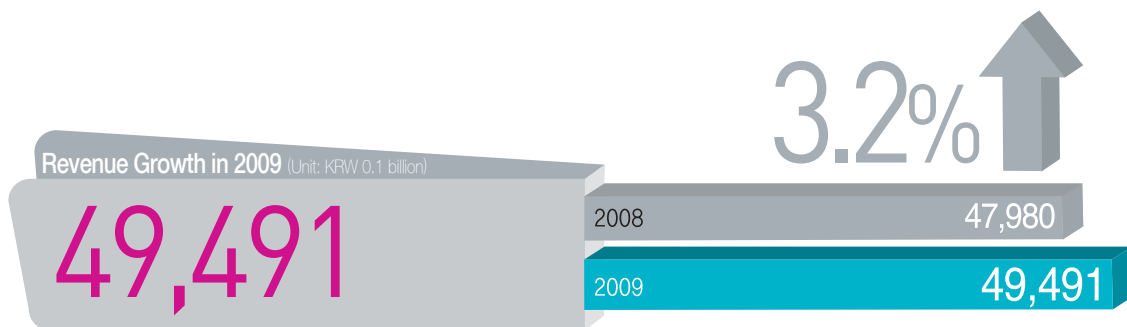


LG U+ Annual Report 2009

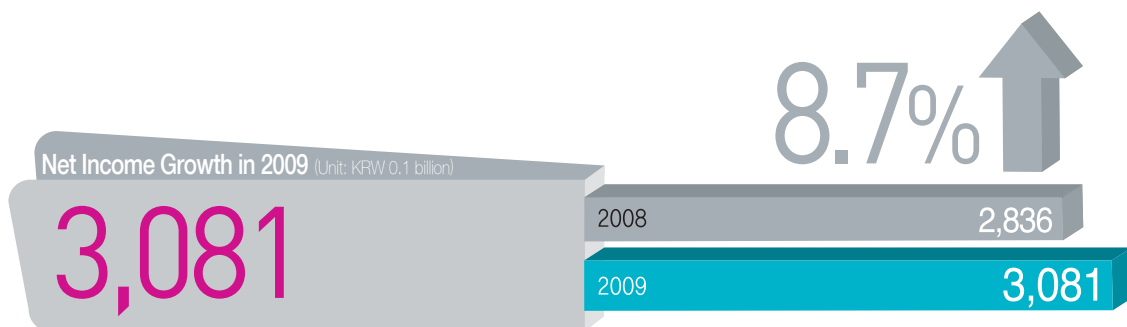
Beyond Telecom



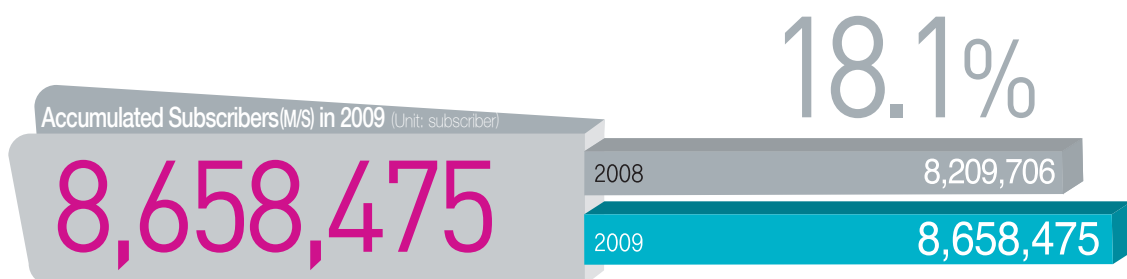
2009
Financial Highlights



Revenue increased 3.2% YoY to KRW 4949.1 billion in 2009.



Net income increased 8.7% YoY to KRW 308.1 billion in 2009.



In 2009, accumulated subscribers reached 8,658,475 subscribers which is 18.1% of marketshare.

2009 Financial Highlights

Operating Result Income Statement Summary

(Unit: KRW million)

	2009	2008	2007
Gross Revenue	4,949,120	4,797,951	4,585,520
Service Revenue	3,577,182	3,432,305	3,249,113
Sale of Goods	1,371,938	1,365,646	1,336,407
Operating Income	386,948	379,049	323,945
Income before Income Tax Expense	359,005	362,882	320,069
Net Income	308,125	283,559	275,289

Financial Position Financial Position Summary

(Unit: KRW million)

	2009	2008	2007
Total Assets	4,027,793	3,858,463	3,628,721
Total Liabilities	1,988,011	1,891,384	1,855,549
Total Shareholders' equity	2,039,782	1,967,079	1,773,171

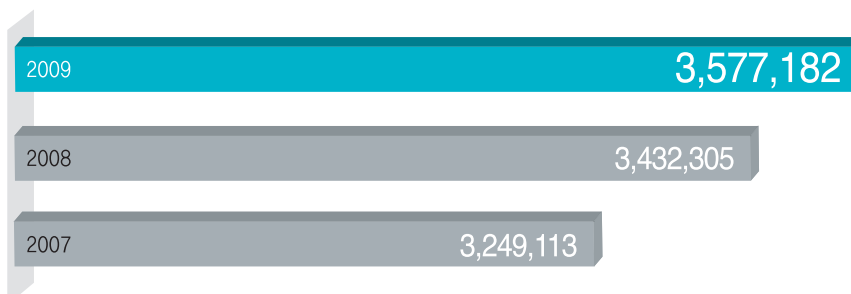
Major Financial Ratios

(Unit: %)

	2009	2008	2007
Current Ratio	95.7	70.6	97.7
Debt-to-Equity Ratio	97.5	96.2	104.6
Net Income to Shareholders' Equity	15.1	14.4	15.5
Return on Assets	7.6	7.3	7.6

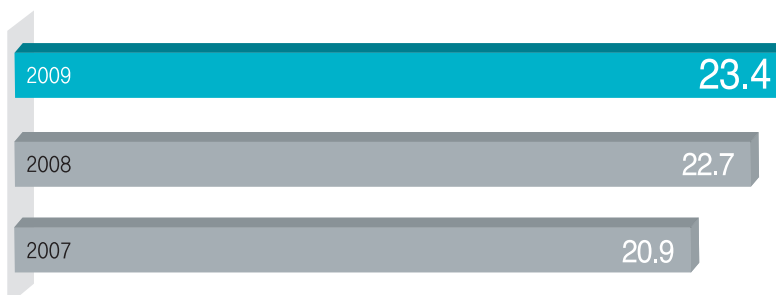
Service Revenue

(Unit: KRW million)



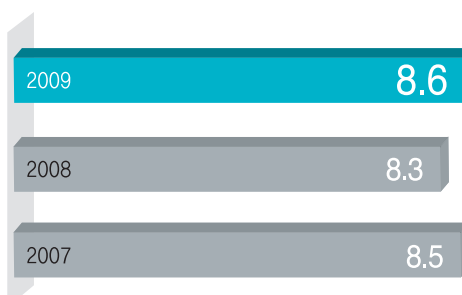
EBITDA Margin

(Unit: %)



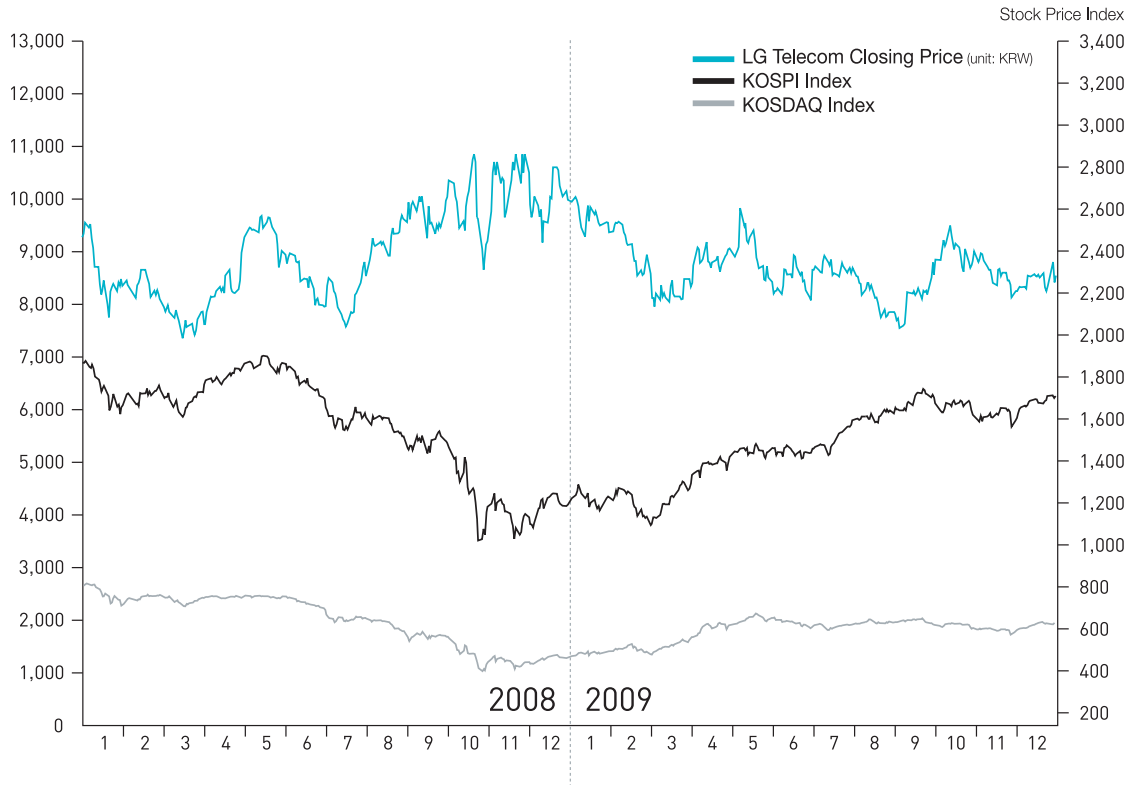
Net Income Margin

(Unit: %)



2009
Stock Information

Stock Price
Trend
(Unit: KRW)



Shareholder
Composition

	2009	2008	2007
Number of Shareholders (Shareholder)	29,614	26,183	35,895
Percentage of Ownership held by Foreign Entites	38.2%	42.9%	37.2%
Total Number of Shares Outstanding (share)	277,278,430	277,278,430	277,278,430

List of Shareholders	Number of Shares Owned (share)	Percentage of Total Shares
LG Corp.	103,614,396	37.4%
Treasury Shares	20,227,229	7.3%
Tae Kwang Industrial Co., Ltd.	8,776,021	3.2%
Robeco Capital Growth Funds	5,743,300	2.0%
Small Cap World Fund Inc.	3,770,000	1.4%
Saudi Arabian Monetary Agency	2,823,530	1.0%
Others	132,323,954	47.7%
Total	277,278,430	100%

277,278,430

Total Number of Shares Outstanding (Unit:share)

The Merger

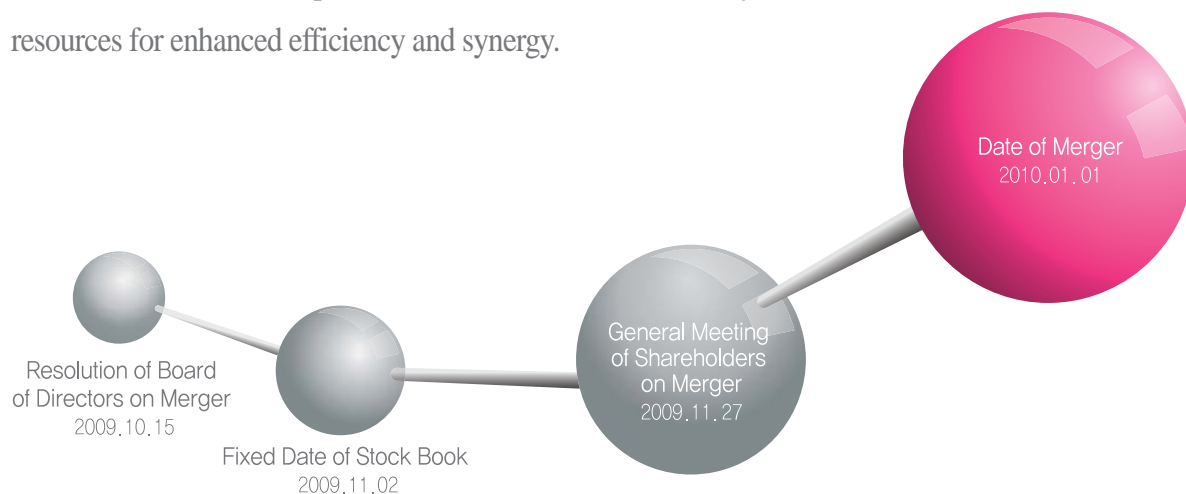
Formed by the integration of LG Telecom, LG Dacom, and LG Powercom,

LG U⁺ is
taking a new leap forward.

In 2009, with the development of technology and diversification of customer needs, the environment of the telecommunications market went through drastic changes that included the union of wired and wireless telecommunications and the convergence of telecommunications and broadcasting.

Therefore, in order to confront the rapidly changing telecommunications market as well as maximize the synergy of the three telecommunications companies of LG, LG U⁺ was founded in January 1, 2010.

Through the recent integration, LG U⁺ will ensure economies of scale, synergistic creations, and convergence capabilities and secure the foundation for future growth by providing converged wired/wireless service. Also, through the union of human and technology infrastructure, LG U⁺ is going to utilize the strengths of the previous three telecommunications companies, reduce costs, and effectively distribute resources for enhanced efficiency and synergy.

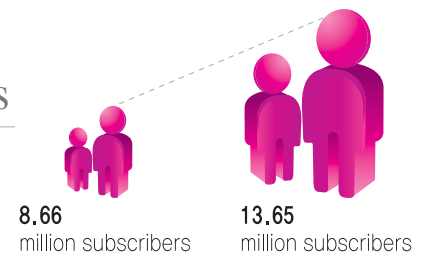


Through the integration, LG U⁺

has achieved an economy of scale, synergistic creations, and convergence capabilities. (Based on the simple sum of three telecommunications companies in 2009)

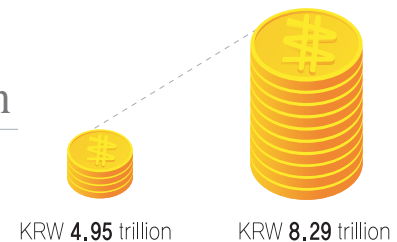
Subscriber 13.65 million subscribers

- Wireless 8.66 million
- VoIP 2.13 million
- High-Speed Internet 2.52 million
- IPTV 0.34 million



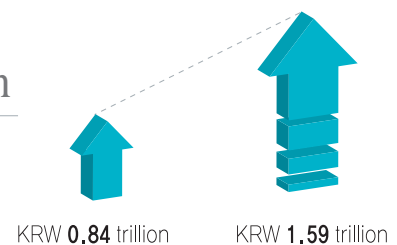
Revenue KRW 8.29 trillion

- Wireless KRW 4.95 trillion
- Wired KRW 3.34 trillion



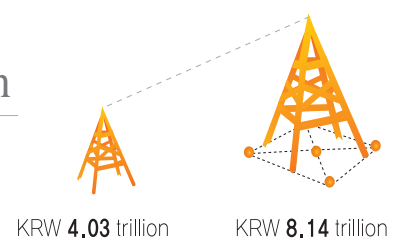
EBITDA KRW 1.59 trillion

- Wireless KRW 0.84 trillion
- Wired KRW 0.75 trillion



Total Assets KRW 8.14 trillion

- Wireless KRW 4.03 trillion
- Wired 4.11 trillion



The Merger

LG U⁺

has achieved an economy of scale with KRW 8 trillion worth of total assets and sales, KRW 4 trillion of aggregate value of listed stock, and 13.65 million subscribers.

To maximize operating efficiency in the future, LG U⁺ will enhance the profitability of the existing business areas and at the same time secure the new growth engine with 'Beyond Telecom' strategies which are based on new customer value.

Shareholder Status after Merger

514,793,835

(Unit:share)

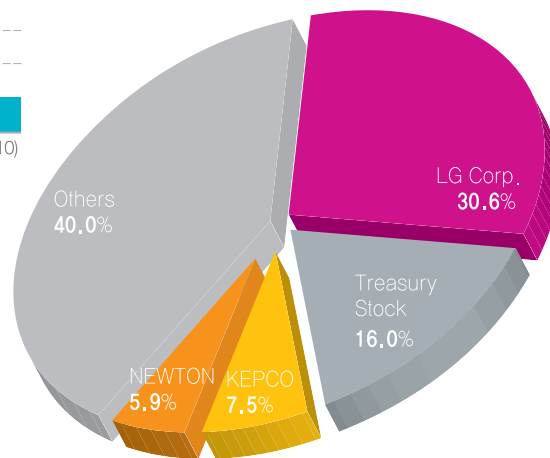
LG Telecom	277,278,430
LG Dacom	178,961,578
LG Powercom	58,539,979
Fraction Stock	13,848
Total Number of Shares Outstanding	514,793,835

(As of January 15, 2010)

Merger Share Swap Ratio

- LG Telecom : LG Dacom = 1 : 2.1488702

- LG Telecom : LG Powercom = 1 : 0.7421356

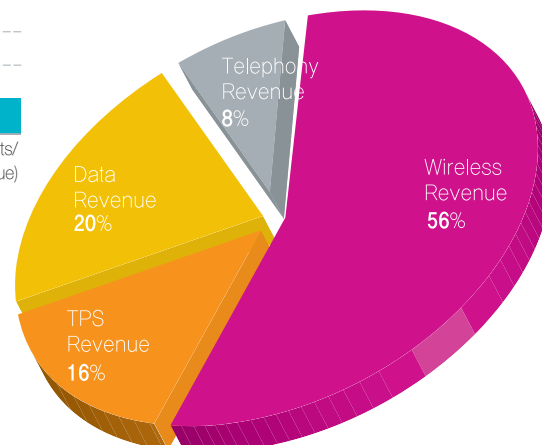


Service Revenue Status of 1Q 2010

(Unit: KRW billion)

Wireless Revenue	866.5
TPS Revenue	249.9
Data Revenue	303.1
Telephony Revenue	122.5
Total	1,542.0

(Based on Separate Financial Statements/
Excluding Handset Revenue and Other Revenue)



Competencies of LG U+

Core Competencies

LG TELECOM

- Competency in Retail Distribution Channel
- Competency in Wireless Internet OZ Service & Fee



LG DACOM

- #1 in VoIP Market Share
- Competency in Corporation Market Service



LG POWERCOM

- Nationwide Optical Communication Network
- Competency in All IP based TPS Service
- #1 in Fastest Speed Category for two consecutive years among Highspeed Internet Providers (Selected by Korea Communications Commission)

Initial Statement of Financial Position

(Unit: KRW billion)

Current Assets	1,813.1
Cash and Cash Equivalents	270.5
Loans and Receivable	1,305.9
Inventories	168.4
Other Current Assets	68.4
Non-Current Assets	6,357.3
Financial Assets Available for Sale: Non-Current	51.0
Tangible Assets	4,782.2
Intangible Assets	748.1
Long-Term Loans and Long-Term Bond Receivable	345.8
Investment Properties	46.9
Other Non-Current Assets	383.3
Total Assets	8,170.4
Current Liabilities	2,675.7
Account Payable and Other Debt	2,345.3
Other Current Liabilities	310.5
Risk Aversion Derivatives Liabilities	19.8
Non-Current Liabilities	1,523.7
Account Payable and Other Debt: Non-Current	1,439.3
Other Non-Current Liabilities	83.8
Others	0.7
Total Liabilities	4,199.4
Shareholders' Equity	3,969.5
Capital	2,574.0
Capital Surplus	840.5
Retained Earnings	1,263.7
Other Accumulated Comprehensive Income	(4.9)
Other Capital Items	(703.8)
Non-Controlling Shareholders' Equity	1.5
Total Shareholders' Equity	3,971.0
Total Liabilities and Shareholders' Equity	8,170.4

(As of January 1, 2010)

–Telecom

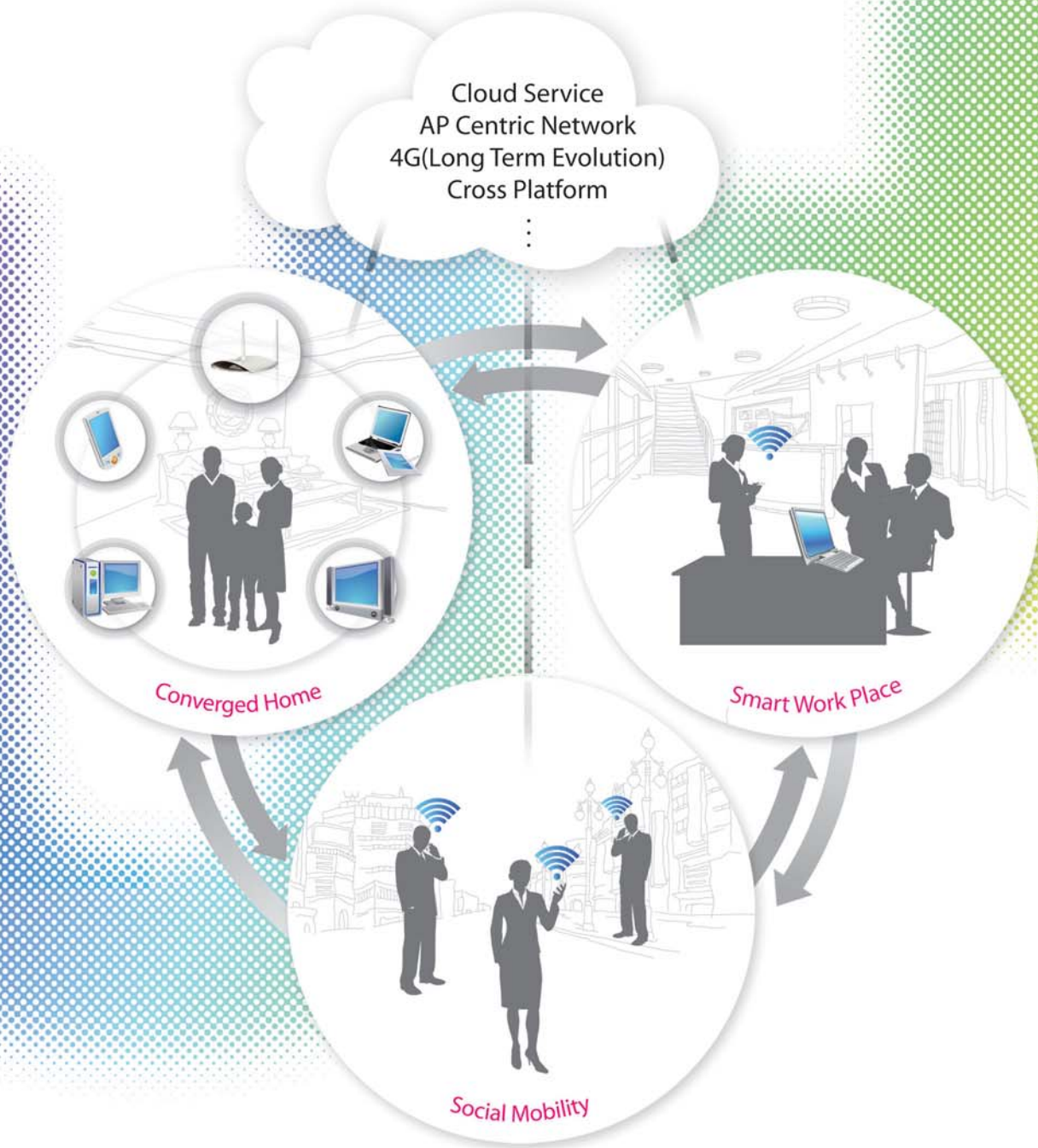
‘Beyond Telecom’, challenge and overcome the limitations of Telecom as well as passing over the past of Telecom.

+You

Brand new start for your infinite convenience, in the name of ‘LG U⁺’.



LG U+'s Vision is
to provide seamless service flow
connected in any place on any device



Greetings from CEO



Vision of LG U+

your
**Personal
Value
Provider**

LG U⁺, which took its first steps on January 1, 2010, is taking a great leap forward by collecting all of its capabilities together. Particularly, by making 2010 as the first year of 'Beyond Telecom', LG U⁺ will take the lead in the telecommunications market to break the limits of conventional telecommunications and create new telecommunications genres.

Dear Shareholders!

I am Lee, Sang Cheol, CEO of LG U⁺

First of all, I extend my heartfelt gratitude to all of you for the foundation of LG U⁺. Your constant effort and continuous support made it possible for us to take this new leap forward.

Last year, LG U⁺ achieved KRW 8.29 trillion in sales, KRW 710.7 billion in operating profits, and KRW 455.3 billion in net income based on the merger of the three telecommunications companies. Moreover, it has expanded its foundation of subscribers amounting to 8.66 million in mobile telecommunications, 2.52 million in high-speed Internet, and 2.13 million in VoIP. This is significant considering the fierce competition and drastic changes in the telecommunications market.

All of these achievements were made possible by your unwavering support, so I extend my deep gratitude to all shareholders once more.

LG U⁺, which took its first steps on January 1, 2010, is taking a great leap forward by collecting all of its capabilities together. Particularly, by making 2010 as the first year of 'Beyond Telecom', LG U⁺ will take the lead in the telecommunications market to break the limits of conventional telecommunications and create new telecommunications genres. Also, as an acknowledged leader in the 'Beyond Telecom' market, we are striving to become a superior telecommunications company in terms of corporate value, even if it means our sales are less than our competitors. This concept of 'Beyond Telecom' could be a golden opportunity for LG U⁺, the 3rd largest telecommunications company in Korea, to take a new leap forward.

At the same time, LG U⁺ has a vision to become a PVP(Personal Value Provider) creating products genuinely needed by our customers by providing smart service. Our aim is to lead the changes in 'Beyond Telecom' by transforming ourselves into a personal value provider based on a customer-oriented mindset which could even penetrate into the subconscious thoughts of our customers.

In order to achieve our goals, we are planning to lay a steppingstone for a new start. We will vitalize the existing businesses and actively create new industries. In addition, considering the internal transactions of the three companies before the consolidation, we will positively achieve over KRW 8 trillion of sales in 2010, which is a year-on-year increase of 7%.

All 5,000 members of LG U⁺ will reestablish our determination to become a leader in the 'Beyond Telecom' business and go forward to achieve our vision by gathering our wisdom and passion. Therefore, we hope you will watch us take these new steps forward, encourage us and give us your advice.

We sincerely hope that your homes will be filled with peace and happiness.

Thank you.



CEO
LEE, SANG CHEOL

Board of Directors/
Corporate Governance

Number **1**
in the ‘Beyond Telecom’ era!
It is the **promise** of LG U⁺.

Based on the practices of the board of directors, realization of quality and ethical management, and the pride of being an honorary corporation in terms of corporate governance, LG U⁺ is opening a new horizon of corporate culture in Korea.



Chairman of the Board

LEE, SANG CHEOL

Chairman of the Board

· LG U⁺ / CEO



Director

SUNG, KI SUP

Director

· LG U⁺ / CFO



Director

CHO, JUN HO

Director

· LG Corp. / CEO

Corporate Governance/Board of Directors/IR Award List

Best Corporate Governance Award (supervised by The Korea Corporate Governance Service) 2003--2006

Honorary Corporation Award for Corporate Governance (supervised by The Korea Corporate Governance Service) 2007

Outstanding Corporation Award in Board of Directors category (supervised by The Korea Corporate Governance Service) 2007

Hankyung IR Grand Prize (supervised by The Korea Economic Daily) 2007

Kudos IR Research Institute CSRI Outstanding Corporation 2009



Director

JEON, SUNG BIN

Independent Director &
Chairman of the Audit Committee

- Professor of Sogang Business School, Sogang University
- Financial Supervisory Service, a Member of IFRS International Advisory Committee



Director

KIM, SE HYOUNG

Independent Director &
Commissioner of the Audit Committee

- Head of Editorial, Maeil Business Newspaper / Director
- Director of Korea Newspaper and Broadcasting Editors' Association



Director

SHIN, HYEON JAE

Independent Director

Former Independent Director of LG Powercom



Director

LEE, KWANG BOK

Independent Director &
Commissioner of the Audit Committee

- Professor of Department of Electrical Engineering, Seoul National University
- Executive Director of Korea Information and Communications Society

Revving up the Board of Directors and Monitoring Corporate Performance

The board of directors of LG U⁺ is striving to realize shareholder values from the shareholder's point of view. LG U⁺ has a precise decision making process realized through the systematic training of its directors. From the initial stage of business planning through regular reports, evaluation of performance, review, to strategy summits where both directors and the management participate, LG U⁺ actively gathers directors' opinions.

Enhancing Management Transparency

LG U⁺ is vigorously conducting audit activities to realize quality management. Additionally, LG U⁺'s quality management team and external auditors are thoroughly performing operational auditing and financial auditing according to its annual auditing plan.

Based on an ethical management philosophy, LG U⁺ is emphasizing the importance of management transparency by operating a quality management committee, an executive office for ethical management, and an internal/external information receiving system.

Internal Control and Risk Management

In order to efficiently control various risks regarding errors in and corruption of accounting information and business, LG U⁺ has adopted and applied a self-diagnosis validation system to establish and operate an efficient internal control system(internal accounting management system). Through the system, LG U⁺ is promoting the credibility of inside/outside official notices and fulfilling a variety of obligations as prescribed by the statutes on capital markets and financial investment.

Continuous Improvement on IR activities and Corporate Governance

LG U⁺ is providing timely and accurate information on the company's business performance and telecommunications strategies to not only domestic investors but also overseas investment groups and analysts. Moreover, it is providing customized information according to the inclination of each investor, conducting vigorous IR activities, and making continuous efforts to improve corporate governance.

You may not touch it but
you may feel it.

You may not see it but
you may enjoy it.

LG U⁺ is creating new value for our customers by
providing various services like Convergence Service, etc.

LG U⁺ is always imagining new and
innovative services to give value
to our customers.



LG U⁺ is
always making changes.



Your Personal
Value Provider

The beginning of all things new in the world,

Your Value Creator,

LGU+

The Innovation
OZ service

Going Beyond Technology
to Change Your Life!

OZ service

Launched on April 3, 2008,
the number of subscribers of OZ Service
as of March 31, 2010 reached 1.15 million,
leading the way of popularizing the Mobile Internet.



Full Browsing
Service
2008. 4

Location-Based
Service for Me
2009. 3

OZ Widget
2009. 4

Going ahead
once more

OZ 2.0
2010. 3

OZ continues
to evolve!

mVoIP
mIPTV

OZ's entering the 3G market stage,

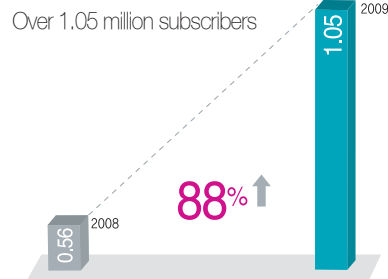
which is represented by video calling, garnered the attention of customers and the industries on 'Mobile Internet World' and it has emerged as a leading data service brand in Korea. OZ's unprecedented pricing plan of having 1GB of Internet use for just KRW 6,000 a month and its introduction of 'full browsing' service, enabling PC-like web surfing, have helped break the stereotype that 'Mobile Internet is expensive, is difficult to use and has fewer contents'.

1GB(1,024MB) of contents provided by OZ amount to 70~140 pages of web surfing per day and the capacity of WAP is practically limitless. If a user uses web surfing and WAP(OZ light, EZ-I) at a ratio of 9 to 1, it amounts to a whopping KRW 1 million, converted into a meter-rate system. In addition, OZ has changed from a closed structure to an open structure, enabling users to see a PC-like screen by simply entering a URL on the search engine. OZ's efforts have greatly contributed to the development of contents as well as the establishment of a sound competition environment of the industry.

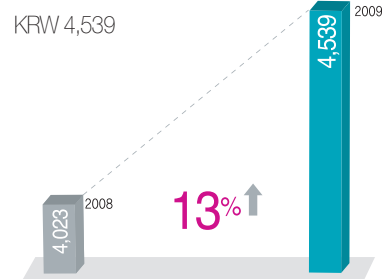
Accomplishments of OZ

The number of OZ subscribers exceeded 1.05 million as of December 31, 2009, a year-on-year increase of 88% and Data ARPU increased year-on-year by 13% or KRW 4,539.

OZ Subscribers (Unit: Million)



Data ARPU (Unit: KRW)



OZ Evolution

LG U+ is developing and commercializing diverse contents with priority given to the most indispensable services to our customers.

Top 10 Services in terms of PC Internet Usage

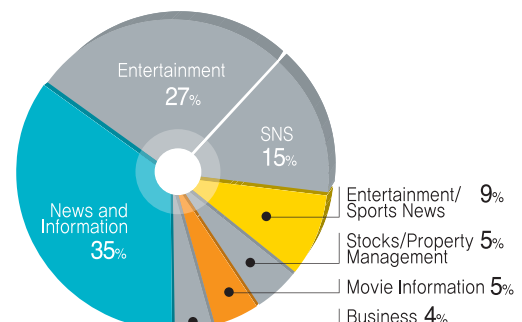
(as of December 31, 2009)

The ratio of users who use the Internet more than once a month (unit:%)



Top 10 Services in terms of PC Internet Usage

Comscore (Number of Respondents: 63,200 people)



The Innovation
OZ 2.0

Making Changes beyond Your Imagination

OZ 2.0

OZ-only phone optimized for OZ 2.0
MAXX (LG-LU9400)

- Fine Clicking of Finger Mouse
- Korea's first installation of the world's fastest 1Ghz CPU (Snapdragon)
PC Naver in 10 minutes! (2~6 times faster than Smartphone)
- WiFi mounted
Fast Access, Free of Charge
- The Narrowest Width among 3.5"LCD phones
- Built-in DivX, DRM-Free



21 OZ Apps reflecting customer needs

By thoroughly analyzing the Internet and mobile usage behaviors of Korean people in the past year, LG U+ has introduced the OZ-only application named 'OZ App' enabling users to use key services of the three largest portals in Korea (Naver, Daum, and Cyworld) through their mobile phones.

OZ App provides differentiated services that users may not find in the existing smartphone-only Apps. 'Daum Movie Ticket Reservation' is Korea's first App for reserving movie tickets and selecting seats. Its users do not have to enter their information every single time so long as they store their favorite movie theaters and payment information. By using 'Naver Blog', users may post their location upon attached maps. 'OZ Mnet Music' makes it possible to listen to real-time streaming music, and choose both ring tones and call connection sounds. By using the supplementary functions of OZ Apps, our customers may send their blog postings to friends via text message, email, or metoday and upload mobile phone pictures on mini-homepages or photo albums in real time.

News/Information



Entertainment



SNS/Café



Hobby and Leisure



Establishing integrated App Store, OZ Store

Interlocking with outside open stores, LG U+ is scheduled to introduce 'OZ Store' in the third quarter of 2010. OZ Store will integrate the passage of application download and interlock with outside open stores such as the Android Market and Windows Market. It will also have an environment for downloading differentiated contents services provided by LG U+.

With OZ App, users may freely download from feature phones

Without making a distinction between Smart Phone and feature phone, OZ Apps will be provided through many cell phones, including Smart Phones, which will be released in the future.

Such applications may be easily downloaded from 'OZ App Download'.

Affordable OZ App-only Price Plan OZ Indefinite Freedom Plus

LG U+ has introduced a new pricing plan called 'OZ Indefinite Freedom Plus' for customers to freely use OZ App without worrying about the fees. At only KRW 10,000 a month, customers may use 1GB of data, KRW 300,000 worth of popular contents from 'OZ Essence Flat Rate Zone', and OZ App's supplementary functions such as sharing, storing, finding friends, and informing.

The Innovation
XPEED

The Speed of Change is
Different.

XPEED

- September 2005: Started high-speed internet business
- October 2006: Reached 1 million high-speed Internet subscribers within the shortest amount of time
- August 2008: Reached 2 million high-speed Internet subscribers
- April 2009: Launched 100Mbps high-speed Internet 'XPEED100' for residential areas
- July 2009: Launched 'Premian', high-quality Internet for women



Korea's High-Speed Internet, XPEED!

LG U+ High-Speed Internet Service, XPEED, has maintained the dominant position in the market in terms of annual net addition of subscribers since its market entry in September 2005. In October 2006, only one year after its introduction, the number of subscribers of XPEED reached 1 million. Also, in August 2008, the number of subscribers exceeded 2 million and as of December 31, 2009, XPEED secured 2.51 million subscribers.

(December 2009: 2,509,818 subscribers/If the 11,907 subscribers of Borahome Net were included, the number would be 2,521,725.) Moreover, within three years of its release, XPEED's market share, based on subscribers, accounted for 15.4% as of December 31, 2009.

Excellent Speed of XPEED!

Ahead of its competitors, LG U+ upgraded the minimum guaranteed speed of 100Mbps Optic Lan products to 30Mbps in the beginning of 2007. Starting from 2009, LG U+ upgraded the minimum guaranteed speed of 100Mbps XPEED Optic Lan and 10Mbps XPEED Prime to 50Mbps and 5Mbps, respectively. By upgrading the speed every year, LG U+ is securing its dominant position in the high-speed internet market in terms of speed quality.

In addition, for two consecutive years, LG U+ has won the number one position in technology evaluation (speed) area of high-speed Internet quality evaluation, which is annually announced by Korea Communications Commissions. In other words, XPEED has become synonymous with 'Fast Internet Service'. LG U+'s continuous efforts to improve its quality by recognizing customers' needs in advance and solving them ahead of competitors would let the existing customers and customers of competitors know how great its service really is.

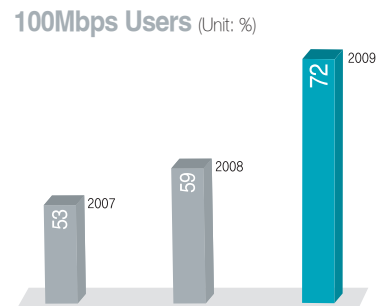
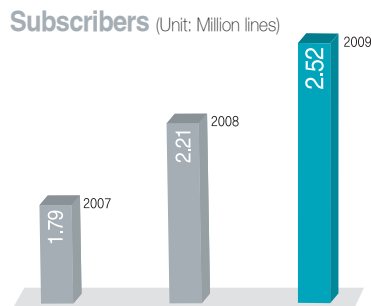
XPEED Reduces Household Telecommunications Expense

Along with its high-quality Internet service, XPEED's pricing plan is also very affordable.

The pricing plan for 100Mbps XPEED Optic Lan (3-year contract) is the lowest among identical services provided by competitors and customers may get an additional KRW 7,000/month discount upon subscribing to X-Lite, a discount pricing plan that customers may subscribe to through the customer center(1644-7000) or web site.

Moreover, if customers subscribe to XPEED combined with VoIP myLG070, IPTV myLGtv, and a mobile phone of LG U+, they may get a discount up to 50% thereby reducing their telecommunications expenses.

Major Accomplishments of XPEED



The Innovation
myLG070

Heartwarming Changes by Communicating with the World

myLG070

SIP Extensible Wireless IP Phone enabling various additional services
WPU-7700

- Convenient User Interface
- Providing information service for living such as news, stocks, and shopping through Wireless Internet
- Call Forwarding function enabling telephone conversations during an outing
- SMS with easy and fast transmission/reception
- Color LCD
- TV operation control through remote control function



No.1 Internet Phone Brand, myLG070

myLG070, which was launched at the end of June, 2007, is the number one VoIP brand in Korea. The convenience and stable voice quality of the Wifi phone, a wireless VoIP phone based on high-speed Internet, along with inexpensive fee, a strong point of VoIP using VoIP modem, made it possible for myLG070 to become the best. By providing various supplementary services, similar to that of mobile phones, at an affordable price, it is differentiating itself from the existing home phones which only focused on voice phone calls. myLG070 will continue to grow as a solid leader in the rapidly growing VoIP market.

Exceptional Price Plan

The biggest strength of myLG070 is its affordable price plan. Phone calls between 070 numbers are free and outgoing calls to 070 numbers made from LG U+ phones, which are installed in 95% of military camps nationwide and 80% of elementary schools, are also free. Moreover, the charge for making calls is KRW 38 per 3 minutes regardless of local or long-distance calls so it is up to 85% lower than the previous home phones. Charges for international calls, at KRW 50 per 1 minute, are also inexpensive so that myLG070 is very popular among families who make a lot of international phone calls to their family members studying abroad.

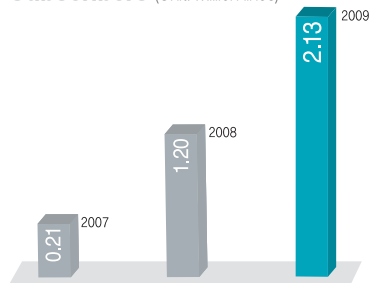
Differentiated Supplementary Services through the Internet

Cooperated with Kookmin Bank, myLG070 is providing 'KB WISE Phone Banking' service. Adding a data service into the previous voice-only phone banking system, it is Korea's first service that provides both voice and text guidance. Additionally, with its simple operation, customers may access to 'i-hub', a wireless contents service, for free to search diverse living information about weather, news, and stocks. Its supplementary services include a TV remote control function, phone book (500 numbers), SMS (Short Message Service), CID (calling identity delivery service), phone calling connection sound, switching incoming calls, etc.

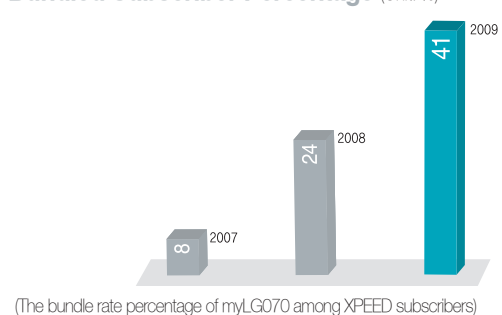
Along with the differentiated supplementary services of an VoIP phone, myLG070 is faithfully fulfilling its duty as a pioneer of the VoIP business by holding promotional activities like Experience Zone and UCC Contest to encourage customers' participation.

Major Accomplishments of myLG070

Subscribers (Unit: Million lines)



Bundled Subscriber Percentage (Unit: %)



The Innovation
myLGtv

Pleasant Changes in Life myLGtv

- Real-Time High-Definition Digital Broadcasting
- Watching Video on Demand (VOD)
- Extraordinary and Convenient Supplementary Service
- Diverse Duplex Service



Providing Customer Value is myLGtv's First Priority

myLGtv is a new-concept TV service that provides real-time broadcasting, VOD, and various duplex services for customers of XPEED, which is a high-speed Internet service of LG U⁺. It enables customers to watch diverse channels with high-definition quality including domestic terrestrial broadcasting, movies, news, leisure, and education programs. Also, customers may watch their favorites such as movies, TV programs, and documentaries on demand (VOD service) and myLGtv provides differentiated customer values through viewer convenience, stable network, HD channels, and diverse duplex services.

Converging with LG Electronics, myLGtv has placed 9 models of 'myLGtv Integral X-Canvas' on the market to enable its customers to use myLGtv services more conveniently. By using 'myLGtv Integral X-Canvas', customers may watch television without a separate set-top box.

Evolving into Duplex Convergence Service

Duplex home channel service provided by myLGtv is used by individuals and public institutions as a means of business solution and public information. Its programs, including 'Make a Happy World' by National Police Agency, 'Choi, Hyeyeong's Golf Lesson' by LPGA teaching pro Choi, Hyeyeong, and 'Dihemian Music TV' for learning high-standard music at home, have received very positive reviews from its viewers. LG U⁺ is now providing channels related to performance, travel, and music and planning to constantly update with a variety of content like sports and cooking. Also, myLGtv is helping to reduce private education expenses and promote national health by successfully operating IPTV study room and IPTV's pilot project on health care/medical related to public health. Through its T Commerce service, including enjoyable games for families and purchasing goods and making payment at home, myLGtv is planning to get closer to its customers.

Advanced functions only from myLGtv

Micro Speed | 0.8 Micro Speed to practice foreign language pronunciation

Reservation | All Favorites at Once

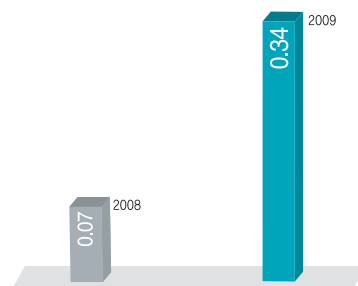
Viewing Restriction | No more worries about TV addicted children

myPC | No need for Divx with its myPC function

Language Selection | Studying foreign languages with interesting movies and cartoons

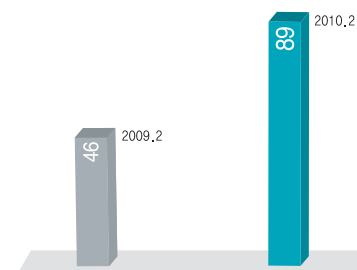
Major Accomplishments of myLGtv

Subscribers (Unit: million lines)



Number of Real-Time Channels

(Unit: Number of channels, Home channels are included)



Limit is a line set by oneself.

It is an illusion which does not exist
and cannot be seen.

Innovation can be achieved only
after you cross that line.



LG U⁺ is
breaking the **limit** of telecom.



Breaking
the Limit!

A New Leader beyond the age of telecom-

Unlimited Innovator,

LG U+

Beyond
Telecom

Telecommunications World of the Future Imagined by Customers
LG U+ is preparing for a future Beyond Telecom.



Imagine No.1

Being No.1 does not change the world.
The person who changes the world becomes No.1.

in the Beyond Telecom

We know so well that to become No.1, winning in the competition is not enough. Being the true **No.1** that we dream of means being able to read customers' mind even ahead of them, preparing services required by customers ahead of others, and going beyond satisfaction to touch customers' heart no matter how little its gift is.

To become true No. 1, LG U⁺ will break the limits of the existing telecommunications market by connecting our strongest business areas with other industries whose businesses are based on those areas. We will be the leader of the new telecommunications world, actualizing what we have imagined.

New services that break the limits to become the center of all changes,

LG U⁺ will always be there.

YOU⁺

Love cherished by one person
is small love.

However, love shared by all
is big love.

The more you share, the bigger it gets.
That is true love



That's why **LG U⁺**
practices **sharing.**

Sharing is Love.

True love practiced by sharing-

Sharing Love

LGU+

Contribution to Society/
Corporate Culture/
Customer Satisfaction Activities



LG U+

We are practicing love
by heartfelt sharing.

Contribution to Society



Employees' Voluntary Sharing of Love

Employees of LG U+ continue to participate in volunteer activities to share love. Founded on May 2008, around 200 'Sharing Love Volunteers' have visited institutions for the disabled, community welfare centers for children and volunteered for

'Sharing Love Blood Donation'. Also, volunteer activities such as transporting coal briquettes and building houses of love were added to the new employee training programs starting from 2009. Through these programs, LG U+ is striving to promote the overall interest of corporate responsibility and obligation to society and encourage its employees to participate. Starting from 2010, the newly established 'Blue Dream Board', a volunteering group of LG U+, will share bigger love.

Practicing 'Love Blossoming Children's Hope'

LG U+ is operating many projects to support underprivileged children and teenagers to help them be hopeful about their future. With Children Foundation, LG U+ distributed 10kg of rice each to 1,000 poorly-fed children in May 2008 and provided 1-year worth of lunch money to 250 elementary, junior high, and high school students from 10 schools in July 2008.

At the same time, its 'Pleasant Phone Call' program has been carried out since 2004 to support the medical costs of children with leukemia and childhood cancer. For this program, LG U+ has donated the total calling fees used by famous celebrities and public figures to KACLC (Korean Association for Children with Leukemia and Cancer). LG U+ will continue to carry out various campaigns to deliver hope to children fighting against cancer.



Donation Culture to Share with Underprivileged Neighbors

In order to enhance social awareness of our underprivileged neighbors and support them, LG U+ donated KRW 1.1 billion at the end of 2008 to 'Loving Neighbor Donation of Social Welfare Joint Fund Raising' hosted by LG Corp.

In November 2009, to commemorate the World Braille Day, LG U+ donated 2,000 'book-reading cell phones' to people who were visually impaired so that they could listen to 2,300 digital books at LG Sangnam Library. It also holds cell phone demonstration event in cooperation with the Korea Communications Commission. In addition, LG U+ donated 10,000 sets of daily necessities to 20 institutions around the country including Mapo-gu Office, Flower Village, and Beautiful Store to help alienated neighbors.

Meanwhile, LG U+ has been participating in the 'Miracle of 100 won' project with Good Neighbors since February 2006. The project is about donating 100 won a month to help underprivileged children all around the world. Through a banner ad, LG U+ is encouraging its web site visitors to participate in the program.

Corporate Culture



Real ‘Communication Management’ from Company to Home

CEO of LG U+, Lee, Sang Cheol, has been practicing communication management since his appointment by visiting customer centers, offices, job sites, and homes of employees in Daejeon, Gwangju, and Busan areas. In order for each member of LG U+ to become part of ‘a nest of happy freeman

who works happily’, he emphasized the importance of a happy family life. Therefore, at the end of February 2009, he sent congratulatory letters and presents to 590 LG U+ employees’ children who entered elementary, junior high, and high school and he also sent letters and seaweed to mothers with new born children. Meanwhile, upon his visit to customer centers, he sat together with customer representatives to receive phone calls from customers and have conversations with them. In a LG U+ store in Gwangju, he listened to the opinions of customer representatives and sales people and encouraged them in their hard work.

Launching ‘Blue Board’ for Communication and Innovation

The establishment of ‘Blue Board’ by LG U+ is to maximize competency and synergy and to create good communication and innovation within the organization and market. The 100-member organization is composed of the ‘Blue Communication Board’ and ‘Blue Value Board’



and the goal of each board is to promote good communication among employees, and conduct innovative projects by discovering, gathering, and proposing new ideas. Also, to encourage employees’ voluntary participation with ‘Blue Board’ members as the central figures, LG U+ opened ‘Blue i’ on its intranet to register, perform, and evaluate innovative projects.

A Venue for Freedom and Creativity-Idea Olympiad

LG U+ has been holding an ‘Idea Olympiad’ to share diverse ideas of its employees. In the successful 2nd event, employees below manager level freely proposed their ideas on new services and the ways to improve the existing process from customer convenience point of view. By developing employees’ creativity and free-style research culture, ‘Idea Olympiad’ will be a venue for innovation for the future of LG U+.

‘Feel-Good Grand Prize’ Worth the Effort

To establish a culture of performance-based pay and realize a culture of open organization, LG U+ has been presenting a ‘Feel-Good Grand Prize’ every year to an organization which is superior in terms of achieving goals and establishing organizational culture. By rewarding employees for their hard work, ‘Feel-Good Prize’ is creating synergy effects including loyalty to the company, business capability improvement, and close cooperation among related departments.

Customer Satisfaction Activities

To become a customer-oriented service provider, LG U+ is conducting many innovative projects and constantly mitigating customers' inconveniences. Since 2005, it has been conducting innovative activities to solve customer dissatisfaction. LG U+ has revealed customers' complaints reported to customer centers for the betterment of the company. Such activities helped reduce the number of customer complaints from 508,000 cases in January 2005 to 4,400 cases as of December 31, 2009, which is a decrease of 92%. This year, the activities have expanded to online VOC monitoring, reviewing customer opinion before introducing products or services to the market, and operating various customer panel systems. In other words, LG U+ is doing its best to listen to both our customers and the market.

LG U+'s differentiated innovative services for customer value such as OZ and Angel Service have contributed to not only the telecommunications industry but also the development of the service industry in Korea. In particular, 'OZ Service' which pioneered differentiated mobile Internet market with 3G services, 'Web Surfing', 'Email', and 'Widget', is leading the popularization of wireless Internet by improving customer value.

In the case of Korea's first 'Angel Service', employees of LG U+ visit customers in person when their phones are missing or damaged. By actively solving customers' problems without shifting responsibility to manufacturers, it has received very positive customer satisfaction scores.

In 2009 alone, LG U+ has introduced a variety of life innovative services to constantly enhance customer value such as releasing 'world phone' with automatic roaming service in 210 countries, reorganizing web sites to improve customer convenience, renewing mobile customer centers and introducing affiliated products to make it possible for customers to enjoy various benefits depending on their life styles. Consequently, LG U+ has become one of the most popular telecommunications companies in Korea.

LG U+'s hard work to enhance customer value has resulted in winning the grand prize in telecommunications web site category of 'Web Award Korea 2009' and the quality management award in service category (presidential award) of 'the 34th National Quality Management Contest'. With such visible achievements, it has become a benchmarking model of other service companies.



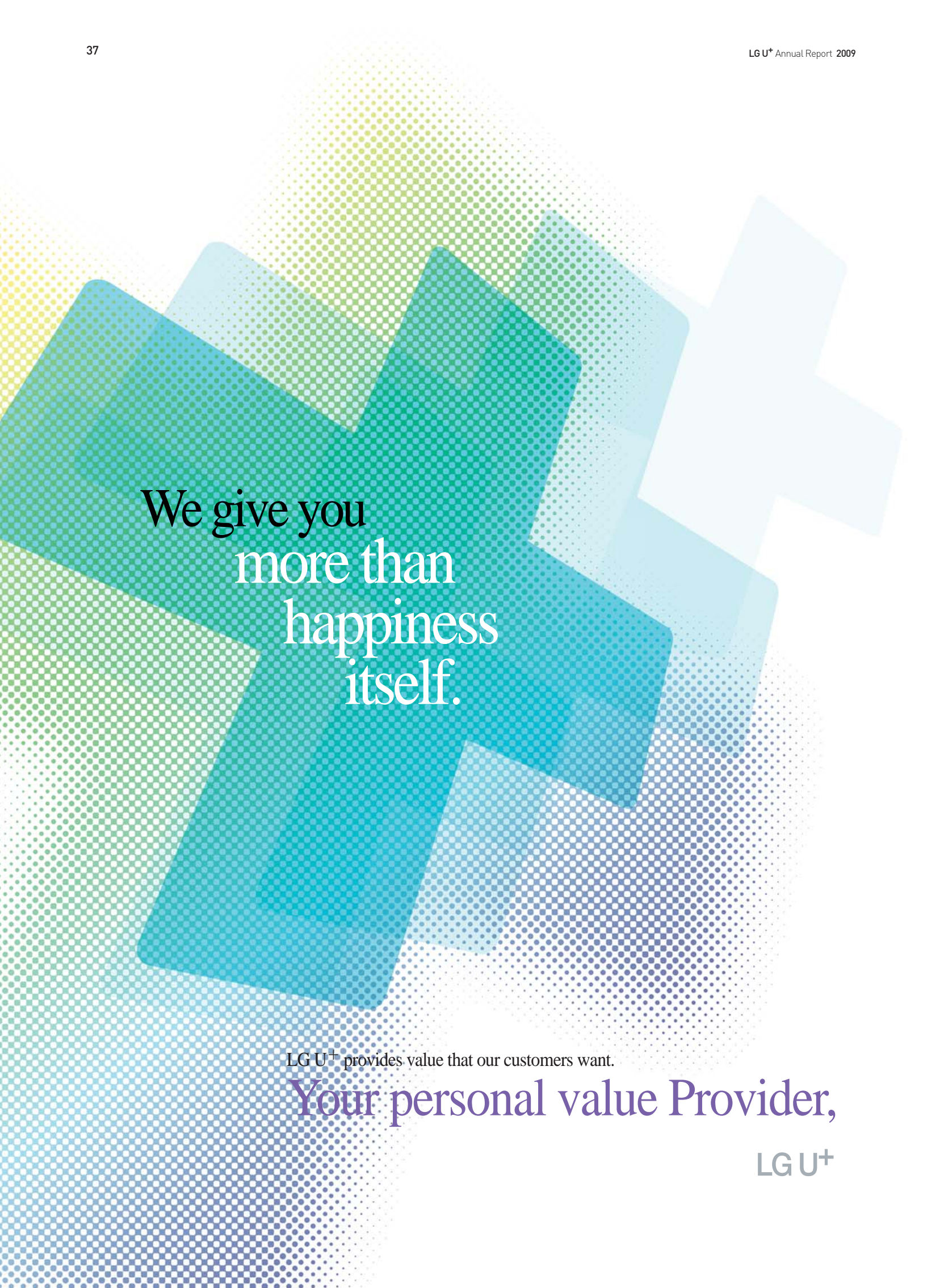
The size of happiness that you need for your lifetime...?
Does it have to be higher than the sky
and bigger than the ocean?

No.

If your happiness is a little bigger
than your expectation,
then that's enough.



We always **prepare**
for **happiness** bigger than your expectation.



We give you
more than
happiness
itself.

LG U⁺ provides value that our customers want.

Your personal value Provider,

LG U⁺

2009 History

Beginning of All Changes, from 2009

LG U+

2010. 1

Establishment of LG U+

LG U+ was established on January 1, 2010 as the result from the three way merger of the LG telcos. From the board of directors meeting, vice chairman Lee, Sang-cheol was appointed as the first Chief Executive Officer of the newly established company. Based on its vision of 'Your Personal Value Provider', LG U+ will strive to become a company providing customized value to its customers.



2009. 01

Winter Internship Program



LG U+ conducted a 7-week winter internship program starting from January 12.

Through an application review process and interview, 49 interns were finally chosen among 6,385

applicants. On January 12 and 13, the interns who came through a competition of 127 to 1 participated in a two-day introductory course to learn about LG U+ and design their vision.

2009. 02

Launching OZ Power Pack

In February 2009, LG U+ launched the combined data product, 'OZ Power Pack'. At a flat rate of KRW 8,500 a month, customers may use 'Big 3 Pack 100', combining mobile Internet OZ with text messaging service(100 times a month), manner call(absent subscriber message service), and filling(call link sound). Additionally, subscribers may use one bell sound/filling contents a month.



2009. 03

Introducing 3 Types of Teen Ring Price Plan



LG U+ introduced three Teen Ring Price Plans including OZ Ring Smart, OZ Ring Friend SMS Free, Ring Friend SMS Free for teenager subscribers to provide affordable SMS and mobile Internet services.

2009. 04 **Creating 'Win-Win Cooperative Fund for Smaller Businesses'**

Partnered with the Industrial Bank of Korea, LG U+ created 'LG U+'s Win-Win Cooperative Fund for Smaller Businesses' worth KRW 50 billion. To create this fund, LG U+ donated KRW 10 billion of deposits with no interest and borrowed KRW 40 billion from Industrial Bank of Korea to support facility investment and operating funds of smaller businesses that are in partnership with LG U+.

2009. 05

Introducing 'TOP Price Plan'



Targeting frequent mobile phone users, LG U+ introduced 'TOP Price Plan' which offers KRW 250,000 worth of voice phone calls with a basic rate of KRW 99,000 a month.

KRW 250,000 worth of voice phone calls provided by 'TOP Price Plan' amount to 2,315 minutes if converted to the standard rate(KRW 18 per 10 seconds). Therefore, customers who should frequently use their mobile phones for work may significantly reduce telecommunications expenses with 'TOP Price Plan'.

2009. 06

Providing 'Google Map' Service

Through its 'Arena Phone(LG-LU9000)' and 2nd generation 'Haptic Phone(SPH-W8550)', LG U+ started to provide 'Google Map' service enabling customers to see the Google map service using their mobile phones. Map search service through the existing cell phones mainly used image map but through LG U+'s map service, users could enlarge or reduce the image map, a satellite map which vividly photographed the actual terrain of local and overseas regions, and even street views of 100 cities all around the world. This service will indeed meet the expectations of customers who are interested in searching web site maps.



2009. 07 OZ selected as the Best Customer Value Product

On July 7, 2009, LG U+ OZ was selected as the Best Customer Value Product in '2009 THE PROUD- Proud Products chosen by Customers and Experts' hosted by KMAC. OZ received very positive reviews from customers for its differentiated benefits and functions of mobile phone wireless Internet.

2009. 07 Releasing 'OZ & Joy', a product combined with Mobile Internet



LG U+ released 'OZ & Joy' which is a combination of OZ, its mobile Internet service', and benefits given to customers upon purchasing movie tickets, books from on-line book stores, and convenience store goods.

Combining OZ with useful goods such as movie tickets, on-line bookstore vouchers, and convenient store vouchers, 'OZ & Joy' is an economical service costing only KRW 10,000 a month.

2009. 08 Teen Ring Subscribers reaching 1 million

In August 2009, the number of Teen Ring subscribers exceeded 1 million. The pricing plan targeting teenagers became all the rage with its commercial called 'Teen Ring over Flowers', a parody of the popular TV show 'Boys over Flowers'. After the commercial, the number of new teenager subscribers increased by 50% compared to the pre-Teen Ring days. Most of all, the pricing plan, including 'OZ Ring Smart', received high praise because it provided an environment for teenagers to freely use wireless Internet.



2009. 09 Gasan Switching Center moved to Sangam building

The Relocation of the Gasan Switching Center to the Sangam building was completed in September 2009. Since the center is in charge of a great number of subscribers, it took about one year to finalize the relocation. Integrated management of equipment is expected to be more stable with the relocation.

2009. 10 Board of Directors of LG U+ passing a resolution for Consolidation

On October 15, 2009, the board of directors of LG U+ passed a resolution for the consolidation with LG Dacom and LG Powercom. It was to cope with the changes in the business environment, i.e. convergence between wired/wireless telecommunications and telecommunication / broadcasting, and to promote new business synergy.

2009. 10 Establishing Alliance with Daum Communications and NHN to develop new OZ services

On October 27, 2009, LG U+ established a strategic alliance with Daum Communications and NHN to develop new OZ services.



The alliance was to develop new services that could optimize popular contents from Naver and Daum, which are Internet portals, to enable users to conveniently use those contents through their mobile phones. OZ-only applications were made for subscribers to use popular services through the standby screen of their mobile phones. 13 services from Naver such as blog, café, me today, webtoon, wingbus, Seoul restaurant, and more along with 9 services from Daum such as tvpot, T story, map, price comparison, movie ticket reservation, and more were included.

2009. 11 LG U+ won Prime Minister Award from Korea Brand Awards

LG U+'s 3G mobile Internet service, OZ, won the Prime Minister Award from 'the 11th Korea Brand Awards' hosted by Ministry of Knowledge Economy on November 26, 2009. Breaking away from the closed structure of mobile Internet, in which users had to go through the portals of telecommunications companies. OZ adopted an open structure with an unprecedented price plan of only KRW 6,000 a month for using 1GB of data calls. As a result, it was recognized as a service that helped popularize mobile Internet. Winning the award is expected to strengthen the brand management of OZ to make it the number one brand in mobile Internet.

2009. 12 Korea Communications Commission's Approval of the Consolidation

On December 14, 2009, Korea Communications Commission approved the consolidation of three telecommunications companies of LG Corp.

2009. 12 Opening the best music portal in Korea with the integration of Mnet.com & Music ON



In December 17, 2009, LG U+ and Mnet Media, a music entertainment company, integrated their music web sites, 'MusicON' and 'Mnet.com', respectively to open a new music portal, 'Mnet.com'. Both companies have secured 500,000 paid members with the integrated music portal and 'Mnet.com' has established itself as one of the best music portal website in Korea in terms of music and service products and the amount of content.

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(Unit: KRW billion)

Statement of Financial Position Summary	2009	2008	Increase Rate
Total Liabilities	1,988.0	1,891.4	5.1%
Current Liabilities	1,369.2	1,676.7	-18.3%
Non-Current Liabilities	618.8	214.7	188.2%
Total Shareholders' Equity	2,039.8	1,967.1	3.7%
Debt to Equity Ratio	97.5%	96.2%	1.3%p
Net Debt to Equity Ratio	41.4%	35.7%	5.6%p

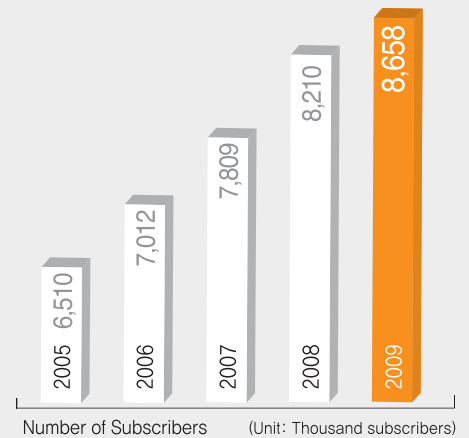
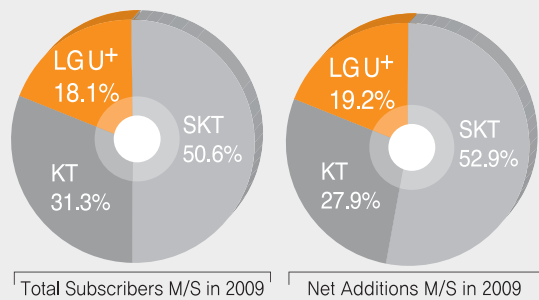
Service sales in 2009 recorded KRW 3.5772 trillion, a year-on-year increase of 4.2%, and operating profit grew by 2.1% year-on-year or KRW 386.9 billion. Also, net income and EBITDA increased by 8.7% and 7.3% year-on-year, or KRW 308.1 billion and KRW 830 billion, respectively.

As of December 31, 2009, LG U+'s debt to Equity ratio increased by 1.3% year-on-year. Such outcome was due to a buy-back caused by appraisal rights of dissenting shareholders in the process of LG U+'s merging with LG Dacom and LG Powercom

03. Operating Result

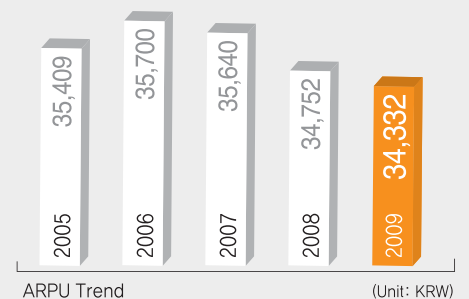
Subscriber

The total number of mobile telecommunications subscriber in Korea reached 47.85 million, a year-on-year increase of 2.24 million. By securing 450,000 net additions, the number of LG U+ subscribers reached 8.66 million. In the market of new and net additions, LG U+ attained 21.2% and 19.1% of market share, respectively and the market share for total subscribers grew from 18.00% at the beginning of the year to 18.07%, which was an increase of 0.07%p.



ARPU & MOU

Due to the increase of various rate discount programs and 7% a year-on-year decrease of incoming MOU, ARPU in 2009 dropped by 1.2% year-on-year or KRW 34,332. Yet, thanks to the growing number of OZ subscribers and data usage, data ARPU rose by 12.8% year-on-year and it is growing continuously.



MOU Trend

(Unit: Minute)

Section	2009	2008	2007	2006	2005
Outgoing MOU	203	200	188	188	169
Incoming MOU	127	137	136	133	129

04. Profit and Loss Analysis

Summary on Profit and Loss

Service sales in 2009 increased by 4.2% a year-on-year or KRW 3.5772 trillion thanks to the growing number of subscribers and high-value customers. Operating profit and net income also rose by 2.1% and 8.7% year-on-year or KRW 386.9 billion and KRW 308.1 billion, respectively.

Sales

Service sales in 2009 grew by 4.2% year-on-year or KRW 3.5772 trillion. Among service sales, basic fees and data service sales rose by 10.1% and 6.8% year-on-year, respectively thanks to the increase of subscribers and continuous expansion of outstanding customers. Meanwhile, supplementary service sales also rose by 10.1% year-on-year.

(Unit: KRW billion)

Section	2009	2008	Increase Rate
Increase Rate	4,949.1	4,798.0	3.2%
Service Revenue	3,577.2	3,432.3	4.2%
Subscription Fee or Membership Fee	82.6	76.6	7.9%
Basic Fee or Minimum Fee	1,791.6	1,626.7	10.1%
Outgoing Calls	970.4	996.4	-2.6%
Data Service	333.8	312.5	6.8%
Supplementary Service	73.8	67.0	10.1%
Connection Calls	669.9	640.4	4.6%
M to M	476.1	456.9	4.2%
L to M	193.8	183.5	5.6%
(Sales Discount)	(344.9)	(287.2)	20.1%
Mobile Phone Sales	1,371.9	1,365.6	0.5%

Operating Profit & Operating Cost

Operating costs excluding the cost of cell phones increased by 3.4% year-on-year or KRW 3.5633 trillion because of the growing cost of marketing due to the highly competitive market, recalculation of connection fees, and the increase of depreciation cost followed by the increase of EVDO Rev.A CAPEX. However, even with the fierce competition, LG U+'s operating profit grew by 2.1% or KRW 386.9 billion compared to 2008 thanks to its efficient cost enforcement.

(Unit: KRW billion)

Section	2009	2008	Increase Rate
Total Cost of Sales & Selling and General Administrative Expense	4,562.2	4,418.9	3.2%
Labor Costs (Note 1)	168.7	178.4	-5.4%
Sales Commission	1,361.0	1,243.9	9.4%
Advertisement and Sales Promotion	80.0	114.0	-29.8%
Depreciation Expense	439.7	398.7	10.3%
Rent Payment	166.0	190.1	-12.7%
Access Charge	535.1	538.3	-0.6%
M to M	443.4	424.2	4.5%
M to L	91.7	114.0	-19.6%
Leased-Line Charge	234.7	219.5	6.9%
Bad Debt Expense	35.8	46.0	-22.2%
Payment Commission	230.7	214.8	7.4%
Other	311.5	301.3	3.4%
Cost of Sales (Mobile Phones)	998.9	973.9	2.6%
Operating Expenses excluding Mobile Phone Cost	3,563.3	3,445.0	3.4%
Operating Profit	386.9	379.0	2.1%

(Note1) Labor Costs include other employee benefits and retiring allowance

LG Telecom
2009 Operating Result

2009 Operating Result Analysis (LG U⁺)

Non-Operating Revenue & Expense

Non-operating revenue and expense dropped by 23.2% and 10.9% or KRW 84.5 billion and KRW 112.5 billion, respectively. As a result, LG U⁺'s non-operating income recorded KRW (-)28 billion. This was due to the increase of interest-bearing liabilities, and the decrease of derivative profits and foreign currency translation loss.

(Unit: KRW billion)

Section	2009	2008	2007
Non-Operating Revenue	84.5	110.0	-23.2%
Non-Operating Expense	112.5	126.2	-10.9%
Income before Income Tax Expense	359.0	362.9	-1.1%
Income Tax Expense	50.9	79.3	-35.9%
Net Income	308.1	283.6	8.7%

05. Financial Structure

Assets

As of December 31, 2009, total assets recorded KRW 4.03 trillion, a year-on-year increase of 4.4%.

Current Assets

As of December 31, 2009, quick assets reached KRW 1.16 trillion, a year-on-year increase of 6.7%, with the increase of accounts receivable.

Inventories also increased by 53.1% or KRW 155.1 billion.

Non-Current Assets

As of December 31, 2009, non-current assets increased by 1.6% year-on-year or KRW 2.72 trillion due to the additional installation of network systems and other IT investments.

(Unit: KRW billion)

Section	2009	2008	2007
Current Assets	1,310.5	1,184.3	10.7%
Quick Assets	1,155.4	1,083.0	6.7%
Cash and Cash Equivalents (Note 1)	359.5	382.0	-5.9%
Account Receivable	795.9	701.0	13.5%
Inventories	155.1	101.3	53.1%
Non-Current Assets	2,717.3	2,674.2	1.6%
Investment Assets	29.9	31.5	-5.2%
Tangible Assets	2,227.5	2,185.7	1.9%
Intangible Assets	16.9	15.3	11.0%
Other Non-Current Assets	443.0	441.7	0.3%
Total Assets	4,027.8	3,858.5	4.4%

(Note1) Cash and cash equivalents include short-term financial instruments and available for sale

2009 Operating Result Analysis (LG U⁺)LG Telecom
2009 Operating Result**Liabilities**

As of December 31, 2009, total assets reached KRW 1.99 trillion, an increase of 5.1% from 2008's KRW 1.89 trillion. Among them, interest-bearing liabilities rose by 16.4% year-on-year or KRW 852.7 billion.

(Unit: KRW billion)

Section	2009	2008	Increase Rate
Short-Term Borrowing (Note 1)	186.0	195.6	-4.9%
Liquid Long-Term Liabilities (Note 2)	205.0	455.5	-55.0%
Bond (Note 2)	388.9	138.7	180.4%
Long-Term Borrowing	190.5	40.1	374.9%
Long-Term Non-Trade Payable (Financing Lease)	21.6	22.8	-4.9%
Total	992.1	852.7	16.4%
Short-Term Liabilities %	39.4%	76.4%	-36.9%p
Long-Term Liabilities %	60.6%	23.6%	36.9%p

(Note 1) Short-term borrowing does not include bank overdraft which is non-interest-bearing borrowing.

(Note 2) Hedging derivatives liabilities and assets have been setoff for current long-term liabilities and bonds.

Capital

As of December 31, 2009, accumulated earnings recorded KRW 822.6 billion reflecting cash dividends and profit reserve paid in 2009. Accordingly, total asset grew by 3.7% year-on-year or KRW 2.04 trillion.

(Unit: KRW billion)

Section	2009	2008	Increase Rate
Capital	1,386.4	1,386.4	0.0%
Additional Paid in Capital	11.6	11.6	0.0%
Accumulated Earnings	822.6	569.9	44.3%
Legal Reserve	13.9	8.3	66.7%
Undivided Profit	808.7	561.6	44.0%
Capital Adjustment	(176.9)	-	-
Other Comprehensive Accumulated Income	(3.8)	(0.8)	376.9%
Tota Shareholders' Equity	2,039.8	1,967.1	3.7%

06. CAPEX

Total capital expenditures (CAPEX) was KRW 495.9 billion in 2009 which is a decrease of 28.5% from 2008's KRW 694 billion.

(Unit: KRW billion)

Section	2009	4Q 2009	3Q 2009	2Q 2009	1Q 2009	2008
Network	405.4	179.2	94.9	104.7	26.6	539.6
Other (IT etc.)	90.4	34.5	22.1	23.6	10.2	154.5
Total	495.9	213.8	117.0	128.3	36.8	694.0
CAPEX/Sales ratio	13.9%	23.7%	12.7%	14.2%	4.3%	20.2%

Audit Report by Audit Commissioner

LG Telecom, Ltd.

As members of LG Telecom Audit Committee, we have audited the financial statements and operations of LG Telecom for the 14th business year from January 1, 2009 to December 31, 2009. The following is our report on the results of the audit.

1. Summary of Audit Methods

For the audit, we examined account books and related documents and thoroughly reviewed financial statements and specifications attached. When it was necessary, we applied appropriate auditing procedures including comparison, due diligence, observation, etc. To audit its operation, we attended the board of directors meeting as well as other significant meetings. When it was required, we were briefed on the operations of the company by directors and used appropriate methods including examining and reviewing important documents on its operation.

2. Balance Sheet & Income Statement

Balance sheets and income statements of LG Telecom accurately reflected its assets and income status in accordance with related laws and articles of association.

3. Surplus Appropriation Statement(proposal)

Surplus Appropriation Statement(proposal) conformed with related laws and articles of association and was prepared appropriately according to its asset status and other circumstances.

4. Business Report

LG Telecom's business report accurately reflected its status in accordance with related laws and articles of association.

5. Operation of Directors

Directors' operation was reasonable in general.

February 3, 2010

Jeon, Seongbin, Chairman of Audit Committee



Kim, Sehyeong, Member of Audit Committee



Lee, Gwangbok, Member of Audit Committee



Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of LG Telecom, Ltd.

We have audited the accompanying statements of financial position of LG Telecom, Ltd. (the "Company") as of December 31, 2009 and 2008, and the related statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

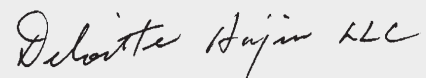
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of its operations, changes in its retained earnings and shareholders' equity, and its cash flows for the years ended December 31, 2009 and 2008, in conformity with accounting principles generally accepted in the Republic of Korea.

As discussed in Note 28 to the financial statements, the Company has entered into an agreement of acquisition of LG Dacom Corp. and LG Powercom Corp. on January 1, 2010. Our opinion is not affected by the transaction and such information is provided to the audit report users only for the decision making purpose.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

February 3, 2010

Deloitte Anjin LLC CEO / Lee, Jae Sool



This report is effective as of February 18, 2010, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

LG Telecom, Ltd.

AS OF DECEMBER 31, 2009 AND 2008

STATEMENTS OF FINANCIAL POSITION

(Unit: KRW thousand)

Accounts	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 24 and 26)	138,350,540	50,126,596
Short-term financial instruments	10,000,000	101,000,000
Short-term investment securities (Note 6)	185,650	251,470
Trade accounts receivable, net (Note 4)	795,902,061	700,984,472
Other accounts receivable, net (Note 4)	77,576,758	50,513,896
Short-term loans, net	4,202,801	5,682,745
Prepaid expenses	45,913,021	55,192,253
Accrued income	7,294	162,612
Advanced payments	3,068,715	1,334,601
Deferred income tax assets, net (Note 19)	80,219,141	95,863,052
Derivative assets (Note 12)	-	21,921,414
Inventories, net (Notes 5 and 8)	155,052,669	101,266,119
Total current assets	1,310,478,650	1,184,299,230
NON-CURRENT ASSETS:		
Long-term investment securities (Note 6)	24,217,851	26,112,303
Investment securities accounted for using the equity method (Note 7)	2,902,886	2,398,673
Long-term loans	2,785,889	3,033,486
Property and equipment, net (Notes 8 and 9)	2,227,501,098	2,185,682,615
Intangible assets (Note 10)	16,930,944	15,257,000
Long-term financial instruments (Note 3)	5,000	5,000
Long-term trade accounts receivable, net (Note 4)	101,871,126	119,643,552
Non-current guarantee deposits (Note 21)	206,082,493	205,980,271
Long-term prepaid expenses	9,582,095	13,455,127
Deferred income tax assets, net (Note 19)	125,434,876	102,496,199
Derivative assets (Note 12)	-	99,221
Total non-current assets	2,717,314,258	2,674,163,447
TOTAL ASSETS	4,027,792,908	3,858,462,677
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings (Notes 11 and 24)	186,044,800	196,624,489
Trade accounts payable (Note 21)	246,443,711	249,835,886
Other accounts payable (Note 21)	400,642,824	367,747,297
Current maturities of long-term debts (Notes 11 and 24)	204,986,553	477,454,769
Advanced receipts	25,997,994	30,588,621
Withholdings	48,182,542	39,593,268
Accrued expenses	186,353,346	254,897,332
Income tax payable (Note 19)	30,912,038	36,411,782
Provision for mileage, EZ-money and lawsuits (Note 13)	18,550,942	22,267,236
Current derivative liabilities (Note 12)	19,843,743	-
Other current liabilities	1,253,214	1,281,564
Total current liabilities	1,369,211,707	1,676,702,244

(CONTINUED)

LG Telecom, Ltd.

AS OF DECEMBER 31, 2009 AND 2008

STATEMENTS OF FINANCIAL POSITION

(Unit: KRW thousand)

Accounts	2009	2008
NON-CURRENT LIABILITIES:		
Long-term debts, net of current maturities and discounts on debentures (Notes 11 and 14)	558,938,730	178,727,965
Long-term lease accounts payable (Note 11)	21,629,944	22,755,809
Derivative liabilities (Note 12)	675,427	218,573
Accrued severance benefits, net (Notes 15 and 21)	8,592,218	5,670,972
Leasehold deposits received (Note 21)	3,889,028	3,869,028
Other non-current liabilities (Notes 9 and 13)	25,074,089	3,439,218
Total long-term liabilities	618,799,436	214,681,565
TOTAL LIABILITIES	1,988,011,143	1,891,383,809
SHAREHOLDERS' EQUITY:		
Capital stock (Note 16)	1,386,392,150	1,386,392,150
Capital surplus (Note 16)	11,579,092	11,579,092
Capital adjustment	(176,947,799)	-
Accumulated other comprehensive income (loss):		
Gain on valuation of available-for-sale securities (Notes 6 and 18)	249,695	1,607
Loss on valuation of available-for-sale securities (Notes 6 and 18)	(3,441,763)	(1,813,066)
Gain on valuation of cash-flow-hedging derivatives (Notes 12 and 18)	58,525	77,393
Loss on valuation of cash-flow-hedging derivatives (Notes 12 and 18)	(1,771,888)	(177,446)
Gain on valuation of investment securities accounted for using the equity method (Notes 7 and 18)	1,110,682	1,110,682
Negative changes in equity using the equity method (Notes 7 and 18)	(24,517)	-
Retained earnings (Note 16)	822,577,588	569,908,456
TOTAL SHAREHOLDERS' EQUITY	2,039,781,765	1,967,078,868
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,027,792,908	3,858,462,677

See accompanying notes to the financial statements.

LG Telecom, Ltd.

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

STATEMENTS OF INCOME

(Unit: KRW thousand except for net income per share)

Accounts	2009	2008
Sales (Notes 21 and 22)	4,949,119,770	4,797,950,756
Cost of sales (Note 21)	4,469,856,517	4,297,961,681
Gross profit	479,263,253	499,989,075
Selling and administrative expenses (Note 23)	92,315,260	120,939,665
Operating income (Note 22)	386,947,993	379,049,410
Non-operating income:		
Interest income	39,096,535	35,893,909
Dividend income	356,942	367,459
Rental income	2,299,083	1,315,401
Gain on disposal of property and equipment	29,656	55,872
Gain on foreign currency transactions	6,012,340	71,154
Gain on foreign currency translation	16,426,605	4,552
Commission income	817,645	952,728
Gain on transactions of derivatives (Note 12)	8,611,928	-
Gain on valuation of derivatives (Note 12)	-	63,478,624
Gain on valuation of investment securities accounted for using the equity method (Note 7)	528,730	10,736
Others	10,329,528	7,896,398
	84,508,992	110,046,833
Non-operating expenses:		
Interest expenses	61,946,358	40,530,406
Loss on disposal of trade accounts receivable (Note 4)	2,034,596	5,610,305
Other bad debt expenses	258,254	155,214
Loss on disposal of short-term investment securities	-	43,248
Loss on disposal of long-term investment securities	14	-
Loss on impairment of long-term investment securities (Note 6)	124,239	75,452
Loss on foreign currency transactions	7,642,907	232,941
Loss on foreign currency translation	1,472	63,478,624
Donations	2,818,655	1,768,755
Loss on disposal of property and equipment	14,332,450	6,753,770
Loss on valuation of inventories	41,167	599,735
Loss on transactions of derivatives (Note 12)	4,319,037	23,685
Loss on valuation of derivatives (Note 12)	18,278,400	218,573
Loss on valuation of investment securities accounted for using the equity method (Note 7)	-	2,955,251
Others	654,458	3,767,656
	112,452,007	126,213,615
Income before income tax	359,004,978	362,882,628
Income tax expense (Note 19)	50,880,160	79,323,155
Net income	308,124,818	283,559,473
Net income per share (In Korean Won) (Note 20)	1,112	1,023

See accompanying notes to financial statements.

LG Telecom 2009
STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS/
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

LG Telecom
2009 Audit Report

LG Telecom, Ltd.

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

(Unit: KRW thousand)

Accounts	2009	2008
UNAPPROPRIATED RETAINED EARNINGS:		
Unappropriated retained earnings carried over from prior year	500,588,848	278,030,630
Net income	308,124,818	283,559,473
	808,713,666	561,590,103
APPROPRIATIONS:		
Legal reserve	8,996,792	5,545,569
Cash dividends (Note 17)	89,967,920	55,455,686
	98,964,712	61,001,255
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	709,748,954	500,588,848

See accompanying notes to financial statements.

LG Telecom, Ltd.

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unit: KRW thousand)

Accounts	Capital Stock	Capital Surplus	Capital Adjustment	Accumulated other comprehensive income	Retained Earnings	Total
Balance at 2008. 1. 1	1,386,392,150	11,579,092	-	5,667,693	369,532,512	1,773,171,447
Annual dividends					(83,183,529)	(83,183,529)
Balance after appropriations					286,348,983	1,689,987,918
Net income					283,559,473	283,559,473
Gain on valuation of AFS securities				(8,840,250)		(8,840,250)
Loss on valuation of AFS securities				(1,813,066)		(1,813,066)
Gain on valuation of cash-flow-hedging derivatives(Note18)				77,393		77,393
Loss on valuation of cash-flow-hedging derivatives(Note18)				2,996,718		2,996,718
Gain on valuation of investment securities accounted for using the equity method (Note 18)				1,110,682		1,110,682
Balance at 2008. 12. 31	1,386,392,150	11,579,092	-	(800,830)	569,908,456	1,967,078,868
Balance at 2009. 1. 1	1,386,392,150	11,579,092	-	(800,830)	569,908,456	1,967,078,868
Annual dividends					(55,455,686)	(55,455,686)
Balance after appropriations					514,452,770	1,911,623,182
Net income					308,124,818	308,124,818
Gain on valuation of AFS securities (Note18)				248,088		248,088
Loss on valuation of AFS securities (Note18)				(1,628,697)		(1,628,697)
Gain on valuation of cash-flow-hedging derivatives(Note18)				(18,868)		(18,868)
Loss on valuation of cash-flow-hedging derivatives(Note18)				(1,594,442)		(1,594,442)
Loss on valuation of investment securities accounted for using the equity method(Note18)				(24,517)		(24,517)
Treasury stock			(176,947,799)			(176,947,799)
Balance at 2009. 12. 31	1,386,392,150	11,579,092	(176,947,799)	(3,819,266)	822,577,588	2,039,781,765

See accompanying notes to financial statements.

LG Telecom, Ltd.

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

STATEMENTS OF CASH FLOWS

(Unit: KRW thousand)

Accounts	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	308,124,818	283,559,473
Additions of expenses not involving cash outflows:		
Depreciation	439,703,971	398,686,330
Amortization of intangible assets	9,337,730	1,097,258
Bad debt expenses	35,780,663	45,964,227
Other bad debt expenses	258,254	155,214
Amortization of discounts on debentures	3,306,528	1,490,507
Loss on foreign currency translation	-	63,478,624
Provision for severance benefits	10,473,650	12,412,332
Loss on disposal of trade accounts receivable	2,034,596	5,610,305
Loss on disposal of short-term investment securities	-	43,248
Loss on valuation of inventories	41,167	599,735
Loss on disposal of property and equipment	14,332,450	6,753,770
Loss on impairment of long-term investment securities	124,239	75,452
Loss on disposal of long-term investment securities	14	-
Loss on redemption of debentures	18,626	-
Loss on transactions of derivatives	4,319,037	-
Loss on valuation of derivatives	18,278,400	218,572
Addition of present value of discount accounts	2,348,629	-
Allowance for other provisions	15,730,452	17,684,817
Loss on valuation of investment securities accounted for using the equity method	-	2,955,251
	556,088,406	557,225,642
Deduction of items not involving cash inflows:		
Amortization of present value discount accounts	30,401,568	27,610,165
Gain on foreign currency transactions	16,426,605	-
Gain on disposal of property and equipment	29,656	55,872
Gain on transactions of derivatives	8,611,928	-
Gain on valuation of derivatives	-	63,478,624
Gain on valuation of investment securities accounted for using the equity method	528,730	10,736
Others	-	4,430
	(55,998,487)	(91,159,827)
Changes in operating assets and liabilities related to operating activities:		
Decrease (Increase) in trade accounts receivable	(11,179,089)	221,616,992
Increase in other accounts receivable	(27,261,116)	(5,741,191)
Decrease in prepaid expenses	18,392,130	21,736,960
Decrease in accrued income	155,319	547,262
Increase in advanced payments	(1,734,113)	(226,500)

(Continued)

LG Telecom, Ltd.

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

STATEMENTS OF CASH FLOWS

(Unit: KRW thousand)

Accounts	2009	2008
Decrease (Increase) in deferred income tax assets	16,022,723	(33,755,043)
Decrease in current derivatives	30,492,216	-
Increase in inventories	(53,827,717)	(10,219,985)
Increase in long-term trade accounts receivable	(73,379,764)	(186,659,677)
Increase in long-term prepaid expenses	(5,239,865)	(19,943,442)
Decrease (Increase) in deferred income tax assets	(22,400,681)	46,647,369
Increase (Decrease) in trade accounts payables	(3,392,175)	7,189,829
Increase (Decrease) in other accounts payable	32,895,527	(1,154,873)
Increase (Decrease) in accrued expenses	(68,555,389)	30,728,030
Increase (Decrease) in advances received	(4,590,627)	776,072
Decrease in unearned income	(944,671)	(2,012,682)
Increase in withholdings	8,589,273	3,106,154
Decrease in income tax payable	(5,499,744)	(24,603,815)
Payment of severance benefits	(5,476,668)	(14,504,308)
Decrease in contribution to the National Pension Fund	3,939	53,192
Increase in severance insurance deposits	(2,079,675)	(23,452,967)
Decrease in derivative liabilities	(4,297,209)	(1,805,762)
Decrease in allowance for provisions	(14,009,242)	-
	(197,316,618)	8,321,615
Net cash provided by operating activities	610,898,119	757,946,903
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows from investing activities:		
Decrease in short-term financial instruments	201,000,000	145,000,000
Disposal of short-term investment securities	66,160	5,000,000
Disposal of long-term investment securities	186	332,082
Collection of short-term loans	8,633,908	7,983,125
Disposal of property and equipment	1,176,059	298,888
Decrease in guarantee deposits	25,880,555	42,384,468
Decrease in leasehold deposits	1,606,015	-
	238,362,883	200,998,563
Cash outflows from investing activities:		
Acquisition of short-term financial instruments	(110,000,000)	(195,000,000)
Acquisition of short-term investment securities	(340)	(23,575)
Acquisition of long-term investment securities	-	(50)
Extension of short-term loans	(6,966,367)	(1,809,600)
Extension of long-term loans	-	(3,975,000)
Increase in guarantee deposits	(25,982,777)	(48,537,782)
Acquisition of property and equipment	(479,887,621)	(694,466,424)

(Continued)

LG Telecom, Ltd.

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

STATEMENTS OF CASH FLOWS

(Unit: KRW thousand)

Accounts	2009	2008
Acquisition of intangible assets	(815,533)	(1,498,433)
Increase in leasehold deposits	(11,802,155)	-
Acquisition of other non-current assets	-	(794,224)
	(635,454,793)	(946,105,088)
Net cash used in investing activities	(397,091,910)	(745,106,525)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	186,588,800	196,624,489
Issuance of debentures	399,982,251	-
Increase in leasehold deposits received	95,000	5,980,580
Proceeds from long-term borrowings	170,000,000	120,000,000
Increase in long-term lease accounts payable	21,733,015	34,927,509
	778,399,066	357,532,578
Cash outflows from financing activities:		
Redemption of short-term borrowings	(188,811,689)	(1,841,892)
Redemption of current maturities of long-term debts	(479,381,309)	(254,216,930)
Redemption of debentures	(63,590)	-
Decrease in leasehold deposits received	(75,000)	(9,234,990)
Dividends paid	(55,455,686)	(83,183,529)
Advanced redemption of long-term borrowings	-	(80,000,000)
Decrease in lease payable	(3,246,258)	-
Purchase of treasury stock	(176,947,799)	-
	(903,981,331)	(428,477,341)
Net cash used in financing activities	(125,582,265)	(70,944,763)
Net increase(decrease) in cash and cash equivalents	88,223,944	(58,104,385)
Cash and cash equivalents:		
Beginning of the year	50,126,596	108,230,981
End of the year (Note 26)	138,350,540	50,126,596

See accompanying notes to the financial statements.

LG Telecom, Ltd.

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

LG Telecom, Ltd. ("the Company") was incorporated on July 11, 1996, under the Commercial Code of the Republic of Korea to provide personal communication services including voice, data and value-added communication. The Company commenced its commercial operation on October 1, 1997. The Company listed its shares on the Korea Securities Dealers Automated Quotation ("KOSDAQ") stock market on September 21, 2000. The listing of its shares on the Korea Exchange ("KRX") upon its cancellation of listing on the KOSDAQ was resolved at the shareholders' meeting on March 18, 2008. On April 21, 2008, the shares were listed and started being traded on the KRX. The Company's head office is located in Seoul, Korea and it has set up telecommunication networks all over the country.

As of December 31, 2009, the Company's shareholders are as follows:

Name of shareholder	Number of shares owned	Percentage of ownership [%]
LG Corporation	103,614,396	37.37
Treasury stock	20,227,229	7.29
Taekwang Industrial Co., Ltd.	8,776,021	3.17
Robeco Capital Growth Funds	5,743,300	2.07
Smallcap World Fund Inc.	3,770,000	1.36
Saudi Arabian Monetary Agency	2,823,530	1.02
Others	132,323,954	47.72
	277,278,430	100.00

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed by the Company in the preparation of financial statements are summarized below.

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in shareholder's equity or cash flows, is not presented in the accompanying financial statements.

Implementation of the Statements of Korean Accounting Standards ("SKAS")

The Company prepared its financial statements as of December 31, 2009 in accordance with the existing Korean Financial Accounting Standards and SKAS) No.1 through No.24 except for No.14 and No.24.

The significant accounting policies followed by the Company in the preparation of its financial statements are summarized below. In compliance with Article 1-2 in Act on External Audit of Stock Companies, the Company renamed the balance sheets to statements of financial position.

The accompanying financial statements were approved by the board of directors on February 3, 2010.

Cash and Cash Equivalents

Cash and cash equivalents includes cash, substitute securities including checks issued by others, and checking accounts, ordinary deposits and financial instruments, which can be easily converted into cash and whose value changes due to changes in interest rates are not material, with maturities (or date of redemption) of three months or less from acquisition.

Revenue Recognition

Revenues generated from providing PCS services are recognized when services are provided to customers. Revenue generated from sale of goods is recognized upon delivery; however, revenue is recognized when the terms of the sales have been fully met if there are sales terms related with post-delivery.

Allowance for Doubtful Accounts

The Company sets up an allowance for doubtful trade accounts and other assets based on past experience, taking into account current collection trends.

Inventories

Inventories are stated at cost being determined by the weighted average method. The Company maintains perpetual inventory system, which is adjusted through physical investigation. If deterioration, obsolescence and damage occur, the inventory is impaired. If the net realizable value of inventories is less than its cost, inventories are adjusted to the net realizable value. Valuation loss incurred as the difference between the quantity on the inventory list and the quantity physically counted is recorded as a contra inventory account and added to the cost of sale. As a result of such inventory valuation, loss on inventory valuation amounted to ₩1,259 million for the year ended December 31, 2009. However, when the circumstances that previously caused inventories to be written down below cost no longer exist and the new market value of inventories subsequently recovers, the valuation loss is reversed to the extent of the original valuation loss and the reversal is deducted from cost of sales. Reversal of loss on inventory valuation is ₩4,077 million for the year ended December 31, 2008. Additionally, the written off inventories caused abnormally is recorded as non-operating loss of ₩41 million and ₩600 million for the years ended December 31, 2009 and 2008, respectively.

Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions, long-term loans and borrowings and other similar transactions are stated at present value if the difference between nominal value and present value is considered important. The difference is accounted as present value discount and amortized over the related period using the effective interest rate method.

Valuation of Securities (Excluding Equity Securities Accounted for Using the Equity Method)

Securities are recognized initially at cost, which includes the market value of the consideration given to acquire them and incidental expenses. If the market value of the consideration given is not available, the acquisition cost is measured at the best estimates of its fair value. When the Company disposes of securities, the gross average method is used to calculate the realized profit or loss.

At acquisition, the Company classifies securities into one of the three categories: trading, held-to-maturity or available-for-sale. Trading securities are classified under current assets, whereas available-for-sale securities and held-to-maturity securities are classified under non-current assets, except for those whose maturity dates or whose likelihood of being disposed of are within one year from the end of the reporting period, which are classified under current assets. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized holding gains or losses recognized in accumulated other comprehensive income (loss), until the securities are sold or if the securities are determined to be impaired and the lump-sum cumulative amount of accumulated other comprehensive income (loss) is reflected in current operations.

Investments Securities Accounted for Using the Equity Method

Investments in equity securities of companies, over which the Company exercises significant influence, are reported using the equity method of accounting.

1) Accounting for changes in the equity of the investee

Under the equity method of accounting, the Company records changes in its proportionate equity of the net assets of the investee depending on the nature of the underlying changes in the investee as follows: (i) "equity in income (loss) of associates" in the non-operating income (expense) for net income (loss) of the investee; (ii) "increase (decrease) in retained earnings of associates" in the retained earnings for changes in beginning retained earnings of the investee; and (iii) "increase (decrease) in equity of associates" in the accumulated other comprehensive income (loss) for other changes in shareholders' equity of the investee.

2) Treatment of investment difference

Difference between the acquisition cost and the Company's proportionate equity in the fair value of net assets of the investee upon acquisition ("Investment difference") is considered as (negative) goodwill and accounted for in accordance with accounting standards for business combination. The goodwill portion is amortized over useful lives within 20 years on a straight line method while the negative goodwill portion which is amortized over the weighted average useful lives of depreciable non-monetary assets of the investee. The amortization is included in "equity in income (loss) of associates".

3) Difference between the fair value and book value of net asset of the investee

Upon acquisition of the equity method investment securities, the Company's proportionate shares in the differences between the fair values and book values of the identifiable assets and liabilities of the investee are amortized/reversed and included in "equity in income (loss) of associates" in accordance with the investee's methods of accounting for the assets and liabilities.

4) Elimination of unrealized gain or loss from intercompany transactions

The Company's proportionate share in the gain (loss) arising from transactions between the Company and the investee, which remains in the book value of assets held as of the end of the reporting period, is considered unrealized gain (loss) and adjusted to equity method investment securities. If the investee is a subsidiary of the Company, unrealized gain (loss) from sale of an asset by the Company to the investee (downstream transaction) is fully eliminated and adjusted to equity method investment securities.

5) Impairment loss on equity method investment securities

When there is objective evidence that the equity method investment securities is impaired and the recoverable amount is lower than the carrying amount of the equity method investment securities, an impairment loss is recognized as "loss on impairment of equity method investment securities" included in non-operating expense and the unamortized investment difference is first reduced. When the recoverable amount is recovered after the recognition of impairment loss, the reversal of impairment loss is recognized as income up to the previously recorded impairment loss. The book value of the equity method investment securities after the reversal of the impairment loss cannot exceed the book value calculated as if the impairment loss would not have been originally recognized. The reversal of the impairment loss recognized against the unamortized investment difference is not allowed.

Property, Equipment and Related Depreciation

Property, equipment are stated at cost, except for assets revalued upward in accordance with the Asset Revaluation Law of Korea. Routine maintenance and repairs are expensed as incurred. In addition, interest expense and other similar expenses on borrowings used to finance inventories, tangible, intangible, and investment assets are capitalized if it takes more than a year to have them ready to use.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Description	Estimated useful lives (Years)
Buildings and structures	20-40
Telecommunication facilities	5- 8
Tools, furniture and fixtures	3- 5
Vehicles	5

With the government subsidy, the acquisition cost of tangible assets might be zero or less than the fair market value; therefore, the fair market value on the purchase date is recorded as acquisition cost and the government subsidy is subtracted, which is offset against the depreciation expense.

Major renewals and betterments, which prolong the useful life or enhance the value of assets, are capitalized, and expenditures for maintenance and repairs are charged to expense as incurred.

In addition, the Company assesses any possible recognition of impairment loss when there is an indication that expected future economic benefits of a tangible asset is considerably less than its carrying amount, as a result of technological obsolescence, rapid declines in market value or other causes of impairment. When it is determined that an asset may have been impaired and that its estimated total future cash flows from continued use or disposal is less than its carrying amount, the carrying amount of a tangible asset is reduced to its recoverable amount and the difference is recognized as an impairment loss. If the recoverable amount of the impaired asset exceeds its carrying amount in subsequent reporting period, the amount equal to the excess is treated as the reversal of the impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

Intangibles Assets and Amortization Method

Intangible assets are recorded at the production cost or purchase cost, plus incidental expenses.

Intangible assets are amortized using the straight-line method over the estimated useful lives as follows:

Description	Estimated useful lives (Years)
Intellectual property rights	5 -10
Facility use rights	8
Computer software	8
Foregift	2 -5

If the recoverable amount of intangible asset becomes less than its carrying amount as a result of obsolescence, sharp decline in market value or other causes of impairment, the carrying amount of an intangible asset is adjusted to its recoverable amount and the reduced amount is recognized as impairment loss. If the recoverable amount of a previously impaired intangible asset exceeds its carrying amount in subsequent periods, an amount equal to the excess is recorded as reversal of impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

Provisions

Due to uncertainty of the timing or amounts of payments for the Company's obligations, the Company estimates the costs which are recorded as other reserves for the current period (when it is probable that the resources will be used for the related obligations in the future). However, if the requirements for other reserves are no longer met after some changes, it is reversed in the current period.

Discount on Debentures

A discount or premium on debentures, which is presented as a deduction from or addition to the face value of debentures, is amortized or reversed using the effective interest rate method over the redemption period of the related debentures.

Accrued Severance Benefits

The Company has adopted the pension plan to comply with the Guarantee for Severance Benefits Law. Both defined contribution plans and defined benefit plans are adopted by the Company. In case of defined benefit plans, contributions made accordingly to plan asset is presented as deduction from accrued severance benefits. In addition, if the employees who are qualified for the severance benefits leave and he or she takes an option of receiving serial payments, the present value of the expected defined benefit obligation is considered to compute the pension payable that is finally presented as an addition to accrued severance benefits.

As of December 31, 2009, the amounts for accrued severance benefits are computed and accounted as if all employees, who have chosen the defined benefit plans among all the employees of the Company, leave at the end of the reporting period. It is amounted to ₩33,955,352 thousand and ₩28,958,370 thousand for the years ended December 31, 2009 and 2008, respectively. Actual payments of severance benefits amount to ₩5,476,668 thousand and ₩14,504,308 thousand in the years ended December 31, 2009 and 2008, respectively.

For those employees, who have chosen the defined contribution plans, the Company recognizes the pension expense for this period which is the amount the Company is obligated to contribute. However, plan assets, the defined benefit obligation and pension payable are not recognized.

Sale of Accounts/Notes Receivable

The Company sells or discounts certain accounts or notes receivable to third parties and accounts for the transactions as a sale of the receivables if the control over the receivables is substantially transferred to the buyers. The difference between the book value and the disposal amount is subtracted from the accounts receivable and is accounted as loss on disposal of receivables.

Translation of Assets and Liabilities Denominated in Foreign Currency

The balances have been translated using the Basic Rate announced by Seoul Money Brokerage Services Ltd., which was ₩1,167.60 and ₩1,257.50 to US\$1.00 at December 31, 2009 and 2008, respectively, and translation gains or losses are reflected in current operations.

Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as accumulated other comprehensive income (loss) and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as accumulated other comprehensive income (loss) is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings.

Accounting for Leases

A lease is classified as a finance lease or an operating lease depending on the extent of transfer to the Company of the risks and rewards incidental to ownership. If a lease meets any one of the following criteria, it is accounted for as a finance lease:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a bargain price and it is certain that the option will be exercised;
- The lease term is for the major part (75% or more) of the economic life of the asset even if title is not transferred;
- At the date of lease commencement the present value of the minimum lease payments amounts to at least substantially all (90% or more) of the fair value of the leased asset; or
- The leased assets are of such a specialized nature that only the Company can use them without major modifications.

All other leases are treated as operating leases.

For operating leases, lease payments excluding guaranteed residual value are recognized as an expense on a straight-line basis over the lease term and contingent rent is expensed as incurred. Finance leases are recognized as assets and liabilities at the lower of fair value of the leased property or the present value of the minimum lease payments discounted using the implicit interest rate of the lesser (or the Company's incremental borrowing rate if the implicit interest rate is not practicable to determine). Any initial direct costs incurred by the Company are added to the amount recognized as an asset. The depreciation policy for depreciable leased assets is consistent with that for the similar depreciable assets that are owned by the Company.

Annual minimum lease payments excluding guaranteed residual value is allocated to interest expense, which is calculated using the effective interest rate, and finance lease repayment amount. Contingent rent relating to finance lease is charged as expenses in the periods in which they are incurred, however, if the amount is material, it is allocated to principal and interest, respectively, over the remaining lease term.

If a lease back is a finance lease, any profit or loss of sale proceeds over the carrying amount should not be immediately recognized as income or loss. Instead, it should be deferred and amortized over the lease term in proportion to the depreciation of the leased asset.

Income Tax Expense

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets or liabilities. In addition, current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting and according to the expected reversal date of the specific temporary difference if they are not related to an asset or liability for financial reporting, including deferred tax assets related to carry forwards. Deferred tax assets and liabilities in the same current or non-current classification are offset if these relate to income tax levied by the same tax jurisdictions.

3. RESTRICTED FINANCIAL INSTRUMENTS:

As of December 31, 2009 and 2008, the carrying value of the Company's guarantee deposits for opening checking accounts amounting to ₩5,000 thousand is restricted to be either withdrawn or credited.

4. ACCOUNTS RECEIVABLE:

(1) The Company's accounts receivable as of December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

Description	2009	2008	
Trade accounts receivable	General accounts receivable	633,333,308	525,437,673
	Current portion of long-term trade accounts receivable	329,430,663	350,565,747
	Present value discount	(9,458,601)	(10,759,034)
	Allowance for doubtful accounts	(157,403,309)	(164,259,914)
	Carrying amount	795,902,061	700,984,472
Other accounts receivable	Other accounts receivable	94,624,264	72,692,143
	Allowance for doubtful accounts	(17,047,506)	(22,178,247)
	Carrying amount	77,576,758	50,513,896
Long-term trade accounts receivable	Long-term trade accounts receivable	110,628,545	133,799,508
	Present value discount	(7,651,134)	(12,817,961)
	Allowance for doubtful accounts	(1,106,285)	(1,337,995)
	Carrying amount	101,871,126	119,643,552

The Company has been selling PCS handsets to its customers on the monthly installment plan under which the redemption of accounts receivable is made based on the monthly installments schedule for short term (under 12 months) or long term (18 or 24 months) period, and installment accounts receivable is evaluated at present value using the benchmark rate of return of debentures issued under public offering.

(2) From June 2006 through May 2009, the Company had sold some part of trade accounts receivable relating to its PCS service to Music On 3rd Securitization Specialty L.L.C. In connection with the transferred assets to Music On 3rd Securitization Specialty, L.L.C, the Company accounted for it as sale of the assets. As of December 31, 2009, outstanding trade accounts receivable sold to Music On 3rd Securitization Specialty L.L.C, is null due to the liquidation of Music On 3rd Securitization Specialty, L.L.C. (Note 14). The Company's losses on disposal of trade accounts receivable for the years ended December 31, 2009 and 2008 are ₩2,034,596 thousand and ₩5,610,305 thousand, respectively.

5. INVENTORIES:

If the net realizable value of inventories is less than its acquisition cost, the carrying amount is reduced to the net realizable value. Inventories as of December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

Description	2009			2008		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	161,153,010	(7,235,025)	153,917,985	106,594,585	(8,494,207)	98,100,378
Supplies	8,491,845	(7,357,161)	1,134,684	6,555,146	(3,389,405)	3,165,741
Total	169,644,855	(14,592,186)	155,052,669	113,149,731	(11,883,612)	101,266,119

6. INVESTMENT SECURITIES:

(1) The Company's short-term investment securities as of December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

Description	2009	2008
Available-for-sale securities	185,650	251,470

Above available-for-sale securities are all comprised of government and public bonds.

(2) The Company's long-term investment securities as of December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

Description	2009	2008
Available-for-sale securities		
Marketable equity securities	14,187,605	15,957,617
Unmarketable equity securities	10,030,246	10,154,686
Total	24,217,851	26,112,303

(2-1) The Company's marketable equity securities classified as available-for-sale as of December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

Description	2009					2008
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Carrying amount	Cumulative gain (loss) on valuation before tax effect	Carrying amount
SK Broadband Co., Ltd. (formerly, Hanarotelecom incorporated) [*1]	2,698,787	0.91	36,662,773	12,940,684	(4,412,517)	15,086,219
KRTnet Corporation	185,360	3.51	926,800	1,245,619	318,819	869,338
Elim Edu Co., Ltd. [*2]	1,200	0.003	-	1,302	1,302	2,060
Total			37,589,573	14,187,605	(4,092,396)	15,957,617

(*1) The impairment loss of ₩19,309,572 thousand was recognized in prior years and the difference between the acquisition cost, net of accumulated impairment loss, and its fair value is recognized as gain (loss) on valuation of available-for-sale securities (accumulated other comprehensive income (loss)).

(*2) In relation to the investment securities in Elim Edu Co., Ltd., options on the convertible bonds were exercised on March 31, 2009 and 17,000 thousand shares was additionally issued on April 23, 2009. As the result, the Company's interest was decreased compared to the end of last year. In addition, due to 85.7% reduction of capital stock without any refund on June 26, 2009, the number of shares owned by the Company decreased from 8,406 shares to 1,200 shares.

The investments in marketable equity securities were evaluated at fair value. Gain amounting to ₩249,695 thousand and loss amounting to ₩3,441,763 thousand as of December 31, 2009 and gain amounting to ₩1,607 thousand and loss amounting to ₩1,813,066 thousand as of December 31, 2008, on valuation of above available-for-sale securities, net of deferred income tax, were accounted for as accumulated other comprehensive income(loss).

(2-2) The Company's unmarketable equity securities classified as available-for-sale as of December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

Description	2009					2008
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Carrying amount	Net asset value	Carrying amount
Digitaltrank	60,000	9.26	300,000	-	-	-
Great Human Software Co., Ltd [*1]	166,667	1.88	500,000	30,196	63,661	30,196
Rotis, Inc.	3,166	0.73	4,000,000	-	-	-
Inno Teletek, Inc.	1,000	0.43	100,000	-	-	-
Gavaplus Co., Ltd. [*2]	7,800	10.03	258,024	-	-	-
InterPulse Co., Ltd.	125,000	5.90	500,000	-	-	-
Harex Info Tech Inc. [*2]	90,000	8.47	1,350,000	-	-	124,239
KIF Investment Fund [*2]	10	3.33	10,000,000	10,000,000	11,085,159	10,000,000
Music On 3rd Securitization Specialty L.L.C. [*3]	-	-	-	-	-	200
Music On International 1st Securitization Specialty L.L.C.	5	0.50	50	50	50	50
Total			17,008,274	10,030,246	11,148,870	10,154,686

(*1) Net asset value of the investment was calculated based on the unaudited and unreviewed statements of financial position of the company as of December 31, 2009.

(*2) Net asset value of the investment was calculated based on the unaudited and unreviewed statements of financial position of the company as of November 30, 2009.

(*3) Music On 3rd Securitization Specialty L.L.C. was liquidated during 2009.

Investments in equity securities are evaluated at its acquisition cost in case the fair value cannot be reliably measured when either the investees' incorporation has not been seven years or their asset value is less than ₩10,000,000 thousand.

Since the financial and operational position had worsen for Harex Info Tech Inc., and it was determined that it was impossible to recover in short term, an impairment loss amounting to ₩124,239 thousand was recognized for the year ended December 31, 2009. In addition, with the same reason for Harex InfoTech Inc. and others, an impairment loss amounting to ₩75,452 thousand was accounted for in 2008.

The Company established Music on International 1st Securitization Specialty, LLC (SPV) for the issuance of asset-backed securities (ABS) of the PCS handset installment accounts receivable on September 1, 2008 and acquired five shares of the secondary equity securities for ₩50 thousand.

7. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Investment securities accounted for using the equity method as of December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

Companies	2009					2008
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Carrying amount	Net asset value	Carrying amount
Korea Smart Card (*1)	325,650	2.92	1,782,467	1,875,573	1,122,824	1,691,829
CS Leader (*2)	800,000	100.00	2,026,400	510,125	510,125	272,468
Ain Teleservice(*2)	800,000	100.00	423,640	517,188	517,188	434,376
Total			4,232,507	2,902,886	2,150,137	2,398,673

(*1) Net asset value was determined based on the unaudited and unreviewed financial statements as of November 30, 2009.

(*2) Net asset value was determined based on the unaudited and unreviewed financial statements as of December 31, 2009.

Although the Company's ownership of Korea Smart Card Co., Ltd. alone is under 20 percent, the Company accounts for the above securities as investment securities accounted for using the equity method because the Company and its related parties in aggregate account for over 20 percent ownership as of December 31, 2009 and 2008.

(2) Changes in the carrying amount of investment securities accounted for using the equity method for the years ended December 31, 2009 and 2008 are as follows:

(Unit: KRW thousand)

Companies	2009				Ending balance
	Beginning balance	Gain on valuation	Changes in equity on valuation		
Korea Smart Card	1,691,829	208,261	(24,517)		1,875,573
CS Leader	272,468	237,657	-		510,125
Ain Teleservice	434,376	82,812	-		517,188
Total	2,398,673	528,730	(24,517)		2,902,886

(Unit: KRW thousand)

Companies	2008					Ending balance
	Beginning balance	Reclassification	Gain(Loss) on valuation	Changes in equity on valuation		
Korea Smart Card	1,782,467	-	(90,638)	-		1,691,829
CS Leader	-	2,026,400	(2,864,614)	1,110,682		272,468
Ain Teleservice	-	423,640	10,736	-		434,376
Total	1,782,467	2,450,040	(2,944,516)	1,110,682		2,398,673

(3) Changes in the differences between the initial acquisition costs and the Company's initial proportionate ownership in the net asset value of the investees as of December 31, 2009 and 2008 are as follows:

(Unit: KRW thousand)

Companies	2009				Ending balance
	Beginning balance	Increase/Decrease	Amortization		
Korea Smart Card	1,003,666	-	(250,917)		752,749
CS Leader	186,387	-	(186,387)		-
Total	1,190,053	-	(437,304)		752,749

(Unit: KRW thousand)

Companies	2008				Ending balance
	Beginning balance	Increase/Decrease	Amortization		
Korea Smart Card (*1)	1,254,583	-	(250,917)		1,003,666
CS Leader (*1)	-	931,936	(745,549)		186,387
Ain Teleservice (*1)	-	(93,020)	93,020		-
Total	1,254,583	838,916	(903,446)		1,190,053

(*1) The acquisition costs of the investment securities and the above differences were determined on December 31, 2004, when the Company has started to exercise significant control over CS Leader and Ain Teleservice. The differences were amortized over the passage of the periods and added to gain (loss) on valuation of investment securities accounted for using the equity method for the year ended December 31, 2008.

According to the Korean GAAP on the Merge Transactions, an amount for goodwill is amortized over five years by the straight-line method.

(4) Condensed financial information of the affiliates as of and for the years ended December 31, 2009 and 2008 is as follows (Unit: KRW thousand):

1) As of December 31, 2009

(Unit: KRW thousand)

Companies	Assets	Liabilities	Sales	Net income(loss)
Korea Smart Card (*1)	257,288,596	218,899,753	96,325,954	6,406,988
CS Leader (*2)	9,365,530	8,855,405	40,733,213	80,555
Ain Teleservice (*2)	10,090,168	9,572,980	53,449,715	(1,069,066)

(*1) Based on the unaudited and unreviewed financial statements as of November 30, 2009.

(*2) Based on the unaudited and unreviewed financial statements as of December 31, 2009.

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2) As of December 31, 2008

(Unit: KRW thousand)

Companies	Assets	Liabilities	Sales	Net income(loss)
Korea Smart Card (*1)	178,724,575	160,479,594	80,520,109	4,249,411
CS Leader (*2)	7,422,237	7,336,156	44,076,852	(2,415,831)
Ain Teleservice (*2)	7,969,332	7,534,957	59,375,143	(268,068)

(*1) Based on the unaudited and unreviewed financial statements as of November 30, 2008.

(*2) Based on the unaudited and unreviewed financial statements as of December 31, 2008.

(5) The financial statements of the investees as of December 31, 2009 are not audited. In order to ensure the credibility of the financial statements of those investees, the Company has performed the following procedures to determine the reliability of the provisional financial statements and identified no significant errors in the investees' financial statements:

- Obtained the signature of the chief executive officer and internal auditor of the equity method investee asserting that the unaudited and unreviewed financial statements are accurate;
- Checked whether the major transactions identified by the Company, including public disclosures, were appropriately reflected in the unaudited and unreviewed financial statements;
- Checked the material accounting issues and solution discussed between the external auditor and the investees;
- Performed an analytical review on the potential difference between the unaudited financial statements and audited financial statements.

8. INSURED ASSETS:

Details of the Company's insured assets as of December 31, 2009 are as follows:

(Unit: KRW thousand)

Type of insurance	Insured assets	Insured amount	Insurance company
Package insurance (*1)	Inventories and tangible assets	4,714,702,741	LIG Insurance Co., Ltd.

(*1) It is liable for not only the inventories and property and equipment, but also the third parties and employees compensation as part of the package.

In addition to insurance mentioned above, the Company's vehicles and any gas accidents are insured. The Company also provides medical and calamity insurance for the employees and compensation liability insurance for the executives and products.

9. PROPERTY AND EQUIPMENT:

(1) Declared value of land owned

Publicly announced prices of land, which the Company owns as of December 31, 2009, are as follows:

(Unit: KRW thousand)

Location	Area(m ²)	Carrying amount	Publicly announced price of land
Mapo-Gu Seoul	4,986.00	21,853,769	26,076,780
Gangnam-Gu Seoul	1,216.30	10,532,302	10,241,246
Geumcheon-Gu Seoul	2,070.00	5,867,724	9,499,005
Namdong-Gu Incheon	1,834.00	7,305,496	6,877,500
Seo-Gu Kwangju	1,792.00	4,323,786	4,230,017
Sasang-Gu Pusan	3,137.00	2,117,872	3,450,260
Jung-Gu Daejeon	1,908.00	4,623,257	3,338,650
Suwon Gyeonggi	1,470.40	2,261,848	2,720,240
Dong-Gu Daegu	1,983.00	5,294,658	2,279,875
Wonju Gangwon	1,467.00	1,959,067	1,021,102
Base station sites and others	54,398.00	3,595,244	3,071,234
Total		69,735,023	72,805,909

(2) Changes in property and equipment for the years ended December 31, 2009 and 2008 are as follows (Unit: KRW thousand):

1) For the year ended December 31, 2009

(Unit: KRW thousand)

Description	Land	Buildings	Telecommunication facilities	Tools, furniture and fixtures	Construction-in-progress	Total
Beginning balance	69,730,726	213,780,205	1,714,854,751	82,017,048	105,299,885	2,185,682,615
Additions	4,297	1,236,554	244,681,776	29,617,454	213,376,658	488,916,739
Capitalized interests	-	-	6,543,371	-	1,541,197	8,084,568
Disposals	-	(62,475)	(11,568,764)	(3,847,614)	-	(15,478,853)
Depreciation	-	(7,305,853)	(399,890,731)	(32,811,853)	-	(440,008,437)
Impairment loss	-	-	-	-	-	-
Others(transfers)	-	-	119,148,614	29,608,033	(148,756,647)	-
Government subsidies (*1)	-	-	43,066	261,400	-	304,466
Ending balance	69,735,023	207,648,431	1,673,812,083	104,844,468	171,461,093	2,227,501,098
Accumulated depreciation	-	(36,297,057)	(3,149,103,489)	(183,271,515)	-	(3,368,672,061)

(*1) The government subsidies, which were used for the acquisition of designated assets, are presented as deduction from the assets. As of December 31, 2009, the government subsidies for telecommunication facilities and tools, furniture, and fixtures are amounted to ₩230,783 thousands and ₩483,983 thousands, respectively. Only ₩43,066 thousands and ₩261,400 thousands of the total government subsidies for telecommunication facilities and tools, furniture, and fixtures, respectively, that are reflected on the depreciation expense during 2009.

2) For the year ended December 31, 2008

(Unit: KRW thousand)

Description	Land	Buildings	Telecommunication facilities	Tools, furniture and fixtures	Construction-in-progress	Total
Beginning balance	69,135,243	86,222,438	1,463,160,875	78,374,301	200,148,856	1,897,041,713
Additions	632,474	5,695,193	238,365,528	34,226,585	403,237,555	682,157,335
Capitalized interests	-	-	-	-	13,377,871	13,377,871
Disposals	(36,991)	(35,777)	(4,500,702)	(1,964,375)	(458,941)	(6,996,786)
Depreciation	-	(4,639,611)	(366,364,596)	(27,874,080)	-	(398,878,287)
Impairment loss	-	-	-	-	-	-
Others(transfers)	-	126,537,962	384,467,494	-	(511,005,456)	-
Government subsidies (*1)	-	-	273,848	745,383	-	1,019,231
Ending balance	69,730,726	213,780,205	1,714,854,751	82,017,048	105,299,885	2,185,682,615
Accumulated depreciation	-	(29,174,370)	(2,795,255,249)	(173,877,592)	-	(2,998,307,211)
Accumulated impairment losses	-	(958,484)	-	-	-	(958,484)

(*1) The government subsidies, which were used for the acquisition of designated assets, are presented as deduction from the assets.

(3) If the Company did not capitalize interest expense as part of property and equipment, the effects on the statements of financial position as of December 31, 2009 and 2008, and statements of income for the years then ended are as follows:

(Unit: KRW thousand)

Description	2009			2008		
	Capitalizing interest expense	Charging interest expense to current operations	Differences	Capitalizing interest expense	Charging interest expense to current operations	Differences
Acquisition cost of tangible assets	5,596,173,159	5,543,573,454	(52,599,705)	5,184,948,310	5,140,433,173	(44,515,137)
Accumulated depreciation	(3,368,672,061)	(3,352,131,350)	16,540,711	(2,999,265,695)	(2,987,841,314)	11,424,381
Depreciation	(439,703,971)	(434,587,641)	5,116,330	(398,686,330)	(394,866,117)	3,820,213
Interest expense	(61,946,358)	(70,030,926)	(8,084,568)	(39,039,900)	(52,417,771)	(13,377,871)
Net income	308,124,817	305,156,579	(2,968,238)	283,559,473	293,117,132	(9,557,658)

(4) Carrying amount of property and equipment which the Company owns through finance lease as of December 31, 2009 and 2008 are as follows:

(Unit: KRW thousand)

Description	2009	2008
Telecommunication facilities and others	48,300,401	33,818,105

(5) Estimation of restoration costs for assets

The Company uses numerous leasehold land and buildings in order to construct infrastructures (facilities for wireless networks) for providing nationwide mobile services and at the same time the Company is obligated to restore the sites when the leasehold contracts are no longer binding as the economic useful lives of related leasehold assets end.

The Company recognizes long-term provisions amounting to ₩22,551,191 thousand (including ₩5,437,505 thousand as an increase of the present value of provisions using the effective interest method till December 31, 2009) that is the present value of estimated costs for dismantlement, removal and restoration of facilities (they are accounted for as property and equipment as of December 31, 2009) in order to restore the sites of leasehold land and buildings. ₩17,113,686 thousand of the estimated restoration costs for those assets were reflected on the balance of property and equipment.

Details of the estimated restoration costs as of December 31, 2009 are as follows (Unit: KRW thousand):

(Unit: KRW thousand)

Description	Facilities for wireless networks	Repeater	Non-network assets
Expected cash flow for requirement of restoration construction before reflection of inflation	19,626,128	7,635,549	4,010,011
Expectation time of restoration construction	After 9.87 years	After 6.00 years	After 4.35 years
Expected rate of inflation	2%	2%	2%
Expected cash flow after reflection of inflation	23,864,002	8,599,320	4,371,004
Discount rate of present value(lessee's weighted average rate of interest)	6.19%		
Allowance of restoration applying to discount rate of present value	9,693,686	4,716,588	2,703,412

10. INTANGIBLE ASSETS:

(1) Changes in the Company's intangible assets for the years ended December 31, 2009 and 2008 are as follows (Unit: KRW thousand):

1) As of December 31, 2009

(Unit: KRW thousand)

Description	Intellectual property rights	Facility use rights	Computer software	Foregift	Total
Beginning balance	1,642,206	1,518,808	209,300	11,886,686	15,257,000
Increase	183,663	631,870	-	11,802,155	12,617,688
Decrease	-	-	-	(1,606,014)	(1,606,014)
Amortization	(244,058)	(395,795)	(37,398)	(8,660,479)	(9,337,730)
Ending balance	1,581,811	1,754,883	171,902	13,422,348	16,930,944
Accumulated amortization	1,072,886	11,232,653	4,806,941	7,444,512	24,556,992

2) As of December 31, 2008

(Unit: KRW thousand)

Description	Intellectual property rights	Facility use rights	Computer software	Foregift(*1)	Total
Beginning balance	1,432,246	1,231,249	305,644	-	2,969,139
Increase	429,823	1,068,609	-	-	1,498,432
Transfers	-	-	-	11,886,686	11,886,686
Amortization	(219,863)	(781,050)	(96,344)	-	(1,097,257)
Ending balance	1,642,206	1,518,808	209,300	11,886,686	15,257,000
Accumulated amortization	828,828	10,836,858	4,769,543	-	16,435,229

(*1) transferred from prepaid expenses to foregift as of December 31, 2008.

(2) All amortization expenses have been included in the cost of sales in the statements of income. All the R & D costs are recognized in the statements of income as incurred and the amount of ₩37,041,581 thousands and ₩35,240,981 thousands were recognized for December 31, 2009 and 2008, respectively.

(3) For the years ended December 31, 2009 and 2008, the costs related to training and advertisement, which are expected to have future economic benefits but are not capitalized as the Company has no control over these expenses, are as follows:

(Unit: KRW thousand)

Description	2009	2008
Education and training	2,611,200	3,311,005
Advertisement	39,190,787	48,110,609
Total	41,801,987	51,421,614

11. BORROWINGS AND DEBENTURES:

(1) The Company's short-term borrowings as of December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

	Creditor	Annual interest rate (%)	2009	2008
Bank overdrafts	Woori Bank	-	-	1,074,489
General loans	Kookmin Bank	4.55	30,000,000	50,000,000
Commercial paper	-	-	-	145,550,000
Short-term bond	Debentures issued privately	4.31 - 5.68	100,000,000	-
Short-term bond	Foreign FRN	Libor(3mth) + 3%	56,044,800	-
Total			186,044,800	196,624,489

(2) The Company's long-term borrowings as of December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

	Creditor	Annual interest rate (%)	2009	2008
General loans	Woori Bank	5.42	30,000,000	30,000,000
	Korea Development Bank	CD+1.53	10,000,000	10,000,000
	Hewlett Packard Korea Financial Service, Ltd.	5.05	-	5,000,000
Facilities financing	Korea Exchange Bank	CD+1.00	50,000,000	-
	Shinhan Bank	5.23	30,000,000	-
	Korea Development Bank	4.50	60,000,000	-
	Korea Finance Corporation	5.57	30,000,000	-
Less: current maturities			210,000,000	45,000,000
			(40,000,000)	(5,000,000)
			170,000,000	40,000,000

(3) The Company's debentures as of December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

	Repayment date	Annual interest rate (%)	2009	2008	Repayment method
Non-guaranteed debentures issued under public offering	January 30, 2010 ~ September 4, 2013	5.02 - 5.75	360,000,000	260,000,000	Redemption on maturity
Debentures issued privately	February 14, 2010 ~ March 13, 2011	5.06 - 6.00	120,000,000	90,000,000	Redemption on maturity
Non-guaranteed USD denominated debenture	July 15, 2009	8.2	-	251,500,000	Redemption on maturity
Foreign FRN	July 27, 2010 ~ October 27, 2010	Libor + 3%	56,044,800	-	Redemption on maturity
			536,044,800	601,500,000	
Less: current maturities			(146,044,800)	(461,500,000)	
Discounts on debentures			(1,061,270)	(1,272,035)	
			388,938,730	138,727,965	

(4) The repayment schedules of long-term borrowings and debentures as of December 31, 2009 are as follows:

(Unit: KRW thousand)

Year	Long-term borrowings	Debentures	Total
2011	140,000,000	150,000,000	290,000,000
2012	30,000,000	100,000,000	130,000,000
2013	-	140,000,000	140,000,000
Total	170,000,000	390,000,000	560,000,000

(5) The Company's long-term lease accounts payable as of December 31, 2009 consist of the following:

(Unit: KRW thousand)

Description	Creditor	Lease term	Annual interest rate (%)	Annual lease payment	2009	2008
Finance lease	Hewlett Packard Korea Financial Service, Ltd.	October 31, 2008 ~ October 31, 2011	6.60	739,335	15,279,854	22,868,711
		December 31, 2008 ~ December 31, 2011	6.97	334,615	7,475,956	10,841,867
		July 29, 2009 ~ July 29, 2012	4.78	649,252	18,897,442	-
					41,653,252	33,710,578
Less: current maturities					(20,023,308)	(10,954,769)
					21,629,944	22,755,809

(6) The repayment schedules of long-term lease accounts payable as of December 31, 2009 is as follows:

(Unit: KRW thousand)

Year	Annual gross lease payment	Interest expense	Principal of lease accounts payable
2011	19,199,748	773,229	18,426,519
2012	4,544,761	71,615	4,473,146
Total	23,744,509	844,844	22,899,665

12. DERIVATIVES:

(1) Cross Currency Swap

(1-1) Cross Currency Swap (GB)

The term of the cross currency swap contract to manage the exposure to changes in foreign currency exchange rates and interest rates with regard to the USD denominated debenture (which is unregistered and unguaranteed) in accordance with its foreign currency risk management policy was ended during 2009.

Details of the matured swap contracts as of December 31, 2009 are as follows:

(Unit: KRW and USD in thousands)

Counterparty	Position & notional principal amount	Contract exchange rate	Annual interest rate (%)	Maturity
Woori Bank	Selling: ₩229,400,000	₩1,147.00 : US\$1	Selling: 8.20%(KRW)	2009.7.15
	Buying: US \$ 200,000		Buying: 8.25%(USD)	

In relation to above contract, the Company realized a gain of ₩8,393,356 thousand, which was appraised based on forward rate as of July 15, 2009. As this contract meets the requirements for cash-flow-hedge accounting for financial reporting purposes, accumulated valuation loss of ₩177,446 thousand as of December 31, 2008, originated in above contract, are recorded as accumulated other comprehensive income (loss) after recognizing the deferred tax effect. For the year ended December 31, 2008, the Company recognized ₩63,478,624 thousand of valuation gain on derivative.

(1-2) Cross Currency Swap (FRN)

As of December 31, 2009, the Company has entered into a contract for a cross currency swap in accordance with the Company's policy on interest and foreign currency risk management to manage risks brought upon by fluctuations in cash flow of payment of interests and repayment of principals of floating rate note bonds due to changes in interest and exchange rates.

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Details of the swap contracts as of December 31, 2009 are as follows (Unit: KRW):

(Unit: KRW and USD in thousands)

Maturity	Counterparty	Position & notional principal amount	Contract exchange rate	Swap interest rate (%)	Trade date	Effective date
2009.10.27	SC First Bank	Selling: ₩10,720,000	₩1,340.00	Selling: 3.90%	2009.4.20	2009.4.27
		Buying: US\$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2009.10.27	Calyon Bank	Selling: ₩10,936,000	₩1,367.00	Selling: 3.93%	2009.4.21	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2009.10.27	DBS Bank	Selling: ₩10,936,000	₩1,367.00	Selling: 3.90%	2009.4.21	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2010.01.27	SC First Bank	Selling: ₩10,720,000	₩1,340.00	Selling: 3.90%	2009.4.20	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2010.01.27	Calyon Bank	Selling: ₩10,936,000	₩1,367.00	Selling: 3.93%	2009.4.21	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2010.01.27	DBS Bank	Selling: ₩10,936,000	₩1,367.00	Selling: 3.90%	2009.4.21	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2010.04.27	SC First Bank	Selling: ₩10,720,000	₩1,340.00	Selling: 3.90%	2009.4.20	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2010.04.27	Calyon Bank	Selling: ₩10,936,000	₩1,367.00	Selling: 3.93%	2009.4.21	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2010.04.27	DBS Bank	Selling: ₩10,936,000	₩1,367.00	Selling: 3.90%	2009.4.21	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2010.07.27	SC First Bank	Selling: ₩10,720,000	₩1,340.00	Selling: 3.90%	2009.4.20	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2010.07.27	Calyon Bank	Selling: ₩10,936,000	₩1,367.00	Selling: 3.93%	2009.4.21	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2010.07.27	DBS Bank	Selling: ₩10,936,000	₩1,367.00	Selling: 3.90%	2009.4.21	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2010.10.27	SC First Bank	Selling: ₩10,720,000	₩1,340.00	Selling: 3.90%	2009.4.20	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2010.10.27	Calyon Bank	Selling: ₩10,936,000	₩1,367.00	Selling: 3.93%	2009.4.21	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		
2010.10.27	DBS Bank	Selling: ₩10,936,000	₩1,367.00	Selling: 3.90%	2009.4.21	2009.4.27
		Buying: US \$8,000,000	: US\$1	Buying:3M LIBOR+3%		

In relation to the above contracts, the following items are recognized in the Company' s financial statements for the year ended December 31, 2009:

1) For the year ended December 31, 2009

(Unit: KRW thousand)

Description	SC First Bank	Calyon Bank	DBS Bank	Total
	(Cash flow hedge purpose)	(Cash flow hedge purpose)	(Cash flow hedge purpose)	
Assets/Liabilities				
Derivative liabilities (current)	5,479,046	6,365,150	6,356,995	18,201,191
Derivative liabilities	-	-	-	-
Accumulated other comprehensive income				
Gain on valuation of derivatives	28,618	11,863	18,044	58,525
Loss on valuation of derivatives	-	-	-	-
Non-operating income/expenses				
Gain on valuation of derivatives	-	-	-	-
Loss on valuation of derivatives	5,516,800	6,380,800	6,380,800	18,278,400

(2) Interest Rate Swap

As of December 31, 2009, the Company has interest rate swap contract to manage the exposure to changes in cash flow with regard to interest rates of float rate long-term borrowings from banks in accordance with its interest rate risk management policy.

Details of the swap contracts as of December 31, 2009 are as follows:

(Unit: KRW thousand)

Counterparty	Starting Date	Maturity	Principal amount	Description
Korea Development Bank	2008.10.17	2010.10.18	10,000,000	Paying 7.13% in fixed rate Taking CD (91-days) +1.53%in floating rate
Korea Exchange Bank	2008. 8.19	2011. 8.19	50,000,000	Paying 6.68% in fixed rate Taking CD (91-days) +1.00% in floating rate

In relation to the above contracts, the following items are recognized in the Company's financial statements for the years ended December 31, 2009 and for the year ended December 31, 2008:

1) For the year ended December 31, 2009

(Unit: KRW thousand)

Description		Korea Development Bank	Korea Exchange Bank	Total
		(Cash flow hedge purpose)	(Cash flow hedge purpose)	
Assets/Liabilities	Derivative liabilities (current)	229,728	1,412,824	1,642,552
	Derivative liabilities	-	675,427	675,427
Accumulated other comprehensive income(loss)	Gain on valuation of derivatives	-	-	-
	Loss on valuation of derivatives	(174,134)	(1,597,754)	(1,771,888)
Non-operating income/expenses	Gain on valuation of derivatives	-	-	-
	Loss on valuation of derivatives	-	-	-

(*1) After the loans have been repaid, the terms for the original loans such as interest rate swap remained and applied to the refinanced loan. Therefore, the accounting treatment for this transaction has been changed from derivatives for trading purposes to derivatives for cash flow hedge purposes.

2) For the year ended December 31, 2008

(Unit: KRW thousand)

Description		Korea Development Bank	Korea Exchange Bank	Total
		(Cash flow hedge purpose)	Trading purpose(*1)	
Assets/Liabilities	Derivative assets	99,221	-	99,221
	Derivative liabilities	-	218,573	218,573
Accumulated other comprehensive income(loss)	Gain on valuation of derivatives	77,393	-	77,393
	Loss on valuation of derivatives	-	-	-
Non-operating income/expenses	Gain on valuation of derivatives	-	-	-
	Loss on valuation of derivatives	-	218,573	218,573

(*1) Cash flow hedging accounting is seized as the borrowings for hedging purposes is repaid and loss on valuation of derivatives which was presented as accumulated other comprehensive loss is now recognized in the statements of income.

The Company re-borrowed the long-term borrowings of ₩50,000,000 thousand which was repaid to Korea Exchange Bank as of November 20, 2008, under the terms of related interest rate swap contract. Therefore, the Company has applied cash flow hedge accounting for the periods from the date of re-borrowing and the maturity date of the related interest rate swap contract.

13. PROVISIONS:

(1) Provisions for EZ-points and EZ-money

In order to stay competitive and keep loyal customers, the Company offers its customers EZ-point(mileage points) and EZ-money with the reward programs. The customers earn EZ points and EZ money points based on the monthly wireless service usage and those points are accounted for as provisions based on estimations from the past experiences and with the operating policies. Details of changes in the provisions for EZ- points and EZ-money points for the years ended December 31, 2009 and 2008 are as follows (Unit: KRW thousand):

1) For the year ended December 31, 2009

(Unit: KRW thousand)

Description	Mileage Points	EZ-money Points	Total
Beginning balance	21,921,613	345,623	22,267,236
Increase	10,281,915	11,032	10,292,947
Decrease	(13,986,499)	(22,742)	(14,009,241)
Ending balance	18,217,029	333,913	18,550,942

2) For the year ended December 31, 2008

(Unit: KRW thousand)

Description	Mileage Points	EZ-money Points	Total
Beginning balance	4,216,089	366,330	4,582,419
Increase	19,996,131	18,589	20,014,720
Decrease	(2,290,607)	(39,296)	(2,329,903)
Ending balance	21,921,613	345,623	22,267,236

The reward points are redeemable for five years, and the points unused for five years will automatically expire on a monthly basis.

(2) Provisions for restoration

Details of changes in the provisions for restoration for the year ended December 31, 2009 are as follows:

(Unit: KRW thousand)

Description	Provisions for restoration
Beginning balance	-
Increase(Note 9)	22,551,191
Decrease	-
Ending balance	22,551,191

14. COMMITMENTS AND CONTINGENCIES:

(1) The Company has agreed on the credit limit on issuance of commercial paper(CP) and the other borrowings for ₩405,000,000 thousand with several banks including Hana Bank. Among the agreements, the limit for bank overdraft was agreed to ₩30,000,000 thousand with Woori Bank and Hana Bank.

(2) As of December 31, 2009, the Company has entered into agreements with Woori Bank on the limit of B2B for ₩301,000,000 thousand in order to pay off the trade accounts payable. Among the agreements, the Company has entered into an electronic secured borrowing contract, where the Company guarantees the payments up to ₩70,000,000 thousand for vendors who discount the accounts receivable due from the Company prior to its maturity. In addition, the Company has an agreement with Industrial Bank of Korea on the limit of corporate purchasing cards for ₩9,500,000 thousand.

(3) As of December 31, 2009, the Company has contracts to purchase telecommunication equipments amounting to ₩55,525,691 thousand from the related party, LG-Nortel Co., Ltd.

(4) On June 17, 2009, the Company terminated contracts with Kookmin Bank regarding asset management consignment and trustee service in connection with the transferred assets to Music On 3rd Securitization Specialty, LLC (Note 4).

(5) The Company is a defendant of 26 lawsuits involving ₩1,965,165 thousand in damages as of December 31, 2009. The management of the Company believes that these lawsuits would not result in a material loss for the Company.

(6) As of December 31, 2009, a note (face value: ₩30,000,000 thousand) is pledged to Woori Bank in relation to the long-term debts (Note 11).

15. PLAN ASSETS FOR PENSION:

In order to pay off the severance benefits to the employees in the future, the Company has entered into pension insurance contract which employees are beneficiaries. Contributions made were accounted for as plan assets and presented as deduction from accrued severance benefits. As of December 31, 2009, the total amounts of plan assets are invested in fixed rated financial instruments.

16. CAPITAL STOCK AND CAPITAL SURPLUS:

(1) Capital stock

Details of capital stock as of December 31, 2009 are as follows:

Type of stock	Number of authorized shares	Par value	Number of issued shares	Amount of capital stock
Common stock	450,000,000 shares	₩5,000	277,278,430 shares	₩1,386,392,150 thousand

(2) Capital surplus

The Company's capital surplus is surplus on stock issuance and may only be used to offset future deficit, if any, or may be transferred to capital stock.

(3) Legal reserve

Legal reserve as of December 31, 2009 and 2008 is all earned surplus reserve. The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit.

(4) Treasury stock

LG Dacom Corp. and LG Powercom Corp. were merged into the Company on January 1, 2010 (merger date). For this reason, the Company purchased ₩20,227,229 shares of treasury stocks (the purchase price: 8,748 per share) from the shareholders who exercised appraisal rights of dissenting shareholders on December 30, 2009. The total amounts spent for purchasing treasury stock, ₩176,947,799 thousand, are accounted for as capital adjustment. In compliance with Article 165-5, Section 4 in Capital Market and Financial Investment Business Act and Article 176-7, Section 3 in its enforcement decree, the Company plans to dispose treasury stock within three years from the date of purchases.

17. DIVIDENDS:

Dividends for the years ended December 31, 2009 and 2008 are calculated as follows (Unit: KRW in thousands, except for number of shares):

(1) Dividends

Description	2009	2008
Number of common shares issued and outstanding	277,278,430	277,278,430
Number of treasury stock	20,227,229	-
Number of dividend payout shares	257,051,201	277,278,430
Dividends per share (ratio) (Unit: KRW)	350(7%)	200(4%)
Total dividends (Unit: KRW thousand)	89,967,920	55,455,686

(2) Dividend yield ratio

Description	2009	2008
Dividends per share (Unit: KRW)	350	200
Stock price as of period end (Unit: KRW)	8,490	9,930
Dividend yield ratio	4.12%	2.01%

(3) Dividend payout ratio

Description	2009	2008
Cash dividends	89,967,920	55,455,686
Net income	308,124,818	283,559,473
Dividend payout ratio	29.20%	19.56%

18. STATEMENTS OF COMPREHENSIVE INCOME:

Comprehensive income for years ended December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

Description	2009	2008
Net income	308,124,818	283,559,473
Accumulated other comprehensive income (loss):	(3,018,436)	(6,468,523)
Gain on valuation of available-for-sale securities (Tax effect- 2009: (69,974) and 2008: 2,493,404)	248,088	(8,840,250)
Loss on valuation of available-for-sale securities (Tax effect- 2009: 459,376 and 2008: 511,378)	(1,628,697)	(1,813,066)
Gain on valuation of cash-flow-hedging derivatives (Tax effect- 2009: 3,144 and 2008: 21,829)	(18,868)	77,393
Loss on valuation of cash-flow-hedging derivatives (Tax effect- 2009 : 14,182 and 2008: 1,236,732)	(1,594,442)	2,996,718
Gain on valuation of investment securities accounted for using the equity method	-	1,110,682
Loss on valuation of investment securities accounted for using the equity method	(24,517)	-
Comprehensive income	305,106,382	277,090,950

19. INCOME TAX:

(1) Income tax expense for the years ended December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

Description	2009	2008
Current income tax payable	57,768,198	66,452,657
Changes in deferred tax assets:		
Temporary differences	5,725,190	16,812,811
Tax credit carry-forwards	(13,019,957)	(6,364,577)
Tax effect related to the change in other comprehensive income	406,729	2,422,264
Income tax expense	50,880,160	79,323,155
Income before income tax expense	359,004,978	362,882,628
Effective tax rate(Income tax expense / Income before income tax expense)	14.17%	21.86%

(2) The reconciliation between net income before income tax expense and income tax expense for years ended December 31, 2009 and 2008 is as follows:

(Unit: KRW thousand)

Description	2009	2008
Net income before income tax expense	359,004,978	362,882,628
Tax expense calculated on book income	86,855,004	99,761,923
Adjustments:		
Non-taxable income	(5,592)	(3,997,804)
Non-deductible expense	408,400	2,591,476
Tax credits	(27,725,616)	(34,961,073)
Additional income tax	1,730,281	1,195,871
Unrealizable temporary differences	(825,127)	-
Others (*1)	(9,557,190)	14,732,762
Income tax expense	50,880,160	79,323,155

(*1) It is resulted from applying different tax rates: 24.19% to the current quarter's net amount of non-taxable income and non-exempt expense and 24.2% applied to the amount of the taxable income over ₩200,000 thousand.

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(3) Changes in cumulative temporary differences for the years ended December 31, 2009 and 2008 are as follows (Unit: KRW thousand):

1) For the year ended December 31, 2009

(Unit: KRW thousand)

Description	Temporary differences			Timing of reversal	
	January 1, 2009	Increase (Decrease)[*1]	December 31, 2009	Current	Non-current
Provision for severance benefits	27,219,752	(2,170,409)	25,049,343	-	25,049,343
Allowance for doubtful accounts	140,489,865	(11,089,642)	129,400,223	129,400,223	-
Loss on valuation of inventories	11,883,612	(1,043,305)	10,840,307	10,840,307	-
Electromagnetic wave fees	10,925,172	705,622	11,630,794	11,630,794	-
Taxes and dues	19,841,866	3,840,595	23,682,461	23,682,461	-
Contributions	14,467,638	742,411	15,210,049	15,210,049	-
Incentive payment	14,749,165	(7,224,352)	7,524,813	7,524,813	-
Cost of repairs	2,142,850	563,146	2,705,996	2,705,996	-
Employee welfares	3,467,298	3,054,374	6,521,672	6,521,672	-
Depreciation expenses	135,757,696	12,549,852	148,307,548	-	148,307,548
Provisions	22,267,237	(3,716,295)	18,550,942	18,550,942	-
Available-for-sale securities	25,746,114	124,203	25,870,317	-	25,870,317
Loss on impairment of investment securities	2,000,000	-	2,000,000	-	2,000,000
Losses on valuation of investment securities	2,322,383	1,770,013	4,092,396	-	4,092,396
Loss on valuation of derivatives (Accumulated other comprehensive income)	2,098,751	142,019	2,240,770	1,565,343	675,427
Derivatives assets (Non-operating income/loss)	(20,687,101)	38,965,501	18,278,400	18,278,400	-
Amortization expenses on intangible assets	5,801,497	(242,041)	5,559,456	-	5,559,456
Fictitious dividend(CS Leader)	-	-	160,329	-	160,329
Government subsidy	836,319	190,359	1,026,678	-	1,026,678
Goodwill	17,888,552	(3,895,667)	13,992,885	-	13,992,885
Available-for-sale securities (Valuation of equity method securities)	3,940,903	(530,338)	3,410,565	-	3,410,565
Others	826,472	(154,336)	672,136	-	672,136
Gain/loss on foreign currency translation	63,478,624	(63,477,152)	1,472	1,472	-
Uncollectible accounts	-	7,009,339	7,009,339	-	7,009,339
Loss on valuation of investment securities accounted for using the equity method	-	24,517	24,517	-	24,517
Rehabilitation allowance	-	22,551,191	22,551,191	-	22,551,191
Subtotal of temporary differences to be deducted	507,624,994	(1,310,395)	506,314,599	245,912,472	260,402,127
Accrued interest income	(162,612)	155,319	(7,293)	(7,293)	-
Deposits for severance benefits	(25,435,684)	386,341	(25,049,343)	-	(25,049,343)
Interest expense (Capitalized interest expense)	(22,479,032)	4,967,477	(17,511,555)	-	(17,511,555)
Sales	(2,334,612)	186,764	(2,147,848)	(2,147,848)	-
Gain on valuation of investment securities accounted for using the equity method	(1,110,682)	-	(1,110,682)	-	(1,110,682)
Gain/loss on foreign currency translation	(4,552)	(16,422,053)	(16,426,605)	(16,426,605)	-
Estimated assets of rehabilitation expense	-	(10,682,484)	(10,682,484)	-	(10,682,484)
Subtotal of temporary differences to be added	(51,527,174)	-	(72,935,810)	(18,581,746)	(54,354,064)
Unrealizable temporary differences	160,329	-	2,484,729	-	2,484,729
Total of temporary differences for deferred income tax calculation	455,937,491	-	430,894,060	227,330,726	203,563,334
Tax rate [*2]	24.2%(22.0%)	-	24.2%(22.0%)	24.2%	22.0%
Income tax effect due to temporary differences	105,523,160	-	99,797,969	55,014,035	44,783,934
Income tax effect due to tax credit carry forwards	92,836,091	-	105,856,048	25,205,106	80,650,942
Deferred income tax assets	198,359,251	-	205,654,017	80,219,141	125,434,876

(*1) Temporary differences at January 1, 2009 and 2008 are resulted from the deferred tax assets and liabilities and adjusted based on the actual income tax. These changes through actual tax reconciliation are reflected in increase and decrease of temporary differences for the years ended December 31, 2009 and 2008.

(*2) The tax rate is the enacted marginal tax rate that is expected to be applied to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized.

2) For the year ended December 31, 2008

(Unit: KRW thousand)

Description	Temporary differences			Timing of reversal	
	January 1, 2008	Increase (Decrease)(*1)	December 31, 2008	Current	Non-current
Provision for severance benefits	22,098,267	5,121,485	27,219,752	-	27,219,752
Allowance for doubtful accounts	159,874,963	[19,385,098]	140,489,865	140,489,865	-
Loss on valuation of inventories	7,210,503	4,673,109	11,883,612	11,883,612	-
Electromagnetic wave fees	10,297,036	628,136	10,925,172	10,925,172	-
Taxes and dues (Universal telecommunication service)	17,232,609	2,609,257	19,841,866	19,841,866	-
Contributions(R&D expense)	13,877,822	589,816	14,467,638	14,467,638	-
Cost of repairs	308,480	1,834,370	2,142,850	2,142,850	-
Employee welfares	-	3,467,298	3,467,298	3,467,298	-
Depreciation expenses	119,051,111	16,706,584	135,757,695	-	135,757,695
Provisions	4,582,419	17,684,818	22,267,237	22,267,237	-
Available-for-sale securities	25,996,065	[249,951]	25,746,114	-	25,746,114
Loss on impairment of investment securities(HTM)	2,000,000	-	2,000,000	-	2,000,000
Derivatives assets (Non-operating income/loss)	44,356,885	[65,043,986]	[20,687,101]	[20,687,101]	-
Amortization expenses on intangible assets	5,638,293	163,204	5,801,497	-	5,801,497
Fictitious dividend(CS Leader)	160,329	-	160,329	-	160,329
Government subsidy	2,151,700	[1,315,381]	836,319	-	836,319
Goodwill	16,759,826	1,128,726	17,888,552	17,888,552	-
Loss on valuation of derivatives (Accumulated other comprehensive income)	6,431,422	[4,332,671]	2,098,751	2,197,972	[99,221]
Available-for-sale securities (Valuation of equity method securities)	996,387	2,944,516	3,940,903	-	3,940,903
Gain on valuation of investment securities accounted for using the equity method	-	[1,110,682]	[1,110,682]	-	[1,110,682]
Incentive payments	13,928,400	820,765	14,749,165	14,749,165	-
Others	1,060,556	[234,084]	826,472	-	826,472
Gain/loss on foreign currency translation	-	63,474,072	63,474,072	[4,552]	63,478,624
Subtotal of temporary differences to be deducted	474,013,073	30,174,303	504,187,376	239,629,574	264,557,802
Accrued interest income	[164,124]	1,512	[162,612]	[162,612]	-
Liabilities for severance benefits	[1,982,717]	[23,452,967]	[25,435,684]	-	[25,435,684]
Leased assets (Depreciation expenses)	[2,782,925]	2,782,925	-	-	-
Interest expense (Capitalized interest expense)	[11,237,191]	[11,241,841]	[22,479,032]	-	[22,479,032]
Sales	[1,129,022]	[1,205,590]	[2,334,612]	[2,334,612]	-
Loss on valuation of available-for-sale securities	[12,195,665]	14,518,048	2,322,383	-	2,322,383
Short-term investment securities	[171,780]	171,780	-	-	-
Subtotal of temporary differences to be added	[29,663,424]	[18,426,133]	[48,089,557]	[2,497,224]	[45,592,333]
Unrealizable temporary differences	160,329	-	160,329	-	160,329
Total of temporary differences for deferred income tax calculation	444,189,320	11,748,170	455,937,490	237,132,350	218,805,140
Tax rate (*2)	27.5%	-	24.2%[22.0%]	24.2%	22.0%
Income tax effect due to temporary differences	122,152,062	[16,628,902]	105,523,160	57,386,029	48,137,131
Income tax effect due to tax credit carry forwards	86,471,514	6,364,577	92,836,091	38,477,023	54,359,068
Deferred income tax assets	208,623,576	-	198,359,251	95,863,052	102,496,199

(*1) Temporary differences at January 1, 2009 and 2008 are resulted from the deferred tax assets and liabilities and adjusted based on the actual income tax. These changes through actual tax reconciliation are reflected in increase and decrease of temporary differences for the years ended December 31, 2009 and 2008.

(*2) The tax rate is the enacted marginal tax rate that is expected to be applied to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized.

(4) Temporary differences not recognized as deferred income tax assets/liabilities as of December 31, 2009 and 2008 are as follows:

(Unit: KRW thousand)

Description	2009	2008
Deemed dividends (CS Leader)	160,329	160,329
Investment securities accounted for using the equity method	3,410,565	-
Negative changes in equity using the equity method	24,517	-
Changes in equity using the equity method	[1,110,682]	-
Total	2,484,729	160,329

(5) Deferred income tax assets (liabilities) directly charged/credited to shareholders' equity as of December 31, 2009 and 2008 are as follows

(Unit: KRW thousand)

Description	2009			2008		
	Gross	Tax effect	Net of tax	Gross	Tax effect	Net of tax
Gain on valuation of available-for-sale securities	320,122	[70,427]	249,695	2,060	[453]	1,607
Loss on valuation of available-for-sale securities	[4,412,517]	970,754	[3,441,763]	[2,324,443]	511,377	[1,813,066]
Gain on valuation of cash-flow-hedging derivatives	77,210	[18,685]	58,525	99,221	[21,828]	77,393
Loss on valuation of cash-flow-hedging derivatives	[2,317,980]	546,092	[1,771,888]	[709,355]	531,909	[177,446]
Total	[6,333,165]	1,427,734	[4,905,431]	[2,932,517]	1,021,005	[1,911,512]

(6) Prepaid income tax and income tax payable before and after offsetting as of December 31, 2009 and 2008 are as follows:

(Unit: KRW thousand)

Description	2009	2008
Prepaid income tax before offsetting	300,691	420,574
Income tax payable before offsetting	31,212,729	36,832,356
Income tax payable after offsetting	30,912,038	36,411,782

20. EARNINGS PER SHARE:

Earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Earnings per share for the years ended December 31, 2009 and 2008 is calculated as follows:

(Unit: KRW, shares)

Description	2009	2008
Net income	308,124,816,841	283,559,473,401
Weighted average number of common shares outstanding[*1]	277,167,596	277,278,430
Earnings per share	1,112	1,023

(*1) The Company acquired 20,227,229 shares of treasury stock for the year ended December 31, 2009, and treasury stock is reflected in the computation of the weighted average number of common shares outstanding.

21. RELATED PARTY TRANSACTIONS:

(1) The Company's ultimate parent company is LG Corporation.

(2) Significant transactions, which occurred in the normal course of business with related parties for the years ended December 31, 2009 and 2008, are as follows:

(Unit: KRW thousand)

Description	2009		2008	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Parent company:				
LG Corporation	228,930	9,835,805	20,163	9,516,356
Associates:				
Korea Smart Card	21,057	2,878,085	21,168	1,760,434
CS Leader	23,539	42,786,919	34,082	37,829,930
Ain Teleservice	12,622	53,449,715	16,552	46,311,367
Other related parties:				
LG Electronics Inc.	1,160,872	602,645,820	756,652	621,257,420
Hiplaza Co., Ltd.	16,425,058	12,397,005	7,013,140	4,667,739
LG Dacom Corp.	45,064,459	26,254,016	29,002,151	7,975,883
LG CNS Co., Ltd.	209,037	87,217,200	206,615	89,540,657
LG Powercom Corp.	1,138,157	228,070,414	1,185,926	184,692,457
LG Management Development Institute	33,128	2,138,844	35,620	1,965,893
Dacom Multimedia Internet Corp.	532	1,000,377	778	69,540
LG-Nortel Co., Ltd.	18,233	91,036,128	15,654	224,837,115
Serveone	39,990	67,667,539	30,774	47,771,006
Others	2,015,446	13,872,861	985,339	14,423,478
Total	66,391,060	1,241,250,728	39,324,614	1,292,619,275

Acquisition of property and equipment amounted to ₩180,220,176 thousand and ₩313,882,225 thousand for the year ended December 31, 2009 and 2008, respectively, are included in the purchases and others.

(3) The related parties' transactions that are outstanding as of December 31, 2009 and 2008 are as follows:

(Unit: KRW thousand)

Description	2009		2008	
	Receivables	Payables	Receivables	Payables
Parent company:				
LG Corporation	35,177	320,556	9,614	423,578
Associates:				
Korea Smart Card	69,094	69,529	16,469	81,722
CS Leader	-	4,086,444	5,311	714,025
Ain Teleservice	-	4,275,348	-	239,625
Other related parties:				
LG Electronics Inc.	70,000	93,531,701	70,000	106,627,670
Hiplaza Co., Ltd.	911,924	2,078,318	285,365	614,829
LG Dacom Corp.	993,605	772,496	5,328,343	16,168,792
LG CNS Co., Ltd.	-	29,149,685	-	30,315,962
LG Powercom Corp.	183,899	15,944,813	193,085	12,270,164
LG Management Development Institute	1,740,000	98,986	1,740,000	97,932
Dacom Multimedia Internet Corp.	-	118,052	-	-
LG-Nortel Co., Ltd.	-	70,350,847	-	102,066,028
Serveone	10,686,460	15,525,571	10,692,756	10,119,317
Others	241,220	8,823,785	241,220	12,896,495
Total	14,931,379	245,146,131	18,582,163	292,636,139

Leasehold guarantee deposits received from and paid to related parties are included in receivables and payables.

(4) The compensation and benefits for the Company's key management including directors and executive officers, who have significant control and responsibilities on planning, operating and controlling the Company's business activities for the years ended December 31, 2009 and 2008 are summarized below:

(Unit: KRW thousand)

Description	2009	2008
Short-term employee benefits	8,223,138	8,776,735
Post-employment benefits (*1)	1,124,355	3,013,393
Total	9,347,493	11,790,128

(*1) The above balances refer to severance benefit expenses incurred for key management as of December 31, 2009 and 2008. Accrued severance benefits for key management amount to ₩7,616,055 thousand and ₩6,914,200 thousand for the years ended December 31, 2009 and 2008, respectively.

22. SEGMENT INFORMATION:

(1) General information of business segment

The Company's operations are classified into two business segments: PCS service business, which provides the subscribers with personal communication services, and PCS handset business, which sells PCS handsets to the subscribers.

(2) Financial information by business segment

Summarized financial information by business segment for the years ended December 31, 2009 and 2008 are as follows:

(Unit: KRW thousand)

Description	PCS service business		PCS handset business	
	2009	2008	2009	2008
Sales	3,577,181,697	3,432,304,537	1,371,938,073	1,365,646,219
Operating income(loss)	13,871,113	(12,738,593)	373,076,880	391,788,003
Non-current assets	2,717,314,258	2,674,163,447	-	-
Depreciation and amortization	449,041,701	399,783,588	-	-

23. SELLING AND ADMINISTRATIVE EXPENSES:

The Company's selling and administrative expenses for the years ended December 31, 2009 and 2008 consist of the following:

(Unit: KRW thousand)

Description	2009	2008
Salaries	13,828,069	26,550,052
Provision for severance benefits	1,665,599	2,681,280
Employee benefits	3,903,181	13,417,311
Taxes and dues	1,681,903	1,555,016
Rent	716,164	2,187,918
Depreciation	8,216,858	5,997,301
Commissions	21,325,367	17,911,125
Bad debt expense	35,780,663	45,964,227
Others	5,197,456	4,675,435
Total	92,315,260	120,939,665

24. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2009 and 2008 are as follows:

(Unit: KRW thousand)

Description	2009		2008	
	Foreign currencies	KRW equivalent	Foreign currencies	KRW equivalent
Cash and cash equivalents	USD 9,342,86	10,910	USD 19,028.8	23,929
	EUR 0.55	1	-	-
Short-term borrowing	USD 48,000,000	56,044,800	-	-
Current maturities of long-term debts	USD 48,000,000	56,044,800	USD 200,000,000	251,500,000

25. VALUE ADDED INFORMATION:

Value added information for the years ended December 31, 2009 and 2008 is as follows

(Unit: KRW thousand)

Description	2009			2008
	Cost of sales	Expense	Total	
Salaries	109,967,773	13,828,069	123,795,842	127,896,003
Provision for severance benefits	8,808,051	1,665,599	10,473,650	12,412,332
Employee benefits	30,538,762	3,903,181	34,441,943	38,099,569
Rent	165,266,288	716,164	165,982,452	190,122,753
Depreciation	431,487,113	8,216,858	439,703,971	398,686,330
Amortization	9,337,730	-	9,337,730	1,097,258
Taxes and dues	13,198,858	1,681,903	14,880,761	19,232,785
Total	768,604,575	30,011,774	798,616,349	787,547,030

26. STATEMENTS OF CASH FLOWS:

Significant transactions not involving cash flows for the years ended December 31, 2009 and 2008 are as follows:

(Unit: KRW thousand)

Description	2009	2008
Gain/loss on valuation of available-for-sale securities	1,770,012	14,518,048
Transfer to trade accounts receivable from long-term trade accounts receivable	117,604,231	197,692,817
Transfer to investment securities accounted for using the equity method from long-term investment securities	-	2,450,040
Transfer to foregift from prepaid expenses	-	11,886,686
Transfer to prepaid expenses from long-term prepaid expenses	9,112,897	28,119,757
Retirement of trade accounts receivable	42,628,988	48,545,918
Transfer to buildings from construction-in-progress	-	126,537,962
Transfer to telecommunication facilities from construction-in-progress	119,148,615	384,467,494
Transfer to tools, furniture, fixture and others from construction-in-progress	29,608,033	-
Current portion of long-term borrowings, debenture and long-term lease account payable	204,986,553	427,654,769
Transfer to advanced income from long-term advanced income	916,320	3,439,218

27. CONDENSED FINANCIAL INFORMATION FOR THE FOURTH QUARTER PERIOD:

Condensed financial information (based on unaudited financial statements) for the fourth quarter periods ended December 31, 2009 and 2008 are as follows :

(Unit: KRW thousand)

Description	2009. 4Q	2008. 4Q
Sales	1,204,292,087	1,179,279,059
Cost of sales	1,077,634,152	1,069,849,903
Operating income	74,987,646	71,287,424
Net income	61,416,027	40,521,868
Net income per share (Unit: KRW)	222	146

28. SUBSEQUENT EVENT

On October 15, 2009, the Company has entered into an agreement of acquisition with LG Dacom Corp. and LG Powercom Corp., which was approved by its board of directors on October 15, 2009. Under the terms of agreements, LG Dacom and LG Powercom are merged into the Company (effective date: January 1, 2010). By enhancing efficiency of operations and maximize synergy effect on the wire and wireless communication business, the Company will be one step closer to become a globally competitive telecommunication company and be able to actively adapt the change in the internal and external business environment.

On January 2, 2010, the Company issued 237,515,405 shares of its common stock (face value: ₩5,000 per share) to the shareholders of LG Dacom and LG Powercom (one share of LG Dacom was exchanged for 2.1488702 shares of the Company; one share of LG Powercom was exchanged for 0.7421356 shares of the Company). The registered common stocks of LG Powercom owned by LG Dacom were not exchanged for the new stocks.

From the fiscal year 2010, the Company is planning to adopt the Korean International Financial Reporting Standard("K-IFRS") early. Such transaction is going to be accounted for using the acquisition method of accounting under K-IFRS. As of the auditor's report date, the Company is still reviewing the transaction to be in accordance with K-IFRS; therefore the financial effects in relation to the acquisition are not disclosed.

29. K-IFRS INTRODUCTION PLAN AND CURRENT STATUS:

While all the listed companies are required to prepare the financial statements in accordance with K-IFRS from 2011, the Company has decided early adoption of K-IFRS starting from 2010. The plans and the current status on the plans are as follows:

(1) Preparation for adopting K-IFRS

The Company organized and nominated a group of employees just to manage all the related matters for the early adoption of K-IFRS. The group has been reporting to the management of all the financial effects and the results. In addition, the Company hired the external consultants from year 2007 to complete the major difference analysis between K-GAAP and K-IFRS for the first phase of the plan. Based on the differences analyzed from the first phase, the management determined its position and made judgments on those and completed the Company's accounting policy to comply with K-IFRS during the second phase. At the third phase, the Company is preparing the financial statements in accordance with K-IFRS starting from the transition date to K-IFRS.

(2) The major differences between K-GAAP and K-IFRS

Issue	K-GAAP	K-IFRS
Recognition of subscription revenue	The subscription fees that are collected from the customers when subscribing to PCS services are as a whole recognized as it occurs.	The subscription fees are seen as part of the PCS service revenue; therefore, the revenue shall be recognized over the expected service period.
Trade accounts receivable	Allowance for bad debt shall be determined reasonably and objectively based on the expected future cash inflows.	For the accounts receivable that are individually significant, it shall be tested individually for the impairment. And for the rest, it shall be tested collectively for impairment as a group with similar credit risks.
Initial measurement of financial instruments	Some of financial instruments such as loans or receivables expecting to have the future cash flows over the long period of time, are accounted for as nominal value.	For the initial measurement of financial instruments expecting to have the future cash flows over the long period of time, it shall be measured by using the present value. The effective interest rate method shall be used for the subsequent measurement.
Derecognition of assets	Transfer of accounts receivable to SPCs are treated as a sale of assets.	Since the transfer of accounts receivable to SPCs does not meet the requirements of the derecognition of assets, it shall be accounted for as borrowings.
Classification of memberships	It is classified as non-current other assets.	It is classified as intangible assets with indefinite useful lives.
Classification of investment property	Investment properties held to earn rentals or for capital appreciation are accounted for as tangible assets.	Investment properties held to earn rentals or for capital appreciation are accounted for as investment properties.
Investment in subsidiaries and affiliates	The investments in subsidiaries or affiliates are accounted for using the equity method of accounting for the individual financial statements.	The investments in subsidiaries or affiliates are accounted for using the cost method of accounting for the separate financial statements.
Measurement of post-employment benefits	The severance benefits are calculated based on the assumption that all the employees are paid on the period end date.	It requires to use the Projected Unit Credit Method based on the actuarial measurement to measure its obligations.
Presentation of deferred taxes	Deferred tax assets and liabilities are classified as current and non-current.	Deferred tax assets and liabilities classified as current shall be non-current.
Customer loyalty program	Estimated costs for reward points, which are already earned by customers and expected to be redeemed in the future shall be accounted for as provisions and expenses.	Some proportion of revenue generated from providing PCS services is allocated into the reward points and such amounts of revenue are deferred. When the reward points are redeemed, it shall be recognized as revenue.

(3) Basis for consolidation

With the application of K-IFRS as of December 31, 2009, the subsidiaries of the Company that are required to be consolidated under K-IFRS are changed as follows:

K-GAAP	K-IFRS	Difference
N/A	CS Leader Ain Teleservice	They were excluded for consolidation under the Act on External Audit of Stock Companies and K-GAAP.

(4) Impacts on the financial position and financial results

1) As of January 1, 2009, the effects on the financial position by adopting K-IFRS are as follows:

(Unit: KRW million)

Description	Assets	Liabilities	Equity
K-GAAP	3,858,463	1,891,384	1,967,079
Adjustment:			
Investment securities using the equity method(*1)	1,834	-	1,834
Impairment of trade accounts receivable (*2)	28,455	-	28,455
Derecognition of financial assets(*3)	100,000	100,000	-
Actuarial measurement of employee benefits(*4)	-	(4,509)	4,509
Recognition of subscription fees(*5)	-	73,126	(73,126)
Provisions for restoration(*6)	12,415	23,064	(10,649)
Deferred taxes and income tax expenses(*7)	11,777	-	11,777
Total	154,481	191,681	(37,200)
K-IFRS	4,012,944	2,083,065	1,929,879

(*1) The cost method of accounting is applied to the subsidiaries and affiliates that were accounted for using the equity method under K-GAAP.

(*2) For the accounts receivable that are individually significant, it shall be tested individually for the impairment. And for the rest, it shall be tested collectively for impairment as a group with similar credit risks.

(*3) Transfer of trade accounts receivables to SPCs which does not meet the definition of 'derecognition of financial assets' is accounted for as borrowings.

(*4) It requires to use the Projected Unit Credit Method based on the actuarial measurement to measure its obligations and any gains or losses shall be reflected.

(*5) The revenue is deferred over the expected customer retention period.

(*6) The provisions need to be recognized based on the exemptions under K-IFRS 1101 that was not recognized under K-GAAP.

(*7) The tax effects resulted from the above items.

2) As of December 31, 2009, the effects on the financial position by adopting K-IFRS are as follows:

(Unit: KRW million)

Description	Assets	Liabilities	Equity
K-GAAP	4,027,793	1,988,011	2,039,782
Adjustment:			
Investment securities using the equity method (*1)	1,330	-	1,330
Impairment of trade accounts receivable(*2)	2,176	-	2,176
Derecognition of financial assets(*3)	(2,307)	-	(2,307)
Actuarial measurement of employee benefits (*4)	-	(1,967)	1,967
Recognition of subscription fees(*5)	-	76,312	(76,312)
Provisions for restoration(*6)	2,122	2,294	(172)
Deferred taxes and income tax expenses(*7)	17,307	-	17,307
Total	20,628	76,639	(56,011)
K-IFRS	4,048,421	2,064,650	1,983,771

(*1) The cost method of accounting is applied to the subsidiaries and affiliates that were accounted for using the equity method under K-GAAP.

(*2) For the accounts receivable that are individually significant, it shall be tested individually for the impairment. And for the rest, it shall be tested collectively for impairment as a group with similar credit risks.

(*3) Transfer of trade accounts receivables to SPCs which does not meet the definition of 'derecognition of financial assets' is accounted for as borrowings.

(*4) It requires to use the Projected Unit Credit Method based on the actuarial measurement to measure its obligations and any gains or losses shall be reflected.

(*5) The revenue is deferred over the expected customer retention period.

(*6) The provisions need to be recognized based on the exemptions under K-IFRS 1101 that was not recognized under K-GAAP.

(*7) The tax effects resulted from the above items.

3) The effects on the results of operations by adopting K-IFRS are as follows:

(Unit: KRW million)

Description	Net Income	Comprehensive Income
K-GAAP	308,125	1,988,011
Adjustment:		
Investment securities using the equity method(*1)	(528)	(503)
Impairment of trade accounts receivable(*2)	(26,279)	(26,279)
Derecognition of financial assets(*3)	(2,307)	(2,307)
Actuarial measurement of employee benefits(*4)	481	(2,542)
Recognition of subscription fees(*5)	(3,186)	(3,186)
Provisions for restoration(*6)	10,477	10,477
Deferred taxes and income tax expenses(*7)	5,531	5,531
Total	(15,811)	(18,809)
K-IFRS	292,314	286,297

(*1) The cost method of accounting is applied to the subsidiaries and affiliates that were accounted for using the equity method under K-GAAP.

(*2) For the accounts receivable that are individually significant, it shall be tested individually for the impairment. And for the rest, it shall be tested collectively for impairment as a group with similar credit risks.

(*3) Transfer of trade accounts receivables to SPCs which does not meet the definition of 'derecognition of financial assets' is accounted for as borrowings.

(*4) It requires to use the Projected Unit Credit Method based on the actuarial measurement to measure its obligations and any gains or losses shall be reflected.

(*5) The revenue is deferred over the expected customer retention period.

(*6) The provisions need to be recognized based on the exemptions under K-IFRS 1101 that was not recognized under K-GAAP.

(*7) The tax effects resulted from the above items.

Report on the Operations of the Internal Accounting Control System

English Translation of a Report Originally Issued in Korean

To the Board of Directors and Auditors of
LG Telecom, Ltd.

I, as the Internal Accounting Control Officer ("IACO") of LG Telecom, Ltd. ("the Company"), assessed the status of the design and operations of the Company's Internal Accounting Control System ("IACS") for the year ended December 31, 2009.

The Company's management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standard for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2009, in all material respects, in accordance with the IACS standards.

February 3, 2010

CEO / Lee, Sang Cheol



Internal Auditor / Sung, Ki Sup



LG Telecom 2009
Independent Accountant's Review Report
on Internal Accounting Control System (IACS)

LG Telecom
2009 Audit Report

Independent Accountant's Review Report on Internal Accounting Control System (IACS)

English Translation of a Report Originally Issued in Korean

To the Representative Director of
LG Telecom, Ltd.

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of LG Telecom, Ltd. (the "Company") as of December 31, 2009. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2009, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2009, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

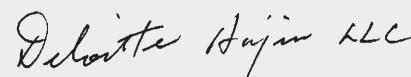
A company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2009, and we did not review its IACS subsequent to December 31, 2009. This report has been prepared pursuant to the Acts on External Audit of Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

February 18, 2010

Deloitte Anjin LLC CEO / Lee, Jae Sool



LG Dacom
2009 Operating Result

LG Dacom 2009 STATEMENTS OF FINANCIAL POSITION

LG Dacom

AS OF DECEMBER 31, 2009 AND 2008

STATEMENTS OF FINANCIAL POSITION

(in millions of KRW)

Accounts	2009	2008
Assets		
Current Assets		
Cash and cash equivalents	49,554	100,577
Short-term financial instruments	350	650
Trade accounts and notes receivable, net	272,451	259,291
Non-trade receivables, net	25,899	26,262
Inventories	7,912	4,818
Prepaid expenses	4,494	1,060
Deferred income tax assets	9,580	16,200
Advance payments	2,051	1,009
Others	120	330
Total current assets	372,411	410,197
Non-Current Assets		
Long-term financial instruments	316	16
Available-for-sale securities	24,973	29,524
Equity-method investments	686,505	745,993
Property and equipment, net	913,686	830,591
Intangible assets, net	33,962	33,834
Deferred income tax assets	11,269	14,883
Guaranteed deposits	21,614	17,590
Long-term trade accounts and notes receivable, net	1,454	977
Other non-current assets, net	2,154	2,546
Total non-current assets	1,695,933	1,675,954
Total assets	2,068,344	2,086,151

LG Dacom 2009 STATEMENTS OF FINANCIAL POSITION

 LG Dacom
 2009 Operating Result

(in millions of KRW)

Accounts	2009	2008
Liabilities		
Current liabilities		
Trade accounts and notes payable	202,635	159,248
Short-term borrowings	100,000	-
Advances received	21,378	4,582
Withholdings	8,419	11,770
Accrued expenses	153,870	169,746
Income taxes payable	16,548	24,228
Current portion of long-term debts, net	81,547	50,099
Dividends payable	29,565	-
Others	43,827	30,510
Total current liabilities	657,789	450,183
Non-Current liabilities		
Debentures, net	398,762	179,541
Long-term borrowings, net	-	1,490
Accrued severance benefits, net	10,544	11,066
Other non-current liabilities	2,604	395
Total non-current liabilities	411,910	192,492
Total liabilities	1,069,699	642,675
Commitments and contingencies		
Shareholders' equity		
Capital stock		
Common stock	416,436	416,436
Capital surplus		
Paid-in capital in excess of par value	629,173	629,173
Other capital surplus	2	2
Capital adjustments		
Treasury stock	(475,960)	-
Other capital adjustments	(52,825)	(15,555)
Accumulated other comprehensive income and expense		
Unrealized loss on valuation		
of available-for-sale securities, net	(5,902)	(4,659)
Accumulated comprehensive income		
of equity-method investees, net	2,027	4,145
Retained earnings		
Legal reserve	17,758	10,638
Unappropriated retained earnings	467,936	403,296
Total shareholders' equity	998,645	1,443,476
Total liabilities and shareholders' equity	2,068,344	2,086,151

LG Dacom
2009 Operating Result

LG Dacom 2009 STATEMENTS OF INCOME

LG Dacom

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

STATEMENTS OF INCOME

(in millions of KRW, except per share amounts)

Accounts	2009	2008
Operating revenue	1,870,262	1,647,262
Operating expenses	1,638,618	1,429,946
Operating income	231,644	217,316
Non-operating income	35,276	37,769
Interest income	9,616	4,856
Dividend income	102	68
Foreign exchange gains	14,535	20,143
Gain on foreign currency translation	5,496	8,152
Gain on disposal of property and equipment	12	57
Gain on disposal of investment assets	677	681
Gain on valuation of equity-method investments	1,071	1,709
Others	3,767	2,103
Non-operating expenses	74,064	82,919
Interest expenses	21,776	15,450
Foreign exchange losses	13,700	25,003
Loss on foreign currency translation	5,120	8,504
Loss on disposal of property and equipment	918	758
Loss on disposal of investment assets	304	57
Loss on impairment of investment assets	1,150	616
Loss on valuation of equity-method investments	21,393	21,596
Contributions to the Information and Telecommunication Improvement Fund	2,004	4,818
Donations	4,393	3,476
Others	3,306	2,641
Income before income taxes	192,856	172,166
Income tax expense	50,425	51,877
Net income	142,431	120,289
Earnings Per Share		
Basic earnings per share	1,713	1,444
Diluted earnings per share	1,713	1,444

LG Powercom 2009 STATEMENTS OF FINANCIAL POSITION

LG Powercom
2009 Operating Result

LG Powercom

AS OF DECEMBER 31, 2009 AND 2008

STATEMENTS OF FINANCIAL POSITION

(Unit: KRW)

Accounts	2009		2008	
Assets				
I. Current Assets		296,027,355,675		376,727,260,311
(1) Quick Assets		290,836,211,383		373,571,805,720
1. Cash and Cash Equivalents	61,232,040,330		163,846,845,301	
2. Short-term Financial Instruments	1,000,000,000		-	
3. Trade Receivables	178,683,095,866		149,652,708,114	
Allowance for Doubtful Accounts for Trade Receivables	(29,647,602,618)		(26,813,825,578)	
Present Value Discount for Other Receivables	(589,473,601)		(437,058,955)	
4. Short-term Loans	34,207,084,273		26,760,498,860	
Allowance for Doubtful Accounts for Short-term Loans	(199,745,898)		(112,610,004)	
5. Other Receivables	7,881,639,434		3,653,378,272	
Allowance for Doubtful Accounts for Other Receivables	(484,167,005)		(171,023,091)	
6. Accrued Income	17,631,727		563,396,547	
7. Advance Payments	2,637,806,083		10,421,352,500	
8. Prepaid Expenses Total	11,593,111,732		16,618,675,498	
9. Deferred Income Taxes Assets Current	24,501,375,560		29,074,533,232	
10. Other Quick Assets	3,415,500		514,935,024	
(2) Inventories		5,191,144,292		3,155,454,591
1. Merchandises	6,739,312,943		6,410,201,102	
Allowance for Loss on Valuation of Merchandises	(1,548,168,651)		(3,254,746,511)	
II. Non-current Assets		1,747,203,503,539		1,560,346,540,492
(1) Investment Assets		4,046,449,859		5,046,392,526
I. Long-term Financial Instruments	17,675,526		17,675,526	
2. Long-term Investment in Securities	4,000,000,000		4,995,000,000	
3. Long-term Loans	28,774,333		33,717,000	
(2) Property, Plant and Equipment		1,576,737,930,483		1,376,692,362,087
1. Land	17,988,998,782		15,516,433,260	
2. Buildings	23,463,030,304		21,931,129,371	
Accumulated Depreciation for Buildings	(6,364,396,340)		(5,442,323,019)	
3. Structures	176,855,491,167		147,570,609,579	
Accumulated Depreciation for Structures	(27,380,401,126)		(22,023,462,870)	
4. Machinery	3,073,734,519,220		2,764,699,204,760	
Accumulated Depreciation for Machinery	(1,731,609,295,383)		(1,593,675,219,250)	
Accumulated Impairment Losses	(11,643,430,022)		(11,769,039,971)	
Government Subsidy	(19,969,399)		(25,798,939)	
5. Vehicles	3,612,567,466		-	
Accumulated Depreciation for Vehicles	(278,754,964)		-	
6. Tools	6,800,845,260		6,272,602,431	
Accumulated Depreciation for Tools	(6,051,864,332)		(5,695,798,780)	
Accumulated Impairment Losses	(1,162,246)		(1,162,246)	
7. Office Equipment	63,804,306,537		54,227,214,692	
Accumulated Depreciation for Office Equipment	(44,326,415,432)		(33,428,955,112)	
Government Subsidy	(482,758,621)		-	
8. Other property, Plant and Equipment	19,115,560,819		21,085,537,900	
Accumulated Depreciation PP&E	(60,051,385)		(60,051,385)	
9. Construction in Progress	19,581,110,178		17,511,441,666	
(3) Intangible Assets		13,739,253,043		20,405,156,949
1. Industrial Property Rights	18,701,378		33,023,928	
2. Other Intangible Assets	13,720,551,665		20,372,133,021	
(4) Other Non-current Assets		152,679,870,154		158,202,628,930
1. Long-term Prepaid Expenses	875,340,450		1,042,143,956	
Allowance for Doubtful Accounts for Long-term Prepaid Expenses	(521,071,978)		(642,994,816)	
2. Long-term Accounts Receivable	17,890,837,480		16,866,020,750	
Allowance for Doubtful Accounts for Long-term Account Receivable	(268,362,562)		(282,537,546)	
Present Value Discount for Long-term Accounts Receivable	(1,757,169,300)		(1,969,815,618)	
3. Deposits	77,085,743,377		60,685,936,783	
4. Deferred Tax Asset	59,374,552,687		82,503,875,421	
Total Assets		2,043,230,859,214		1,937,073,800,803

LG Powercom
2009 Operating Result

LG Powercom 2009 STATEMENTS OF FINANCIAL POSITION

(Unit: KRW)

Accounts	2009		2008	
Liabilities				
I. Current Liabilities		693,622,239,873		644,585,962,994
1. Trade Payable	55,883,060,278		78,139,572,925	
2. Short-term Borrowings	290,000,000,000		370,250,000,000	
3. Other Payables	93,708,247,677		44,297,875,711	
4. Withholdings	6,970,885,505		2,410,249,341	
5. Accrued Expenses	47,743,971,609		46,980,646,915	
6. Dividends Payable	3,397,010		3,397,010	
7. Current Portion of Long-term Liabilities	166,184,420,000		73,754,420,000	
Discount on Bonds of Current Portion of Long-term Liabilities	(71,420,978)		-	
8. Unearned Income	248,981,926		-	
9. Advances Received	1,324,195,284		1,451,671,747	
10. Other Current Liabilities	31,626,501,562		27,298,129,345	
II. Non-Current Liabilities		443,998,751,133		300,397,056,646
1. Bonds	400,000,000,000		250,000,000,000	
Discount on Bonds	(1,124,292,648)		(555,821,925)	
2. Long-Term Borrowings	29,684,640,000		34,978,060,000	
3. Deposits Received	2,940,600,000		3,017,145,600	
4. Provisions for Retirement and Severance Benefits	22,238,472,837		19,422,952,030	
Deposits for Retirement and Severance Benefits Long-term Liabilities	(9,740,669,056)		(6,465,279,059)	
Total Liabilities		1,137,620,991,006		944,983,019,640
Stockholders' Equity				
I. Capital Stock		667,000,000,000		667,000,000,000
1. Common Stock	667,000,000,000		667,000,000,000	
II. Capital Surplus		157,786,147,439		157,786,147,439
1. Additional Paid-in Capital	7,786,033,600		7,786,033,600	
2. Gains from Capital Reduction	150,000,000,000		150,000,000,000	
3. Other Capital Surplus	113,839		113,839	
III. Capital Adjustment		(91,198,928,592)		-
1. Treasury Stock in Capital Adjustments	(91,198,928,592)		-	
IV. Retained Earnings		172,022,649,361		167,304,633,724
1. Legal Reserve	189,732,266,546		189,732,266,546	
2. Appropriated Retained Earnings for Voluntary Reserves	4,004,467,074		4,004,467,074	
3. Retained Earnings before Appropriation	(21,714,084,259)		(26,432,099,896)	
Total Shareholders' Equity		905,609,868,208		992,090,781,163
Total Liabilities and Shareholders' Equity		2,043,230,859,214		1,937,073,800,803

LG Powercom 2009 STATEMENTS OF INCOME

 LG Powercom
 2009 Operating Result

LG Powercom

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

STATEMENTS OF INCOME

(Unit: KRW)

Accounts	2009		2008	
I. Operating Revenue		1,468,312,796,460		1,273,768,575,234
II. Operating Expenses		1,376,187,824,234		1,185,110,177,258
1. Salaries and Wages	54,152,131,987		50,056,527,210	
2. Retirement and Severance Benefits	7,438,809,767		6,408,583,216	
3. Employee Benefits	9,328,783,512		8,179,875,730	
4. Travel Expenses	1,115,126,128		1,058,210,949	
5. Communication Expenses	2,171,146,065		1,717,778,474	
6. Electricity Usage	19,712,206,439		16,208,591,287	
7. Taxes and Dues	5,690,814,371		9,959,396,534	
8. Supply Expenses	432,261,588		426,734,558	
9. Publication Expenses	60,978,547		55,952,714	
10. Rentals	180,412,457,863		166,414,626,043	
11. Interconnection	51,236,000,000		44,036,000,000	
12. Incentive	715,703,570		1,774,833,189	
13. Depreciation	293,162,355,291		270,981,876,214	
14. Amortization	9,827,915,506		10,024,353,383	
15. Maintenance	77,295,690,408		79,000,093,167	
16. Cost of Handset Sales	31,460,380,933		38,423,113,298	
17. Transportation	1,058,011,803		662,732,035	
18. Delivery & Storage Expenses	272,242,651		259,209,334	
19. Insurance	778,108,837		625,401,460	
20. Fees & Charges	252,273,037,262		186,280,243,248	
21. Reimbursement	23,619,630		66,810,257	
22. Operating Promotion Expenses	814,308,645		720,544,376	
23. Sales Promotion Expense	2,766,959,183		2,476,281,341	
24. Sales Commission	282,128,725,080		214,333,748,931	
25. Other Sales Related Expenses	1,453,423,230		1,084,094,050	
26. Advertising	80,307,081,016		61,413,958,619	
27. Training Expenses	781,168,003		814,220,003	
28. Development Expenses	1,119,342,182		483,614,400	
29. Meeting Expense	371,291,616		204,391,091	
30. Expenses of Allowance for Doubtful Accounts	7,827,743,121		10,958,382,147	
III. Operating Income		92,124,972,226		88,658,397,976
IV. Non-operating Income		35,629,556,458		21,036,203,023
1. Interest income	9,005,369,170		6,118,855,707	
2. Gain on disposal of investment assets	2,587,000,000		-	
3. Gain on disposal of property and equipment	94,358,068		97,377,306	
4. Delinquent Charge Revenues	11,374,064		9,775,769	
5. Others	23,931,455,156		14,810,194,241	
V. Non-operating Expense		94,938,503,015		88,898,454,599
1. Interest Expense	46,828,813,513		39,024,406,258	
2. Loss on Write-offs of PP&E	21,443,510,407		17,416,800,496	
3. Loss on Disposal of PP&E	2,533,346,768		1,721,807,259	
4. Loss on Discard of PP&E	8,822,475,937		4,240,852,497	
5. Other Bad Debt Expenses	412,198,744		67,936,508	
6. Donation	2,485,000		5,000,000	
7. Others	14,895,672,646		26,421,651,581	
VI. Income Before Income Taxes		32,816,025,669		20,796,146,400
VII. Income Taxes Expense		28,098,010,032		14,805,054,818
VIII. Net Income		4,718,015,637		5,991,091,582
IX. Earnings Per Share				
1. Basic Earnings		35		49

Operating Result Analysis

01. 2009 Overview and Future Prospect

2009 was a year of drastic changes with fierce competition among telecommunications companies to invite subscribers and mergers of competitors. However, even with such a difficult situation, LG U⁺ secured 450,000 net additions in a year and 8.66 million accumulated subscribers as of December 31, 2009. To keep pace with the trend of increasing mobile data, 3G data service OZ was introduced in April 2008 based on the nationwide establishment of EVDO Rev. A. In 2009, 530,000 subscribers were newly added so the number of accumulated subscribers as of December 31, 2009 exceeded 1.05 million, establishing a firm foothold as a successful mobile Internet leader.

Also, even with the negative factors against ARPU, including a decrease in voice call usage and the expansion of Internet phones, LG U⁺'s net income grew year-on-year by 8.7% thanks to the constant effort to reduce cost and attract outstanding subscribers.

In order to adapt to the environment of a rapidly changing telecommunications market, the board of directors of LG U⁺ passed a resolution to combine with LG Dacom and LG Powercom as of January 1, 2010. The goal of the merger was to assemble capabilities and resources of the wired/wireless businesses of the three companies to strengthen the growth of previous services and secure various power engines for new growth in preparation for the era of convergence in the future. Through these efforts, LG U⁺ may create a virtuous cycle for continuous growth and LG U⁺ is going to maximize the synergistic effect of the consolidation by nurturing the strengths of the wired/wireless businesses and closely cooperate with telecommunication business groups within the company. And LG U⁺ will devote all its energy to enhance shareholder value in terms of revenue and growth.

The prospective business environment of 2010 will include regulations and environmental changes followed by the growing use of Smart Phones and various attempts by businesses to discover new areas of growth. No matter how difficult the environment is, LG U⁺ will continue to achieve management efficiency through active innovative activities regarding business processes and increase its revenue through outstanding network competitiveness and customized service using non-legacy wire.

(Unit: KRW billion)

02. Major Accomplishments

Income Statement Summary	2009	2008	Increase Rate
Gross Revenue	4,949.1	4,798.0	3.2%
1. Service Revenue	3,577.2	3,432.3	4.2%
2. Sale of Goods	1,371.9	1,365.6	0.5%
Cost of Sales & Selling and General Administrative Expense	4,562.2	4,418.9	3.2%
Operating Profit	386.9	379.0	2.1%
Income before Income Tax Expense	359.0	362.9	-1.1%
Income Tax Expense	50.9	79.3	-35.9%
Net Income	308.1	283.6	8.7%
EBITDA	836.0	778.8	7.3%
EBITDA margin	23.4%	22.7%	0.7%p
Rate of Operating Profit	10.8%	11.0%	-0.2%p

(Unit: KRW billion)

Statement of Financial Position Summary	2009	2008	Increase Rate
Total Assets	4,027.8	3,858.5	4.4%
Current Assets	1,310.5	1,184.3	10.7%
Non-Current Assets	2,717.3	2,674.2	1.6%
Investment Assets	29.9	31.5	-5.2%
Tangible Assets	2,227.5	2,185.7	1.9%
Intangible Assets	16.9	15.3	11.0%
Other Non-Current Assets	443.0	441.7	0.3%

(Continued)

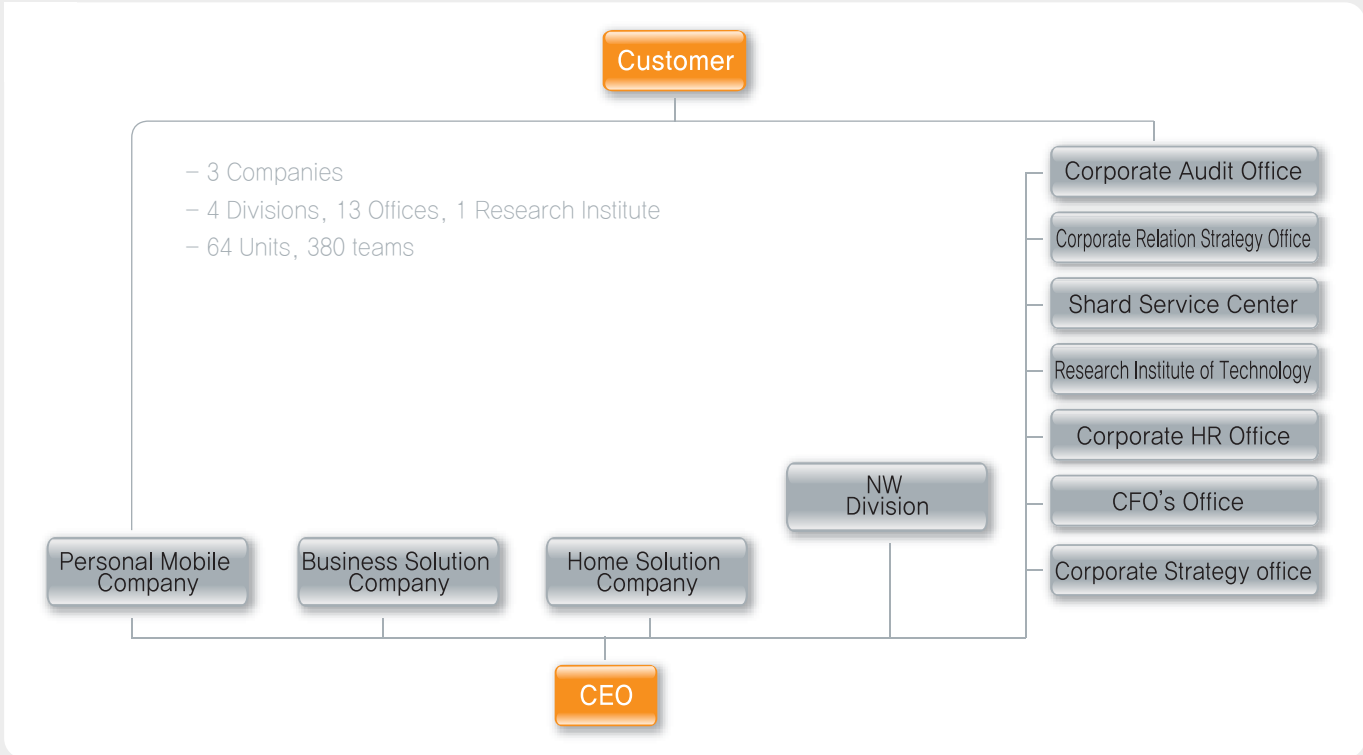
Company Overview

LG U+ 2009 Major History

Major History

Data	
Jun. 1996	Acquired PCS license
Jul. 1996	LG Telecom established and CEO appointed
Jun. 1997	Built Network Management Center (NMC)
Jul. 1997	Opened call center
Oct. 1997	Launched nationwide PCS service
Feb. 1998	Launched world's first CDMA PCS wireless data service
Oct. 1998	Strategic alliance established with British Telecom
May. 1999	Launched Korea's first commercial wireless Internet service
Sep. 1999	Ranked No.1 in call quality survey by MIC
Feb. 2000	Launched 'Khair' new brand targeting N-generation
Sep. 2000	Listed on KOSDAQ / began trading stocks(Sep. 21)
May. 2001	Launched CDMA2000 1X service
Aug. 2001	Acquired synchronous IMT-2000 license
Apr. 2002	Launched world's first infrared ray-based mobile payment service
Apr. 2003	Introduced Customer Champion Value Position (CCVP) initiative
Sep. 2003	Launched 'Bank ON' chip-based mobile banking service
Nov. 2004	Surpassed 6million subscribers
Dec. 2004	Launched 'Music On' wired & wireless integrated music service
May. 2005	Announced new corporate vision as 'The People Company'
Jun. 2005	Announced 'Three Major Win-Win Principles' initiative to support small and medium-sized enterprises
Oct. 2005	Announced new brand identity 'Happy Change'
Jan. 2006	Launched world's first commercial terrestrial DMB service
Jun. 2006	Won KCGS Award of Excellence for fourth consecutive year
Sep. 2006	Acquired first ISO 2000 in the Korea mobile telecom industry
Dec. 2006	Surpassed 7 million subscribers
Jun. 2007	Selected by KCGS for Corporate Governance Hall of Fame and Award of Better Boards
Sep. 2007	Launched EV-DO Rev.A handset
Oct. 2007	Won MOCIE Minister's Award for Service Quality Innovation-first among mobile operators
Dec. 2007	Surpassed 7.81 million subscribers
Apr. 2008	Launched 'OZ' 3G data service
Apr. 2008	Surpassed 8 million subscribers
Apr. 2008	Listing transferred to KOSPI
Jul. 2008	Launched 'LG Power Together' bundled product
Jul. 2008	Acquired LOHAS certification for rental phone service
Aug. 2008	Relocated headquarters to Sangam Digital Media City
Nov. 2008	Won Quality Management Award at the 34th National Quality Management Competition
Nov. 2008	Won the 3G CDMA Industry Achievement Award
Feb. 2009	Launched new brand 'Teen Ring' targeting teenager
Mar. 2009	Replaced 1,700 signs with 'OZ' of direct distribution channel
May. 2009	Began the first customer information encryption in telecommunication industry
Jun. 2009	Launched 'Google Map' service available on mobile
Oct. 2009	Built in earnest 2 thousand Multi-mode stations
Nov. 2009	Authorized the merger of LG Telecom, LG Dacom and LG Powercom in the extraordinary General Shareholders' Meeting
Jan. 2010	Started New LG Telecom
Jun. 2010	Changed CI to LG U+

Organization Chart



(As of Jan.1, 2010)

Subsidiaries Status

Company	Capital
CSLEADER Ltd.,	KRW 400 million
A-in Teleservice Corp.	KRW 400 million
DACOM Crossing Corporation	KRW 33,241 million
DACOM MULTIMEDIA INTERNET Corp.	KRW 4,742 million
CSONE PARTNER	KRW 200 million
DACOM America Inc.	\$ 48,400.00

(As of Mar. 31, 2010)

Company Information

Item	Details
Date Established	July 11, 1996
Headquarters Address	827, Namdaemunro 5-ga, Jung-gu, Seoul, Korea
Paid-in Capital KRW	2,573,969 million
Employees	5,152
Common Stock Shares	514,793,835
General shareholders' Meeting	March 19, 2010

(As of Mar. 31, 2010)

LG U+ Annual Report 2009



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