Table of Contents

Exchange Rate Information

The following table sets out information concerning the noon buying rate for the periods and dates indicated.

Period	At End of Period	Average Rate(1)	High	Low
	(Won per US$1.00)			
2003	1,192.0	1,183.0	1,262.0	1,146.0
2004	1,035.1	1,139.3	1,195.1	1,035.1
2005	1,010.0	1,023.2	1,059.8	997.0
2006	930.0	950.1	1,002.9	913.7
2007	935.8	928.0	950.2	903.2
December	935.8	931.1	943.4	918.9
2008 (through June 27)	1,041.8	986.6	1,045.5	935.2
January	943.4	942.1	953.2	935.2
February	942.8	943.9	948.2	937.2
March	988.6	981.7	1,021.5	947.1
April	1,005.0	986.9	1,005.0	973.5
May	1,028.5	1,034.1	1,045.5	1,004.0
June (through June 27)	1,041.8	1,030.7	1,044.0	1,016.8

Source: Federal Reserve Bank of New York.

(1) The average rate for each full year is calculated as the average of the noon buying rates on the last business day of each month during the relevant year. The average rate for a full month is calculated as the average of the noon buying rates on each business day during the relevant month (or portion thereof).

Our consolidated financial statements are expressed in Won and, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended December 31, 2007 have been translated into United States dollars at the rate of Won 935.8 to US$1.00, the noon buying rate in the City of New York for cable transfers in Won as certified for customs purposes by the Federal Reserve Bank of New York at December 31, 2007, the last day in 2007 for which such rate is available. We make no representation that the Won or Dollar amounts contained in this annual report could have been or could be converted into Dollar or Won, as the case may be, at any particular rate or at all.

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

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, and 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 particular, the Ministry of Information and Communication conditionally approved SK Telecom's acquisition of a controlling minority stake of approximately 39% of the issued and outstanding share capital of Hanarotelecom Incorporated. The acquisition would enable SK Telecom to provide fixed-line telecommunications, broadband Internet access and Internet television (or IP-TV) services together with its mobile telecommunications services. 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. Since then, various competitors have entered the local, domestic long-distance and international long-distance telephone service markets in Korea, which have eroded our market shares. LG DACOM Corporation and Hanarotelecom currently provide local, domestic long-distance and international long-distance telephone services. In addition, Onse Telecom Corporation and SK Telink, Inc. currently provide domestic long-distance and international long-distance telephone services. Starting in 1998, specific service providers, such as Internet phone service providers, voice resellers and call-back service providers, also began offering international long-distance service in Korea. While we offer our own Internet phone service, 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. We had a market share in local telephone service of 90.4% as of December 31, 2007 in terms of number of subscribers estimated by us and a market share in domestic long-distance service of 85.4% in 2007 in terms of number of subscribers estimated by us. We cannot give assurance that we will be able to maintain our share of these businesses at or above current levels.

Mobile Service. KTF, our consolidated subsidiary in which we owned a 53.0% interest as of December 31, 2007, provides mobile services based on Code Division Multiple Access ("CDMA") technology and Wideband Code Division Multiple Access ("W-CDMA") technology. Competitors in the mobile telecommunications service industry are SK Telecom and LG Telecom. KTF (including resale subscribers of KT Corporation) had a market share of 31.5% as of December 31, 2007 in terms of the number of mobile service subscribers in Korea announced by the Korea Communications Commission, making KTF the second largest mobile telecommunications service provider. SK Telecom had a market share of 50.5% as of December 31, 2007.

Starting in January 2004 for SK Telecom subscribers, July 2004 for KTF subscribers and January 2005 for LG Telecom subscribers, mobile subscribers have been allowed to switch their service provider while retaining the same mobile phone number. In addition, all new subscribers of mobile services and existing subscribers who elect to receive a new mobile number, as well as those switching to a third-generation mobile service, are given the uniform mobile code of "010" as the first three digits of their mobile numbers without regard to the mobile service provider. In recent years, mobile service providers began granting subsidies to subscribers who purchase new handsets. KTF currently provides subsidies between Won 80,000 to Won 360,000 to subscribers for purchase of mobile handsets based on a subscription period between 12 to 24 months. Mobile number portability and handset subsidies have intensified competition among the mobile service providers and increased their marketing expenses. If the mobile service providers adopt a strategy of expanding market share through price competition, it could lead to a decrease in the net profit margins of KTF.

In recent years, KTF and SK Telecom also launched their third-generation mobile telecommunications services, which we believe have further intensified competition between the two companies and resulted in an increase in their marketing expenses. KTF expanded its coverage area of High Speed Downlink Packet Access (or HSDPA)-based IMT-2000 services to 84 cities in December 2006 and nationwide in March 2007 under the brand name "SHOW." IMT-2000 is a third-generation, high-capacity wireless communications technology, which allows operators to provide to their customers significantly more bandwidth capacity. Although we expect that SK Telecom will face similar challenges that we expect to face in implementing this third-generation technology, we cannot assure you that KTF will continue to be able to successfully compete with SK Telecom. KTF's inability to compete effectively with SK Telecom could have a material adverse effect on its financial condition and results of operations. See "—Implementation of the IMT-2000 technology poses challenges and risks to us."

Internet Services. The Korean broadband Internet access service market has experienced significant growth since Korea Thrunet first introduced its Hybrid Fiber Coaxial (or HFC) based service in 1998. Hanarotelecom entered the broadband market in 1999 offering both HFC and Asymmetric Digital Subscriber Line (or ADSL) services. We also began offering broadband Internet access service in 1999, followed by Dreamline, Onse and LG DACOM. In recent years, numerous cable television operators have also begun HFC-based services at rates lower than ours. We had a market share of 44.3% as of December 31, 2007 based on the number of subscribers in Korea estimated by us. 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.

The market for other Internet-related services in Korea is also 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 the number of subscribers of our Internet-related service and on our results of operations.

Implementation of the IMT-2000 technology poses 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 KTF. In March 2001, KT ICOM, a company created by the consortium, paid half of the Won 1.3 trillion license fee payable to the Korea Communications Commission. KTF, which subsequently merged with KT ICOM, paid Won 90 billion in 2007 and is obligated to pay the remaining Won 560 billion as follows: Won 110 billion in 2008, Won 130 billion in 2009, Won 150 billion in 2010 and Won 170 billion in 2011. This payable accrues interest at the applicable three-year Government bond interest rate minus 0.75%. The accrued interest is paid on an annual basis to the Korea Communications Commission.

KTF expanded its coverage area of HSDPA-based IMT-2000 services to 84 cities in December 2006 and began offering nationwide services in March 2007 under the brand name "SHOW." HSDPA-based IMT-2000 services present 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 and results of operations. We expect KTF to leverage its existing mobile network and 2.5-generation technology to minimize its capital expenditures and other costs related to developing HSDPA-based IMT-2000 services. However, we believe KTF will still require substantial amounts of capital expenditures to maintain and enhance its HSDPA-based IMT-2000 network. No assurance can be given that KTF will be able to derive revenues from HSDPA-based IMT-2000 services to justify the license fee, capital expenditures and other investments required for such service. KTF's HSDPA-based IMT-2000 services may not be commercially successful if there are unfavorable market conditions or weak service demand.

Our WiBro service poses challenges and risks to us.

In March 2005, we acquired a license to provide wireless broadband Internet access service for Won 126 billion. Wireless broadband Internet access (or WiBro) service, enables two-way wireless broadband Internet access to portable computers, mobile phones and other portable devices at a speed averaging 1 Mbps per user. A subscriber is able to access the WiBro service network during transit up to 120 kilometers per hour. We positioned WiBro service to provide Internet Protocol (IP)-based triple-play services, which are voice, data and video. We conducted trial service of WiBro service in parts of Seoul and Gyunggi Province starting in April 2006 and commercially launched our service in these areas in June 2006. We expanded the service to all of metropolitan Seoul and select universities in Gyunggi Province in April 2007, and we plan to expand the service to the neighboring cities of Seoul by October 2008. We believe that substantial additional amounts of capital expenditures and research and development will be required to complete buildout of our WiBro service network, and we plan to spend approximately Won 120 billion in capital expenditures in 2008 to expand our WiBro service network, which we may adjust subject to market demand. No assurance can be given that the network will gain market acceptance such that we will be able to derive revenues from WiBro service to justify the license fee, capital expenditures and other investments required to provide such service.

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 and unrests during the past six years, 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.

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 November 12, 2009. 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 in the future labor disputes and unrests resulting from disagreements with the labor union.

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 Korea Communications Commission, has authority to regulate the telecommunications industry. The Korea Communications Commission’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. The Korea Communications Commission, in consultation with the Ministry of Strategy and Finance, currently approves local service rates and broadband Internet access service rates charged by us and mobile service rates charged by SK Telecom. 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 Korea Communications Commission, it must obtain prior approval from the Korea Communications Commission for the rates and the general terms for that service. Each year the Korea Communications Commission designates service providers the rates and the general terms of which must be approved by the Korea Communications Commission. In recent years, the Korea Communications Commission has so designated us for local telephone service and broadband Internet access service and SK Telecom for mobile service. The inability to freely set our local telephone service and broadband Internet access rates may hurt the profit from that business and impede our ability to compete effectively against our competitors. See “Item 4. Information on the Company—Item 4.B. Business Overview—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 Korea Communications Commission. The Korea Communications Commission currently does not regulate our domestic long-distance, international long-distance and mobile service rates.

Furthermore, the Ministry of Information and Communication, prior to being replaced by the Korea Communications Commission, announced a “road map” in March 2007 highlighting upcoming revisions in regulations to promote deregulation of the telecommunications industry. The road map included allowing telecommunications service providers to bundle their services, such as broadband Internet access service, mobile telephone service and fixed-line telephone service, at a discounted rate from July 2007, provided that we and SK Telecom, which are designated as market-dominating business entities under the Telecommunications Business Act, allow other competitors to employ the services provided by us and SK Telecom, respectively, so that the competitors can provide similar discounted package services. The road map also included plans to amend the regulations and provisions under the Telecommunications Business Act to permit licensed transmission service providers to offer local, domestic long-distance and international long-distance telephone services, as well as broadband Internet access and Internet phone services, without the need to obtain further approval from the Ministry of Information and Communication. Under the new administration of President Lee Myung Bak, the Korea Communications Commission is reconsidering many aspects of the road map as well as other regulations of the telecommunications industry, and there can be no assurance that the road map will continue to be implemented as proposed by the Ministry of Information and Communication under the previous administration.

We also plan to put more focus on entering the IP media market, including offering IP-TV. IP-TV is a service which combines telecommunications and broadcasting, offering traditional Internet services and video-on-demand services as well as real-time high definition broadcasting via broadband networks. The Korean Internet Multimedia Broadcasting Business Act was passed on December 2007, and the Government is currently reviewing the relevant administrative steps necessary to implement the legislation. We will strive to enter the IP-TV market early, but we may need to adjust the timing depending on governmental regulations and policies. In addition, although we currently believe that we will be able to compete in this market, there can be no assurance that the Government regulations and policies will permit us to do so.

Government policies and regulations relating to the above as well as other regulations involving the telecommunications industry (including as a result of the implementation of free trade agreements between Korea and other countries, including the United States) may change, which could have a material adverse effect on our operations and financial condition. See "Item 4. Information on the Company—Item 4.B. Business Overview—Regulation."

We are subject to various regulations under the Monopoly Regulation and Fair Trade Act.

The Monopoly Regulation and Fair Trade Act provides for various regulations and restrictions on large business groups enforced by the Korea Fair Trade Commission. The Korea Fair Trade Commission initially designated us as a large business group under the Monopoly Regulation and Fair Trade Act on April 1, 2002, which subjects us to regulations prohibiting, among other things, our cross guarantees of debt and cross shareholdings by members of a business group.

In July 2004, the Korea Fair Trade Commission began an antitrust investigation into alleged unfair collaborative practices of us, Hanarotelecom, LG DACOM and Onse in local, domestic long-distance and international long-distance telephone service markets, as well as in broadband Internet access and Internet leased line service markets. On May 25, 2005, the Korea Fair Trade Commission imposed fines of Won 116 billion on us, Won 2 billion on Hanarotelecom and Won 1 billion on LG DACOM, claiming that we and these other companies engaged in unfair collaborative practices in local telephone and Internet leased line service markets. On September 14, 2005, the Korea Fair Trade Commission imposed an additional fine of Won 24 billion on us for our alleged unfair collaborative practices in domestic and international long-distance telephone service markets. We were following administrative guidelines from the Ministry of Information and Communication, which had advised that we, as a dominant service provider in these markets, assist late market entrants in order to promote a more competitive local telephone service market in Korea. The legality of such administrative guidelines from the Ministry of Information and Communication has been disputed by the Korea Fair Trade Commission. We filed for judicial review of administrative actions related to local, domestic long-distance and international long-distance telephone service markets, and the Seoul High Court rendered its decision on August 22, 2007 in which it overturned the Korea Fair Trade Commission's order to pay Won 113 billion in fines on the basis that the Korea Fair Trade Commission's calculation of fines did not consider (i) the correct period of our engagement in unfair collaborative practices, (ii) the extent of benefits obtained by us from engaging in such practices and (iii) the fact that we were following administrative guidelines issued by the Ministry of Information and Communication. Both the Korea Fair Trade Commission and we have appealed the Seoul High Court's decision to the Supreme Court of Korea, and the case is currently pending. We cannot give any assurance that the ultimate outcome of the lawsuit or related future actions will be favorable to us or reduce the amount of fine imposed on us. In response to the initial ruling by the Korea Fair Trade Commission, we have recorded Won 140 billion as taxes and due under operating expenses in 2005 and paid such amount in 2006. There can be no assurance that any future investigations by the Korea Fair Trade Commission on alleged unfair collaborative price-fixing practices will not have a material adverse effect on our financial condition or results of operations. See "Item 8. Financial Information—Item 8.A. Consolidated Statements and Other Financial Information—Legal Proceedings."

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 equipment that we purchase from overseas sources, net settlement payments to foreign carriers and administrations and certain payments related to our derivative instruments entered into for foreign exchange risk hedging purposes. Of the Won 6,383 billion total long-term debt (excluding current portion) outstanding as of December 31, 2007, Won 1,431 billion was denominated in foreign currencies with interest rates ranging from 4.9% to 8.2%. See "Item 3. Key Information—Item 3.A. Select Financial Data—Exchange Rate Information" and Item 5. Operating and Financial Review and Prospects—Item 5.B. Liquidity and Capital Resources." Risks Relating to Korea

Risks Relating to Korea

Korea is our most important market, and our current business and future growth could be materially and adversely affected if economic conditions in Korea deteriorate.

We are incorporated in Korea and a significant portion of our operations is based in Korea. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs, and future growth of the Korean economy is subject to many factors beyond our control. Recent developments in the Middle East including the war in Iraq and its aftermath, higher oil prices, the general weakness of the global economy due in part to problems in the U.S. mortgage and housing markets and the reduced availability of credit have increased the uncertainty of global economic prospects and may continue to adversely affect the Korean economy. Any future deterioration of the Korean and global economy could adversely affect our business, financial condition and results of operations.

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

- a slowdown in consumer spending and the overall economy;
- adverse changes or volatility in foreign currency reserve levels, commodity prices, exchange rates, interest rates or stock markets;
- adverse developments in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;
- the continued emergence 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);
- the economic impact of any pending or future free trade agreements, including the Free Trade Agreement recently negotiated with the United States;
- social and labor unrest;
- substantial decreases in the market prices of Korean real estate;

- a decrease in tax revenues and a substantial increase in the Government’s expenditures for unemployment compensation and other social programs that, together, would lead to an increased government budget deficit;
- financial problems or lack of progress in restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues of certain Korean conglomerates;
- geo-political uncertainty and risk of further attacks by terrorist groups around the world;
- the recurrence of severe acute respiratory syndrome or an outbreak of avian flu in Asia and other parts of the world;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policy;
- political uncertainty or increasing strife among or within political parties in Korea;
- 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; and
- an increase in the level of tension 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.

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 recent years, there have been heightened security concerns stemming from North Korea’s nuclear weapon and long-range missile programs and increased uncertainty regarding North Korea’s actions and possible responses from the international community. In December 2002, North Korea removed the seals and surveillance equipment from its Yongbyon nuclear power plant and evicted inspectors from the United Nations International Atomic Energy Agency. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty. Since the renouncement, Korea, the United States, North Korea, China, Japan and Russia have held numerous rounds of six party multi-lateral talks in an effort to resolve issues relating to North Korea’s nuclear weapons program.

In addition to conducting test flights of long-range missiles, North Korea announced in October 2006 that it had successfully conducted a nuclear test, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council passed a resolution that prohibits any United Nations member state from conducting transactions with North Korea in connection with any large scale arms and material or technology related to missile development or weapons of mass destruction and from providing luxury goods to North Korea, imposes an asset freeze and travel ban on persons associated with North Korea’s weapons program, and calls upon all United Nations member states to take cooperative action, including through inspection of cargo to or from North Korea. In response, North Korea agreed in February 2007 at the six-party talks to shut down and seal the Yongbyon nuclear facility, including the reprocessing facility, and readmit international inspectors to conduct all necessary monitoring and verifications. In October 2007, Korea and North Korea held a summit meeting to discuss easing tensions and fostering peace on the Korean peninsula. Mr. Lee Myung Bak, who became the President of Korea in February 2008, has announced that he is willing to hold a summit meeting if the meeting leads North Korea to discontinue its nuclear weapons program.

Despite these recent initiatives, there can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tension, including a breakdown of high-level contacts between Korea and North Korea or occurrence of military hostilities, could have a material adverse effect on our operations and the market value of the securities.

[Table of Contents](#toc)

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 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 the number of common shares held by our largest domestic shareholder.

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. Under the Telecommunications Business Act, the Korea Communications Commission may, if it deems it necessary to preserve substantial public interests, prohibit a foreign shareholder from being our largest shareholder. In addition, the Foreign Investment Promotion Act prohibits any foreign shareholder from being our largest shareholder if such shareholder owns 5.0% or more of our shares with voting rights. 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 Korea Communications Commission 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 "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 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.

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

Item 4.A. *History and Development of the Company*

In 1981, the Government established us under the Korea Telecom Act to operate the telecommunications services business that it previously directly operated. Under the Korea Telecom Act and the Government-Invested Enterprises Management Basic Act, the Government had a greater control over our business and affairs. Effective October 1, 1997, the Korea Telecom Act was repealed and the Government-Invested Enterprises Management Basic Act became inapplicable to us. As a result, we became a corporation under the Commercial Code, and our corporate organization and shareholders’ rights were governed by the Privatization Law and the Commercial Code. Among other things, we began to exercise greater autonomy in setting our annual budget and making investments in the telecommunications industry, and our directors, who used to be appointed by the Government under the Korea Telecom Act, are now elected by our shareholders.

Until 1993, the Government owned all of the issued shares of our common stock. From 1993 through May 2002, the Government disposed of all of its equity interest in us. With the completion of disposition of the Government’s ownership interest in us in May 2002, the Privatization Law ceased to apply to us in August 2002. We amended our legal name from Korea Telecom Corp. to KT Corporation in March 2002.

Before December 1991, we were the sole provider of local, domestic long-distance and international long-distance telephone services in Korea. The Government began to introduce competition in the telecommunications services market in the early 1990’s. As a result, including ourselves, there are currently three local telephone