resulting from such intellectual property.

We are also pursuing registration of trademarks and domain names in Korea and in select jurisdictions outside of Korea. Effective protection of trademarks, domain names and other intellectual property is expensive and difficult to maintain, both in terms of application and registration costs as well as the costs of defending and enforcing those rights.

We also seek to obtain patent protection for some of our technology, and we have filed various applications in Korea and elsewhere for protection of certain aspects of our intellectual property and currently hold a number of issued patents in multiple jurisdictions. We may be unable to obtain patent or trademark protection for our technologies and brands, and our existing patents and trademarks, and any patents or trademarks that may be issued in the future, may not provide us with competitive advantages or distinguish our products and services from those of our competitors. In addition, any patents and trademarks may be contested, circumvented, or found unenforceable or invalid, and we may not be able to prevent third parties from infringing, diluting or otherwise violating them. Significant infringements of our intellectual property rights, and limitations on our ability to assert our intellectual property rights against others, could harm our ability to compete and our business, financial condition and results of operations could be adversely affected.

We may become party to intellectual property rights claims in the future that may be expensive and time consuming to defend, and such claims, if resolved adversely, could have a significant impact on our business.

Telecommunications and information technology companies own large numbers of patents, copyrights, trademarks, licenses and trade secrets, and frequently enter into litigation based on allegations of infringement, misappropriation or other violations of intellectual property or other rights. In addition, various “non-practicing entities” that own intellectual property rights often attempt to aggressively assert claims in order to extract payments from companies like us. From time to time, we have received, and may receive in the future, claims from third parties which allege that we have infringed upon their intellectual property rights. Furthermore, from time to time, we may introduce or acquire new services or content, including in areas where we currently do not compete, which could increase our exposure to intellectual property claims from competitors and non-practicing entities.

As we face increasing competition, the number and scope of intellectual property claims against us may grow. Any claim or litigation alleging that we have infringed or otherwise violated intellectual property or other rights of third parties, with or without merit, and whether or not settled out of court or determined in our favor, could be time consuming and costly to address and resolve, and could divert the time and attention of our management and technical personnel. The outcome of any litigation is inherently uncertain, and there can be no assurance that favorable final outcomes will be obtained. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation, including potential preliminary injunctions requiring us to cease some or all of our operations.

If any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of any such judgment or any settlement may require us to cease some or all of our operations, pay substantial amounts to the other party or seek licensing arrangements. If we are required or choose to enter into royalty or licensing arrangements, such arrangements may not be available on commercially reasonable terms, or at all. In addition, the development or procurement of alternative technology could require significant effort and expense or may not be feasible. Accordingly, an unfavorable resolution of any intellectual property rights claims could adversely affect our business, financial condition and results of operations.

We rely on key researchers and engineers and senior management, and the loss of the services of any such key personnel or the inability to attract and retain replacements may negatively affect our business.

Our success depends to a significant extent upon the continued service of our research and development and engineering personnel, and on our ability to continue to attract, retain and motivate qualified researchers and engineers. In particular, our focus on leading the market in introducing new telecommunications and Internet-related services has meant that we must aggressively recruit engineers with expertise in cutting-edge technologies. In addition, our ability to execute our strategy effectively is dependent upon contributions from our key senior management. Our future success will depend on the continued service of our key executive officers and managers who possess significant expertise and knowledge of our industry. A limited number of individuals have primary responsibility for the management of our business, including our relationships with key business partners. From time to time, there may be changes in our senior management team that may be disruptive to our business, and we may not be able to find replacement key personnel in a timely manner. Any loss or interruption of the services of these individuals, whether from retirement, loss to competitors or other causes, or failure to attract and retain other qualified new personnel, could prevent us from effectively executing our business strategy, cause us to lose key business relationships, or otherwise materially affect our operations.

Government regulation of the credit card industry may adversely affect the operations of BC Card in which we hold a 69.54% interest.

Due to the rapid growth of the credit card market and rising consumer debt levels in Korea, the Government has heightened its regulatory oversight of the credit card industry in recent decades. In particular, the FSC and the Financial Supervisory Service ("FSS") have adopted a variety of regulations governing the credit card industry. Among other things, these regulations impose minimum capital adequacy ratios, minimum required provisioning levels applicable to credit card receivables and stringent lending ratios. The FSC and FSS also impose rules governing the evaluation and reporting of credit card balances, procedures governing which persons may receive credit cards as well as processing fees paid by merchants. For example, the FSC and FSS announce periodic guidelines every three years for processing fees paid by merchants for credit card and check card transactions. In November 2018, the FSC and FSS announced guidelines reducing credit card processing fees paid by merchants with annual revenue between 500 million to 50 billion from a range of 2.05% to 2.17% to a revised range of 1.4% to 1.95%. In addition, the guidelines reduced check card processing fees paid by merchants with annual revenue exceeding 500 million from a range of 1.56% to 1.60% to a revised range of 1.10% to 1.45%. BC Card implemented such reductions in February 2019.

Pursuant to the FSS's capital adequacy guidelines, which are derived from standards established by the Bank for International Settlements, credit card companies in Korea are required to maintain a total capital adequacy ratio of at least 8.0% on a consolidated basis. To the extent a credit card company fails to maintain such ratio, Korean regulatory authorities may impose penalties on such company ranging from a warning to a suspension or revocation of its license. BC Card's capital

adequacy ratios were 29.3% as of December 31, 2018 and 33.7% as of December 31, 2019. Such capital adequacy ratio will decrease if the growth in BC Card's asset base is not matched by corresponding growth in its regulatory capital. In addition, BC Card's capital base and its capital adequacy ratio may decrease if its results of operations or financial condition deteriorates. Accordingly, there can be no assurance that BC Card will not be required to obtain additional capital in the future in order to maintain its capital adequacy ratio above the minimum required levels. There can be no assurance that, if BC Card requires additional capital in the future, it will be able to obtain such capital on favorable terms or at all, which could have a material adverse effect on the business, financial condition and results of operations of BC Card.

The Government may adopt further regulatory changes in the future that affect the credit card industry. Depending on their nature, such changes may adversely affect the operations of BC Card, by restricting its growth or scope, subjecting it to stricter requirements and potential sanctions or greater competition, constraining its profitability or otherwise.

Disputes with our labor union may disrupt our business operations.

In the past, we have experienced opposition from our labor union for our strategy of restructuring to improve our efficiency and profitability by disposing of non-core businesses and reducing our employee base. Although we have not experienced any significant labor disputes or unrests in recent years, there can be no assurance that we will not experience labor disputes or unrests in the future, including extended protests and strikes, which could disrupt our business operations and have an adverse effect on our financial condition and results of operations.

We also negotiate collective bargaining agreements every two years with our labor union and annually negotiate a wage agreement. Our current collective bargaining agreement expires on June 16, 2021. Although we have been able to reach collective bargaining agreements and wage agreements with our labor union in recent years, there can be no assurance that we will not experience labor disputes and unrest resulting from disagreements with the labor union in the future.

We are subject to various laws and regulations in Korea and other jurisdictions, including the Monopoly Regulation and Fair Trade Act of Korea.

Our business operations and acts of our management, employees and other relevant parties are subject to various laws and regulations in and outside Korea. These laws are complicated and sometimes conflicting and our efforts to comply with these laws could increase our cost of doing business, restrict our business activities and expose us or our employees to legal sanctions and liabilities.

The Monopoly Regulation and Fair Trade Act provides for various regulations and restrictions on large business groups enforced by the Korea Fair Trade Commission to prohibit or restrict actions that impede competition and fair trade. The Korea Fair Trade Commission designated us as a large business group under the Monopoly Regulation and Fair Trade Act on April 1, 2002. Our business relationships and transactions with our subsidiaries, affiliates and other companies within the KT group are subject to ongoing scrutiny by the Fair Trade Commission as to, among other things, whether such relationships and transactions constitute undue financial support among companies of the same business group. We are also subject to the fair trade regulations limiting debt guarantees for other domestic member companies of the same group and cross-shareholdings among domestic member companies of the same group, as well as requiring disclosure of the status of such cross-shareholdings. Additionally, we are subject to a prohibition, in effect since July 2014, against circular shareholding among any three or more entities within our business group. Any future determination by

the Korea Fair Trade Commission that we have engaged in transactions that violate the fair trade laws and regulations may result in fines or other punitive measures and may have a material adverse effect on our reputation and our business.

Concerns that radio frequency emissions may be linked to various health concerns could adversely affect our business and we could be subject to litigation relating to these health concerns.

In the past, allegations that serious health risks may result from the use of wireless telecommunications devices or other transmission equipment have adversely affected the share prices of some wireless telecommunications companies in the United States. In May 2011, the International Agency for Research on Cancer (“IARC”) announced that it has classified radiofrequency electromagnetic fields associated with wireless phone use as possibly carcinogenic to humans, based on an increased risk for glioma, a malignant type of brain cancer. The IARC is part of the World Health Organization that conducts research on the causes of human cancer and the mechanisms of carcinogenesis, and aims to develop scientific strategies for cancer control. We cannot assure you that such health concerns will not adversely affect our business. Several class action and personal injury lawsuits have been filed in the United States against several wireless phone manufacturers and carriers, asserting product liability, breach of warranty and other claims relating to radio transmissions to and from wireless phones. We could be subject to liability or incur significant costs defending lawsuits brought by our subscribers or other parties who claim to have been harmed by or as a result of our services. In addition, the actual or perceived risk of wireless telecommunications devices could have an adverse effect on us by reducing our number of subscribers or our usage per subscriber.

Depreciation of the value of the Won against the Dollar and other major foreign currencies may have a material adverse effect on the results of our operations and on the prices of our securities.

Substantially all of our revenues are denominated in Won. Depreciation of the Won may materially affect the results of our operations because, among other things, it causes an increase in the amount of Won required by us to make interest and principal payments on our foreign-currency-denominated debt, the costs of telecommunications equipment that we purchase from overseas sources, net settlement payments to foreign carriers and certain payments related to our derivative instruments entered into for foreign exchange risk hedging purposes. Of the 7,299 billion total book value of debentures and borrowings outstanding as of December 31, 2019, 2,781 billion was denominated in foreign currencies. Upon identification and evaluation of our currency risk exposures, we, having considered various circumstances, enter into derivative financial instruments to try to mitigate such risks. Although the impact of exchange rate fluctuations has in the past been partially mitigated by such strategies, our results of operations have historically been affected by exchange rate fluctuations, and there can be no assurance that such strategies will be sufficient to reduce or eliminate the adverse impact of such fluctuations in the future. See “—Item 3.A. Selected Financial Data—Exchange Rate Information”, “Item 5. Operating and Financial Review and Prospects—Item 5.B. Liquidity and Capital Resources” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Exchange Rate Risk.”

Fluctuations in the exchange rate between the Won and the Dollar will also affect the Dollar equivalent of the Won price of our ordinary shares on the KRX Korea Composite Stock Price Index (“KOSPI”) Market and, as a result, will likely affect the market price of the ADSs. These fluctuations will also affect the Dollar conversion by the depositary for the American Depositary Receipts (“ADRs”) of cash dividends, if any, paid in Won on our ordinary shares represented by the ADSs.

We may be exposed to potential claims for unpaid wages and become subject to additional labor costs arising from the Supreme Court of Korea's interpretation of ordinary wages.

Under the Labor Standards Act, an employee's "ordinary wage" is a key legal construct used to calculate many statutory benefits and entitlements in Korea. Increasing or decreasing the amount of compensation included in employees' ordinary wages has the effect of increasing or decreasing the amounts of various statutory entitlements that are calculated based on "ordinary wage," such as overtime premium pay. Under guidelines previously issued by the Ministry of Employment and Labor, prior to the Supreme Court decision described below, an employee's ordinary wage included base salary and certain fixed monthly allowances for work performed overtime during night shifts and holidays. Prior to the Supreme Court of Korea's decision described below, companies in Korea had typically interpreted these guidelines as excluding from the scope of ordinary wages fixed bonuses that are paid other than on a monthly basis, namely on a bi-monthly, quarterly or biannual basis.

In December 2013, the Supreme Court of Korea ruled that regular bonuses (including those that are paid other than on a monthly basis) shall be deemed ordinary wages if these bonuses are paid "regularly" and "uniformly" on a "fixed basis" notwithstanding differential amounts based on seniority. Under this decision, any collective bargaining agreement or labor-management agreement which attempts to exclude such regular bonuses from employees' ordinary wages will be deemed void for violation of the mandatory provisions of Korean law. However, the Supreme Court of Korea further ruled that, in certain limited situations, an employee's claim of underpayment under the expanded scope of ordinary wages for the past three years may be denied based on the principles of good faith, even if the claim is raised within the statute of limitations period. Following this Supreme Court decision, the Ministry of Employment and Labor issued a Guideline for Labor and Management on Ordinary Wages in January 2014. A bill for amendment to the Labor Standard Act, which includes a definition of "ordinary wages" as "entire money and valuables determined in advance to be provided to the employee by the employer as wages, regardless of its name, in exchange of the prescribed or total work of the employee," is currently pending at the sub-committee level of the National Assembly.

While we currently are not subject to any claims of underpayment from our current or former employees, the Supreme Court decision may result in additional labor costs for us in the form of additional payments required under the expanded scope of ordinary wages, both those incurred during the past three years and those to be incurred in the future. Any such additional payments may have an adverse effect on our financial condition and results of operation.

Risks Relating to Korea

If economic conditions in Korea deteriorate, our current business and future growth could be materially and adversely affected.

We are incorporated in Korea, and we generate most of our operating revenue in Korea. As a result, we are subject to economic, political, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, and future growth of the Korean economy is subject to many factors beyond our control, including developments in the global economy. Any future deterioration of the Korean economy, as a result of unfavorable global economic conditions or otherwise, could adversely affect our business, financial condition and results of operations and the market price of our ADSs.

Developments that could have an adverse impact on Korea's economy include:

- declines in consumer confidence and a slowdown in consumer spending;

- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy (such as the ongoing trade disputes with Japan);
- adverse conditions or developments in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, including as a result of any deterioration in economic and trade relations between the United States and China as well as increased uncertainties resulting from the United Kingdom's exit from the European Union on January 31, 2020;
- the occurrence of severe health epidemics in Korea or other parts of the world (such as the ongoing global outbreak of COVID-19);
- decreases in the market prices of Korean real estate;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the Euro or the Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates, inflation rates or stock markets;
- increased sovereign default risk in select countries and the resulting adverse effects on the global financial markets;
- investigations of large Korean business groups and their senior management for possible misconduct;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea;
- social and labor unrest;
- the economic impact of any pending or future free trade agreements or changes in existing free trade agreements;
- a decrease in tax revenue or a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that would lead to an increased government budget deficit;
- financial problems or lack of progress in the restructuring of Korean business groups, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities or corporate governance issues at certain Korean companies;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- geo-political uncertainty and the risk of further attacks by terrorist groups around the world;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;

- political uncertainty or increasing strife among or within political parties in Korea;
- increase in the statutory minimum wage in Korea, to the extent its benefits (such as an increase in consumer confidence or spending level of employees earning the minimum wage) are outweighed by its costs (such as an increase in unemployment rate);
- hostilities or political or social tensions involving oil producing countries in the Middle East (including a potential escalation of hostilities between the U.S. and Iran) and Northern Africa and any material disruption in the global supply of oil or sudden increase in the price of oil;
- increased reliance on exports to service foreign currency debts, which could cause friction with Korea's trading partners;
- the continued growth of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);
- political or social tensions involving Russia and any resulting adverse effects on the global supply of oil or the global financial markets; and
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

Escalations in tensions with North Korea could have an adverse effect on us and the market value of our ADSS.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and ballistic missile programs as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and has conducted six rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs, which are more powerful than plutonium bombs, and warheads that can be mounted on ballistic missiles. Over the years, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In February 2016, the Government also closed the inter-Korea Gaesong Industrial Complex (in which we provided certain telecommunications services prior to its closure) in response to North Korea's fourth nuclear test in January 2016. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea, most recently in December 2017 in response to North Korea's intercontinental ballistic missile test in November 2017. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.
- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing

the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea.

Although bilateral summit meetings were held between Korea and North Korea in April, May and September 2018 and between the United States and North Korea in June 2018, February 2019 and June 2019, there can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future. Any increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea or the United States and North Korea break down or further military hostilities occur, could have a material adverse effect on the Korean economy and on our business, financial condition and results of operations.

Korea's legislation allowing class action suits related to securities transactions may expose us to additional litigation risk.

The Securities-related Class Action Act of Korea enacted in January 2004 allows class action suits to be brought by shareholders of companies (including us) listed on the KRX KOSPI Market for losses incurred in connection with purchases and sales of securities and other securities transactions arising from (1) false or inaccurate statements provided in the registration statements, prospectuses, business reports, audit reports, semi-annual or quarterly reports and material fact reports and omission of material information in such documents, (2) insider trading, (3) market manipulation and (4) unfair trading. This law permits 50 or more shareholders who collectively hold 0.01% of the shares of a company to bring a class action suit against, among others, the issuer and its directors and officers. Because of the relatively recent enactment of the act, there is not enough judicial precedent to predict how the courts will apply the law. Litigation can be time-consuming and expensive to resolve, and can divert management time and attention from business operation. We are not aware of any basis upon which such suit may be brought against us, nor are any such suits pending or threatened. Any such litigation brought against us could have a material adverse effect on our business, financial condition and results of operations.

We are generally subject to Korean corporate governance and disclosure standards, which differ in significant respects from those in other countries.

Companies in Korea, including us, are subject to corporate governance standards applicable to Korean public companies which differ in some respects from standards applicable in other countries, including the United States. As a reporting company registered with the Securities and Exchange Commission and listed on the New York Stock Exchange, we are, and will continue to be, subject to certain corporate governance standards. However, foreign private issuers, including us, are exempt from certain corporate governance standards required under the New York Stock Exchange. For a description of significant differences in corporate governance practice compared to corporate governance standards of the New York Stock Exchange applicable to U.S. issuers, see "Item 16G. Corporate Governance." There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public or non-public companies in other countries.

Risks Relating to the Securities

If an investor surrenders his ADSs to withdraw the underlying shares, he may not be allowed to deposit the shares again to obtain ADSs.

Korean law currently limits foreign ownership of the ADSs and our shares. In addition, under our deposit agreement, the depositary bank cannot accept deposits of shares and deliver ADSs representing those shares unless (1) we have consented to such deposit or (2) Korean counsel has advised the depositary bank that the consent required under (1) is no longer required under Korean laws and regulations. Under current Korean laws and regulations, the depositary bank is required to obtain our prior consent for the number of shares to be deposited in any given proposed deposit which exceeds the difference between (1) the aggregate number of shares deposited by us or with our consent for the issuance of ADSs (including deposits in connection with the initial and all subsequent offerings of ADSs and stock dividends or other distributions related to these ADSs) and (2) the number of shares on deposit with the depositary bank at the time of such proposed deposit. The depositary bank has informed us that, at a time it considers to be appropriate, the depositary bank plans to start accepting deposits of shares without our consent and to deliver ADSs representing those shares up to the amount allowed under current Korean laws and regulations. Until such time, however, the depositary bank will continue to obtain our consent for such deposits of shares and delivery of ADSs, which we may not provide. Consequently, if an investor surrenders his ADSs to withdraw the underlying shares, he may not be allowed to deposit the shares again to obtain ADSs. See “Item 10. Additional Information–Item 10.D. Exchange Controls.”

A foreign investor may not be able to exercise voting rights with respect to common shares exceeding certain restrictions.

Under the Telecommunications Business Act, a foreign shareholder who holds 5.0% or more of our total shares is prohibited from becoming our largest shareholder. However, any foreign shareholder who held 5.0% or more of our total shares and was our largest shareholder on or prior to May 9, 2004 is exempt from the regulations, provided that such foreign shareholder may not acquire any more of our shares. In addition, under the Telecommunications Business Act, the MSIT may, if it deems it necessary to preserve substantial public interests, prohibit a foreign shareholder from being our largest shareholder. In the event that any foreigner or foreign government acquires our shares in violation of the above provisions, such foreign shareholder may not be able to exercise voting rights with respect to common shares exceeding such threshold. The MSIT may also order us or the foreign shareholder to take corrective measures in respect of the excess shares within a specified period of six months or less.

In addition, the Telecommunications Business Act restricts the ownership and control of network service providers by foreign shareholders. Foreigners, foreign governments and “foreign invested companies” may not own more than 49.0% of the issued shares with voting rights of a network service provider, including us. As of December 31, 2019, 46.6% of our common shares were owned by foreign investors. In the event that any foreigner or foreign government acquires our shares in violation of the above provisions, such foreign shareholder may not be able to exercise voting rights with respect to common shares exceeding such threshold. The MSIT may also order us or the foreign shareholder to take corrective measures in respect of the excess shares within a specified period of six months or less. See “Item 4. Information of the Company–Item 4.B. Business Overview–Regulation–Foreign Investment” and “Item 10. Additional Information–Item 10.B. Memorandum and Articles of Association–Limitations on Shareholding.”

Holders of ADSs will not be able to exercise appraisal rights unless they have withdrawn the underlying ordinary shares and become our direct shareholders.

In some limited circumstances, including the transfer of the whole or any significant part of our business and our merger or consolidation with another company, dissenting shareholders have the right to require us to purchase their shares under Korean law. A holder of ADSs will not be able to exercise appraisal rights unless he has withdrawn the underlying ordinary shares and become our direct shareholder. See "Item 10. Additional Information-Item 10.B. Memorandum and Articles of Association."

An investor may not be able to exercise preemptive rights for additional shares and may suffer dilution of his equity interest in us.

The Commercial Code of Korea and our articles of incorporation require us, with some exceptions, to offer shareholders the right to subscribe for new shares in proportion to their existing ownership percentage whenever new shares are issued. If we offer any rights to subscribe for additional ordinary shares or any rights of any other nature, the depositary bank, after consultation with us, may make the rights available to an ADS holder or use reasonable efforts to dispose of the rights on behalf of the ADS holder and make the net proceeds available to the ADS holder. The depositary bank, however, is not required to make available to an ADS holder any rights to purchase any additional shares unless it deems that doing so is lawful and feasible and:

- a registration statement filed by us under the Securities Act of 1933, as amended, is in effect with respect to those shares; or
- the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act.

We are under no obligation to file any registration statement. If a registration statement is required for an ADS holder to exercise preemptive rights but is not filed by us, the ADS holder will not be able to exercise his preemptive rights for additional shares. As a result, the ADS holder may suffer dilution of his equity interest in us.

Forward-looking statements may prove to be inaccurate.

This annual report contains "forward-looking statements" that are based on our current expectations, assumptions, estimates and projections about us and the industries in which we operate. The forward-looking statements are subject to various risks and uncertainties. These forward-looking statements include, but are not limited to, those statements using words such as "anticipate," "believe," "continue," "expect," "estimate," "intend," "project," "aim," "plan," "likely to," "target," "contemplate," "predict," "potential" and similar expressions and future or conditional verbs such as "will," "would," "should," "could," "might," "can," "may," or similar expressions generally intended to identify forward-looking statements. Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include, but are not limited to, those identified in the risk factors discussed above. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.