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RISK FACTORS

Increased competition in Korea has had and may continue to have an adverse effect on our results of operations and financial condition.

The telecommunications sector in Korea is rapidly evolving. We face increasing competition from new entrants to the telecommunications market. We expect the number and the identity of service providers in the market to continue to change. Future business combinations and alliances in the telecommunications industry may create significant new competitors. In addition, advances in technology as well as changes in the regulatory environment are also occurring. Any significant changes in the competitive landscape of the telecommunications sector and our inability to adapt to such changes could have a material adverse effect on our business, financial condition and results of operations.

Fixed-line Telephone Services

Before December 1991, we were the sole provider of local, domestic long-distance and international long-distance telephone services in Korea. DACOM Corporation became the second provider of international long-distance service in December 1991 and of domestic long-distance service in January 1996. In October 1997, a third carrier, Onse Telecom Corp., began to offer international long-distance service and in December 1999, it started to offer domestic long-distance service in Korea. In April 1999, Hanaro Telecom, Inc. became the second provider of local telephone service in Korea and obtained licenses in January 2003 to offer international long-distance service and domestic long-distance service. In addition, SK Telink obtained a license in June 2003 to offer international long-distance service. In addition, the increased availability and usage of mobile telephone services in Korea have had and are expected to have a material impact on our fixed-line telephone services.

The entry of these and other potential competitors into the local, domestic long-distance and international long-distance telephone service markets has had and may continue to have a material adverse effect on our revenues and profitability from these businesses. See “Information on the Company—Competition—Network Service Providers”. We cannot give any assurance that we will be able to maintain our share of these businesses at or above current levels.

Many of our competitors offer lower rates than we do for similar services. For example, although Hanaro’s and our local usage charges are the same at Won 39 per pulse (generally three minutes), Hanaro’s non-refundable telephone installation charge and basic monthly charge are lower than ours. Hanaro’s customers do not pay any non-refundable telephone installation charge, while our customers pay Won 60,000, and Hanaro’s customers pay a basic monthly charge of up to Won 3,500, while our customers pay up to Won 5,200, depending on location.

In addition, DACOM’s domestic long-distance rates are currently about 2.8% lower on average than ours, and Onse’s domestic long-distance rates are up to 4.1% lower than ours depending on the calling area.

DACOM’s international rates are currently about 0.6% lower on average than ours, and Onse’s international rates are currently about 4.1% lower on average than ours. Our discount calling plans for international calls offer rates that are comparable to those offered by DACOM’s and Onse’s discount calling plans. Starting in 1998, specific service providers, such as Internet phone service providers, voice resellers and call-back service providers, began offering international long-distance service in Korea at rates that are lower than the rates charged by us, DACOM or Onse. Demand for international long-distance services offered by specific service providers has grown rapidly since the launch of their services. Although we also began providing Internet phone service in April 1998, we cannot give any assurance that competition from specific service providers will not have a material adverse effect on our revenues and profitability from international long-distance service.

Mobile Telecommunications Services

KT Freetel, our consolidated subsidiary in which we own a 44.7% effective interest, provides PCS service, a type of mobile telecommunications service based on Code Division Multiple Access ("CDMA") technology utilizing the 1,800 MHz frequency, in Korea. KT M.com, another provider of PCS service in which we owned a 47.9% interest, merged into KT Freetel on May 1, 2001. Competitors in this industry are cellular service provider SK Telecom and PCS service provider LG Telecom. SK Telecom acquired control of Shinsegi Telecom, another cellular service provider, in a series of transactions ended in April 2000, and Shinsegi merged into SK Telecom in January 2002. KT Freetel (including 1.4 million resale subscribers of KT Corporation) had a market share of 31.9% as of December 31, 2002 based on the total number of mobile subscribers in Korea, making KT Freetel the second largest mobile telecommunications service provider. SK Telecom had a market share of 53.2% as of December 31, 2002. We cannot give any assurance that KT Freetel will be able to successfully prevent SK Telecom or LG Telecom from increasing its market share in the future.

On March 6, 2003, KT ICOM, a company created by a consortium of companies including KT Corporation and KT Freetel to offer IMT-2000 services, merged into KT Freetel in a stock-for-stock transaction. IMT-2000 is a third-generation, high-capacity wireless communications technology, which when implemented, is expected to allow operators to provide to their customers significantly more bandwidth capacity. We cannot assure you that KT Freetel will be able to successfully compete with other third generation service providers. KT Freetel's inability to compete effectively with third-generation service providers could have a material adverse effect on its financial condition and results of operations.

Broadband and Internet-Related Services

The Korean broadband Internet access service market has experienced significant growth over the last four years since Korea Thrunet first introduced its Hybrid Fiber Coaxial (or HFC) based service in July 1998. Hanaro Telecom entered the broadband market in April 1999 offering both HFC and Asymmetric Digital Subscriber Line (or ADSL) services. We began offering broadband Internet access service in June 1999. Dreamline and DACOM followed and introduced their services in late 1999 and early 2000, and numerous cable television operators have also begun HFC-based services. As a result of having to compete with a number of competitors and the maturing of the Internet access service market, we currently encounter and we expect to encounter pressure to increase marketing expenses in the future. We had a market share of 47.3% as of December 31, 2002 based on the number of subscribers in Korea. Our inability to compete effectively with our competitors could have a material adverse effect on our business.

The market for Internet-related services in Korea is very competitive. We anticipate that competition will continue to intensify as the usage and popularity of the Internet grows and as new domestic and international competitors enter the Internet industry in Korea. The substantial growth and potential size of the Internet industry in Korea have drawn many competitors and as a result may lead to increasing price competition to provide Internet-related services. Increased competition in the Internet industry could have a material adverse effect on our business.

WTO Agreement

Under the multilateral agreement on basic telecommunications services among the members of the World Trade Organization effective November 1997 (the "WTO Agreement"), the Government of Korea has agreed to gradually reduce the restrictions on foreign and individual shareholdings in KT Corporation and other network service providers in Korea. The relevant Korean law was amended to give effect to the provisions of the WTO Agreement. See "Information on the Company—Regulation—Foreign Investment". While the WTO Agreement enables us to seek foreign investors and strategic partners and to more easily take advantage of opportunities for investments in overseas telecommunications projects, it may also benefit our competitors and further intensify competition in the domestic market.

Implementation of the IMT-2000 technology poses significant challenges and risks to us.

We acquired the right to purchase one of three licenses to provide IMT-2000 services on December 15, 2000, as a member of a consortium of companies including KT Corporation and KT Freetel. In March 2001, KT ICOM, a company created by our consortium to offer IMT-2000 services, obtained one of three licenses to provide IMT-2000 services in Korea. KT ICOM merged into KT Freetel on March 6, 2003 in a stock-for-stock transaction. As a condition to the merger, KT Freetel is required to offer its IMT-2000 services with limited coverage by the end of 2003. Accordingly, KT Freetel is planning to offer its IMT-2000 services in metropolitan Seoul by the end of 2003, but the timing of its nationwide service has not been determined. IMT-2000 presents risks and challenges to our business, any or all of which if realized or not addressed may have a material adverse effect on our financial condition, results of operations and prospects.

Specifically, IMT-2000 is a new technology. No assurance can be given that KT Freetel will be able to construct its network and provide services in a timely and cost efficient manner, or at all. Several telecommunications providers in other countries have announced delays in the roll-out of their third-generation services as a result of technological difficulties.

New content, solutions and services must also be developed for IMT-2000. No assurance can be given that the content and services will be developed in a timely manner, or at all, by us or third parties, or if developed will gain market acceptance such that KT Freetel will be able to derive revenues from such services to justify the investments made as well as to justify future investments. The total IMT-2000 license cost was Won 1.3 trillion, of which Won 650 billion was paid in March 2001, and the remainder of which is required to be paid over a period of five years starting 2007. KT ICOM made capital expenditure of Won 95 billion in 2002 for the development of IMT-2000. We estimate that KT Freetel will need to make capital expenditures of approximately Won 135 billion in 2003 and additional amounts thereafter for the development of IMT-2000.

We cannot assure you that we will realize the anticipated benefits of the merger between KT ICOM and KT Freetel.

In response to an increasing demand for wireless data communications and mobile telecommunications services, KT ICOM merged into KT Freetel on March 6, 2003 in a stock-for-stock transaction. The success of the merger depends, in part, on KT Freetel's ability to realize the anticipated synergies, growth opportunities and cost savings from combining those two companies. The integration of the operations of the two companies will continue to require significant amounts of time, financial resources and management attention. We cannot assure you that the merger will not adversely affect the combined business, financial condition and results of operations of the two companies.

Disputes with our labor union may disrupt our business operations.

Our strategy of restructuring to improve our efficiency and profitability by disposing of non-core businesses and reducing our employee base have met with opposition from our labor union. In December 2000, certain members of the KT Trade Union carried out work stoppages, demanding changes in Government policies to prevent widespread layoffs and seeking negotiations with management regarding the scope of our restructuring. In May 2001, certain members of our labor union held protests in our headquarters opposing our strategy of restructuring unprofitable businesses, including 114 phone directory services, and the expected layoffs resulting from such strategy. There can be no assurance that we will not experience in the future labor disputes and unrests, including expanded protests and strikes, which could disrupt our business operations and have an adverse effect on our financial condition and results of operation.

The Korean telecommunications industry has been subject to the Government's regulation and change in Government policy relating to the industry could have a material adverse effect on our operations and financial condition.

The Government, primarily through the Ministry of Information and Communication, has authority to regulate the telecommunications industry. The Ministry of Information and Communication, in consultation with the Ministry of Finance and Economy, approves local service rates charged by us and mobile service rates charged by SK Telecom. See "Information on the Company—Regulation—Rates". The form of our standard agreement for providing local network service and each agreement for interconnection with other service providers are also subject to approval by the Ministry of Information and Communication. The Ministry of Information and Communication currently does not regulate our domestic long-distance, international long-distance, broadband Internet access and mobile service rates. The Ministry of Information and Communication's policy is to promote competition in the Korean telecommunications markets through measures designed to prevent the dominant service provider in any such market from exercising its market power in such a way as to prevent the emergence and development of viable competitors. Government policies and regulations relating to the above as well as other regulations involving the telecommunications industry (including regulation of us as a dominant service provider) may change, which could have a material adverse effect on our operations and financial condition. See "Information on the Company—Regulation" and "—Relationship with the Government".

Under current Government regulations, if a network service provider has the largest market share for a specified type of service and its revenue from that service for the previous year exceeds a specific revenue amount set by the Ministry of Information and Communication, it must obtain prior approval from the Ministry of Information and Communication for the rates and the general terms for that service. Each year the Ministry of Information and Communication designates service providers the rates and the general terms of which must be approved by the Ministry of Information and Communication. In the past five years, the Ministry of Information and Communication has so designated us for local telephone service and SK Telecom for mobile service. The inability to freely set our local telephone service rates may hurt the profit from that business and impede our ability to compete effectively against our competitors.

Starting April 2002, we are required to lease to other companies our fixed-lines that connect subscribers to our network. This policy, which is called local loop unbundling, is intended to prevent excessive investment in local loops. This policy requires us to lease to other companies from time to time the portion of our copper lines that represent our excess capacity at rates that will be determined by the Ministry of Information and Communication based on our cost, and taking into consideration an appropriate rate of return, to enable our competitors to provide fixed-line voice and broadband services. Local loop unbundling may have a material adverse effect on our number of subscribers and on our results of operations.

In addition, the Ministry of Information and Communication announced in October 2002 that it will allow local fixed-line telephone service subscribers to choose a competing local telephone service provider without changing his or her telephone number. Local number portability will be implemented in certain regions starting in mid-2003 and will be implemented nationwide by the second half of 2004. Local number portability may allow Hanaro to compete more effectively for our existing customers and may have a material adverse effect on our number of subscribers and on our results of operations.

The Ministry of Information and Communication announced in February 2003 that it will also implement mobile number portability which will allow mobile telephone service subscribers to choose a competing mobile service provider without changing his or her mobile number. Mobile number portability will be allowed to subscribers of SK Telecom, KT Freetel and LG Telecom starting in January 2004, July 2004 and January 2005, respectively. The Ministry of Information and Communication also announced that starting in January 2004, all new subscribers of mobile services and existing subscribers who elect to receive a new mobile number will be given the uniform mobile code of "010" as the first three digits of their mobile numbers without regard to the mobile service provider. The Ministry of Information and Communication is planning to implement the uniform mobile code to all mobile numbers by 2007. Mobile number portability and uniform mobile code may allow SK Telecom and LG Telecom to compete more effectively for KT Freetel's existing and future customers and may have a material adverse effect on the number of subscribers of KT Freetel and on our results of operations.

Refunds of deposits for telephone installation may have a material adverse effect on our financial condition and short-term cash flow requirements.

Until September 1998, whenever we initiated local telephone service to a new customer, we required that the customer post a non-interest-bearing refundable telephone installation deposit ranging from Won 122,000 to Won 242,000, depending on the size of the local calling area in which the phone was installed, and a non-refundable installation fee of Won 8,000. Such deposit is required to be refunded when the customer terminates its service. We have historically utilized substantially all of the deposited amounts for capital expenditures, working capital and other funding needs. In September 1998, we, with the approval of the Ministry of Information and Communication, implemented an alternative telephone installation charge system that allowed our new and existing customers to choose between the pre-existing plan and a second plan for telephone service. Under the second plan, customers paid a Won 100,000 non-refundable installation fee instead of the refundable telephone installation deposit and paid a higher basic monthly charge of up to Won 1,500, depending on location.

Starting on April 15, 2001, we implemented a new telephone installation system. New customers who were not subscribers to our local telephone service no longer have the option to choose the pre-existing plan and must pay a Won 60,000 non-refundable installation fee (including value added tax). Our existing customers who are enrolled in the pre-existing plan may switch to the new plan and receive refund of the telephone installation deposit (less Won 52,000, reflecting the Won 60,000 non-refundable installation fee under the new plan minus the Won 8,000 non-refundable installation fee paid under the pre-existing plan). See “Information on the Company—Revenues and Rates—Fixed-line Telephone Services”.

As a result of customers switching from the pre-existing plan to the second plan and the new plan, the balance of telephone installation deposits decreased from Won 4,373 billion as of December 31, 1997 to Won 1,534 billion as of December 31, 2002. As of December 31, 2002, there were 7.0 million subscribers who are enrolled under the pre-existing plan and eligible to switch to the new plan and receive their installation deposit back (less Won 52,000 as described above). The non-refundable installation fees and higher monthly charges payable by customers electing the revised plans have partially offset the amount of these refunds, but the refunds increased our reliance on short-term and long-term debt for our working capital and other capital requirements. Increased refunds of telephone installation deposits may increase our reliance on debt for our working capital and other requirements and may have a material adverse effect on our financial condition and short-term cash flow requirements.

We are subject to various regulations under the Fair Trade Act starting April 1, 2002.

The Fair Trade Act (Law No. 3320 of December 31, 1980, as amended) provide for various regulations and restrictions on large business groups enforced by the Fair Trade Commission. Previously, we were not regulated as a large business group under the Fair Trade Act due to the Government’s ownership (including Government invested enterprises and the Korea Development Bank) of greater than 30% of our issued shares. The Fair Trade Commission designated us as a large business group under the Fair Trade Act on April 1, 2002, which subjects us to regulations limiting, among other things, the gross amount of investments, cross guarantees of debt and cross shareholdings by members of a business group.

Adverse economic and financial developments in Korea recently had and may in the future have an adverse effect on our results of operations, financial condition and the price of the shares of our common stock and American Depositary Shares.

In 1997 and 1998, the Republic experienced a significant increase in the number and size of companies filing for corporate reorganization and protection from their creditors. As a result of these corporate failures, high levels of short-term foreign currency borrowings from foreign financial institutions and the consideration of non-market oriented factors in making lending decisions, the Republic’s financial institutions experienced a sharp increase in non-performing loans and a deterioration in their capital adequacy ratios. These developments led to a substantial increase in the number of unemployed workers, reducing the purchasing power of consumers in Korea. These developments also led international credit rating agencies to downgrade the credit ratings of the Republic and various companies, including us, and financial institutions in the Republic to below investment grade, although S&P and Moody’s raised the credit rating of the Republic and our credit rating back to investment grade levels in early 1999. The current long-term foreign currency rating of the Republic by Standard & Poor’s is A- and the current foreign currency rating on bond obligations of the Republic by Moody’s is A3.

Prompted by heightened security concerns stemming from North Korea’s nuclear weapons program, Moody’s changed the outlook on the long-term ratings of the Republic from positive to negative in February 2003.

Although the Korean economy began to experience a recovery in 1999, the pace of the recovery has since slowed and has been volatile. The economic indicators in 2001 and 2002 have shown mixed signs of recovery and uncertainty, and future recovery or growth of the economy is subject to many factors beyond our control. Events such as the terrorist attacks in the United States that took place on September 11, 2001, the war in Iraq and the outbreak of severe acute respiratory syndrome (SARS) in Asia and other parts of the world have increased the uncertainty of world economic prospects in general and continue to have an adverse effect on the world economy, and may thus adversely affect the Korean economy. Any future deterioration of the Korean economy would adversely affect our financial condition and results of operations.

Developments that could hurt Korea’s economy in the future include:

- financial problems relating to chaebols, or their suppliers, and their potential adverse impact on Korea’s financial sector;
- failure of restructuring of other large troubled companies;
- a slowdown in consumer spending and the overall economy;
- adverse changes or volatility in foreign currency reserve levels, commodity prices, exchange rates (including depreciation of the U.S. dollar or Japanese yen), interest rates and stock markets;
- increased reliance on exports to service foreign currency debts, which could cause friction with Korea’s trading partners;
- adverse developments in the economies of countries such as the United States, Japan and China to which Korea exports, or in emerging market economies in Asia or elsewhere that could result in a loss of confidence in the Korean economy;
- social and labor unrest;
- a decrease in tax revenues and a substantial increase in the Government’s expenditures for unemployment compensation and other social programs that, together, lead to an increased budget deficit;
- political uncertainty or increased strife among and within political parties in Korea;
- a deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including such deterioration resulting from trade disputes or disagreements in foreign policy;
- political uncertainty and risk of further attacks by terrorist groups around the world;
- hostilities involving oil producing countries in the Middle East and any material disruption in the supply of oil or increase in the price of oil resulting from those hostilities; and
- an increase in the level of tensions or an outbreak of hostilities between Korea and North Korea.

Any developments that adversely affect the Republic’s economic recovery will likely also decrease demand for our services and adversely affect our results of operations. Korea is our most important market, accounting for substantially all of our revenues in 2002.

Increased tensions with North Korea could have an adverse effect on us or the price of the common shares and the ADSs.

Relations between Korea and North Korea have been tense over most of Korea’s modern history. The level of tension between the two Koreas has fluctuated and may increase or change abruptly as a result of current events, including renewed contacts at the highest levels of the governments of Korea and North Korea and the increased hostility between North Korea and the United States. In December 2002, North Korea removed the seals and surveillance equipment from its Yongbyon nuclear power plant, evicted inspectors from the United Nations International Atomic Energy Agency and has reportedly resumed activity at the Yongbyon power plant. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty and demanded that the United States sign a non-aggression pact before North Korea dismantles its nuclear power and arms program. North Korea has also test-fired at least two missiles, engaged an unarmed U.S. military aircraft and is reported to have successfully developed nuclear weapons. As a result of these events, the level of tension between the two Koreas, as well as between North Korea and other countries including the United States, has increased. While discussions between North Korea and other countries, including Korea, the United States and China, to resolve these issues peacefully have taken place, any further increase in the tension or occurrence of military hostilities could have a material adverse effect on our operations and the price of the common shares and the ADSs.

Sale of our shares by our strategic investors or the perception that these sales may occur may adversely affect the prices of our common stock and ADSs.

Our domestic strategic investors purchased convertible bonds in May 2002 which are convertible into 22,267,103 shares of our common stock starting June 25, 2002 until April 25, 2005. They also hold a total of 3,810,650 shares of our common stock. We also entered into a strategic relationship with Microsoft Corporation on January 4, 2002 and sold US$500 million aggregate principal amount of our 4.30% bonds due 2005 with warrants to purchase 9,270,200 shares of our shares at an initial exercise price of Won 69,416 per share. See “Information on the Company—Privatization”. Sales of substantial amounts of our common stock in the public market, or the perception that these sales may occur, could adversely affect the prevailing market price of the shares or the ADSs or our ability to raise capital through an offering of securities.

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 common stock and the ADSs.

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 equipment that we purchase from overseas sources and net settlement payments to foreign carriers and administrations, which are denominated in foreign currencies. Of the Won 11,805 billion total long-term debt (including current portion) outstanding as of December 31, 2002, Won 2,759 billion was denominated in foreign currencies with interest rates ranging from 0.25% to 7.63%. The net settlement payments in foreign currencies to foreign carriers and administrations totaled Won 13 billion in 2002. See “Operating and Financial Review and Prospects—Liquidity and Capital Resources”.

Fluctuations in the exchange rate between the Won and the Dollar will affect the Dollar equivalent of the Won price of the shares of our common stock on the Korea Stock Exchange. These fluctuations also will affect the amounts a holder of ADSs will receive from the depositary bank in respect of:

- dividends, which will be paid in Won to the depositary bank and converted by the depositary bank into Dollars;
- the Dollar value of the proceeds which a holder will receive upon sale in Korea of the shares; and
- the secondary market price of the ADSs.

See “Key Information—Exchange Rate Information”.

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 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 “Additional Information—Exchange Controls”.

Limitations on foreign ownership may have an adverse effect on the conversion of our convertible notes and the exercise of our warrants.

The Telecommunications Business Law limits the aggregate foreign ownership of our shares with voting rights to 49% of our total issued shares with voting rights. In addition, pursuant to authorization granted under the Privatization Law, our articles of incorporation provided prior to August 2002 that the aggregate number of the shares that may be purchased by foreigners in Korea is limited to 5% of the issued shares of each class. With the completion of the disposition of the Government’s ownership interest in us in May 2002, the Privatization Law ceased to apply to us after the general shareholders’ meeting in August 2002 and the 5% foreign ownership limitation under our articles of incorporation has been eliminated. Elimination of such limitation may have an adverse effect on the conversion of our convertible notes and the exercise of our warrants, which were issued in January 2002. See “Information on the Company—Privatization” and “Additional Information—Articles of Incorporation—Limitation on Shareholding”. If conversion or exercise by a foreigner results in the violation of the 49% foreign ownership limitation under the Telecommunications Business Law, such conversion or exercise may be effectively prohibited. In such an event, we will be required under the terms of the convertible notes and the warrants to pay cash in Dollars the aggregate market values of our common shares deliverable upon conversion of convertible notes or issuable upon exercise of warrants to the relevant holder to satisfy the conversion or exercise right.

A foreign investor may not be able to exercise voting rights with respect to common shares exceeding the number of common shares held by our largest domestic shareholder.

The Telecommunications Business Law prohibits a foreign shareholder from being our largest shareholder. In the event that the number of common shares held by a foreign shareholder exceeds the number of common shares held by our largest domestic shareholder, the Telecommunications Business Law restricts such foreign shareholder from exercising his or her voting rights with respect to common shares exceeding such threshold. The Ministry of Information and Communication 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.

Holders of ADSs will not be able to exercise dissenter’s rights unless they have withdrawn the underlying common stock 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 dissenter's rights unless he has withdrawn the underlying common stock and become our direct shareholder. See "Additional Information—Articles of Incorporation".

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 shares of our common stock 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.

You may not be able to find trading markets for your Bonds.

The bonds are securities with no established trading market. We cannot provide any assurance as to the liquidity of, or the trading markets for, these bonds.

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 our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate", "believe", "estimate", "expect", "intend", "project", "should", and similar expressions. 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.

Item 4. Information on the Company

Overview

We are the leading telecommunications service provider in Korea and one of the largest and most advanced in Asia. As an integrated telecommunications service provider, our principal services include:

- fixed-line telephone services, including local, domestic long-distance and international long-distance telephone services;
- interconnection services to other telecommunications companies;
- business and data communications services, including broadband Internet access service, leased-line services and other Internet-related services;
- mobile telecommunications services through KT Freetel, our 44.7 %-owned consolidated subsidiary, and PCS resale services; and
- other telecommunications services, including system and network integration services and satellite communications services.

We own substantially all of the domestic public exchanges, the nationwide network of local telephone lines, the principal public long-distance telephone transmission facilities and the principal data communications network in Korea, as well as two satellites. In addition, through KT Freetel, we operate a nationwide PCS network.

Historically, we have derived a substantial majority of our revenues from fixed-line telephone services. However, as our traditional businesses have matured and new technologies have become available, we have successfully leveraged our nationwide network, strong brand name and established customer base in Korea to pursue new growth opportunities. These growth businesses include business and data communications (including broadband Internet access service) and mobile telecommunications services. As a result, revenues from these businesses have grown rapidly in recent years and now account for a majority of our total revenues, having risen from 39.6% of our total revenues in 2000 to 53.3% in 2002. Diversifying our services and focusing on growth businesses have allowed us to increase our operating revenue from Won 13,538 billion in 2000 to Won 16,394 billion in 2002 under Korean GAAP.

We are focusing on building upon our strong position in each of our principal lines of business:

- We are currently the dominant provider of fixed-line telephone services in Korea with approximately 25.1 million installed lines, of which 22.3 million lines were in service as of December 31, 2002. In the year 2002, our market share of the local market was 96.0% based on the number of local fixed-line subscribers in Korea, our market share of the domestic long-distance market was 85.1% based on revenues estimated by us and our market share of the international long-distance market was 66.5% based on revenues estimated by us, respectively;
- We are one of the world's largest broadband Internet access providers and Korea's largest broadband Internet access provider in terms of subscribers, with 4.9 million subscribers as of December 31, 2002, representing a market share of 47.3%. We achieved market leadership within a year of launching this service in June 1999;
- We are Korea's second largest mobile telecommunications service provider. KT Freetel, our consolidated subsidiary, had approximately 10.3 million subscribers as of December 31, 2002, equivalent to a market share of 31.9% of the total mobile service market in Korea based on the number of mobile subscribers in Korea; and
- We are also the leading provider of business and data communications services in Korea, with a market share in leased-line services in 2002 of approximately 70.6% based on revenues estimated by us.