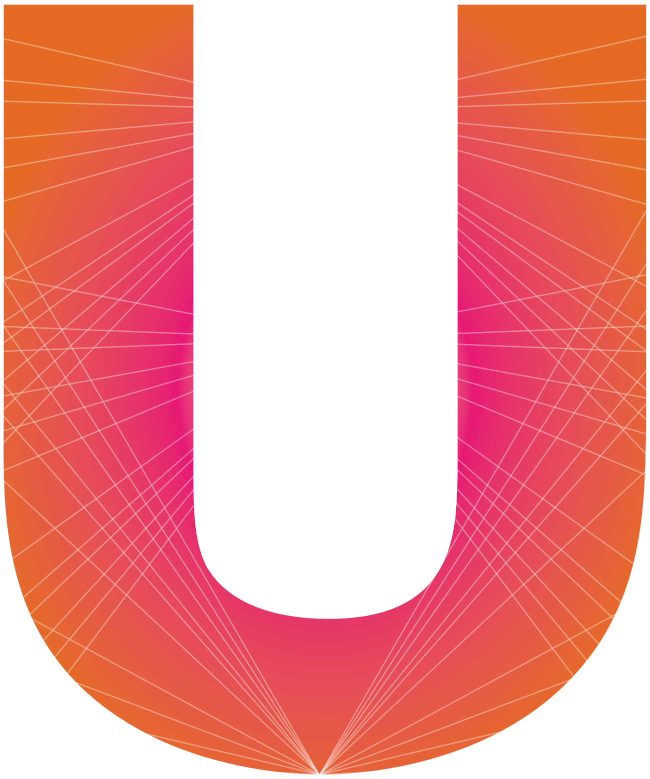
LG U+ Annual Report 2010

smart
intelligent
cutting-edge
advanced
integrated
universe
convergence
network
fast
broad
ubiquitous
technology
high-end
efficiency
ultimate
strategy
unique
solution
value
performance
focus
customized
lead



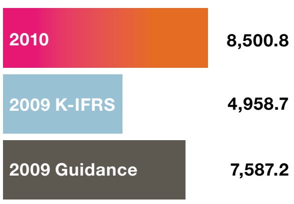
surprising
joy
convenience
beautiful
simple
imagine
style
satisfaction
exciting
cool
comfort
pleased
cheer
delight
expect
dream
wish
growth
hot
interest
fantastic
hope
innovating

LG U+

Financial Highlights

Revenues unit: KRW in billions

8,500.8

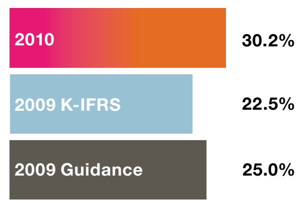


Net Income unit: KRW in billions

570.0

EBITDA Margin

30.2%



* EBITDA Margin = EBITDA/Service Revenue

Summarized Consolidated Statements of Income

unit: KRW in billions

	2010	2009 K-IFRS	2009 Guidance
Revenue	**8,500.8**	**4,958.7**	**7,587.2**
Service Revenue	6,314.9	3,572.7	6,117.1
Handset Revenue	1,648.4	1,371.9	1,407.1
Rental Revenue	11.4	2.3	3.4
Other Revenue	526.0	11.8	59.5
Operating Income	**655.3**	**356.2**	**653.7**
Income before Tax	**568.2**	**338.4**	**586.8**
Net Income	**570.0**	**293.0**	**462.3**

* In this report 2009 figures marked "K-IFRS" represent the business results of pre-merger LG Telecom while figures marked "Guidance" represent the unaudited consolidated financial results of the three integrated companies based on K-IFRS.

Summarized Consolidated Statements of Financial Position

unit: KRW in billions

	2010	2009 K-IFRS	2010.1.1 Guidance
Total Assets	8,525.2	4,058.3	8,170.4
Total Liabilities	4,576.7	2,075.0	4,199.4
Total Shareholders' Equity	3,948.5	1,983.3	3,971.0

Due to fair valuation during the merger process and other accounting measures under K-IFRS, 2010 was reported with the Opening Statements of Financial Position.

Major Financial Ratios

	2010	2009 K-IFRS	2010.1.1 Guidance
Current Ratio	82.7%	86.8%	67.8%
Debt-to-Equity Ratio	115.9%	104.6%	105.8%
Net Income to Shareholders' Equity	14.4%	14.8%	11.6%
Return on Assets	6.7%	7.2%	5.7%

Net Income Margin

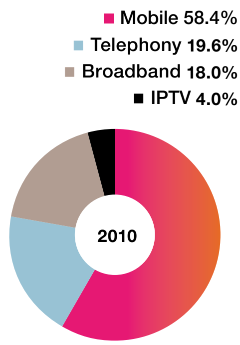
9.0%

* Net Income Margin = Net Income/Service Revenue

Accumulated No. of Subscribers

unit: thousand subscribers

15,440



No. of Subscribers

unit: thousand subscribers

	2010	2009
Mobile	**9,022**	**8,658**
Telephony	**3,032**	**2,369**
VoIP	2,750	2,126
PSTN	282	243
Broadband	**2,773**	**2,522**
IPTV	**613**	**344**
Accumulated No. of Subscribers	**15,440**	**13,893**

Shareholder Composition

As of Dec. 31, 2010

	No. of Shares Owned	Percentage of Total Shares
LG Corp.	157,376,777	30.57%
Treasury Shares	82,291,881	15.99%
Korea Electric Power Corporation	38,409,376	7.46%
Tae Kwang Industrial Co., Ltd.	8,776,021	1.70%
Robeco Capital Growth Funds	7,163,300	1.39%
Others	220,776,480	42.89%
Total	**514,793,835**	**100%**

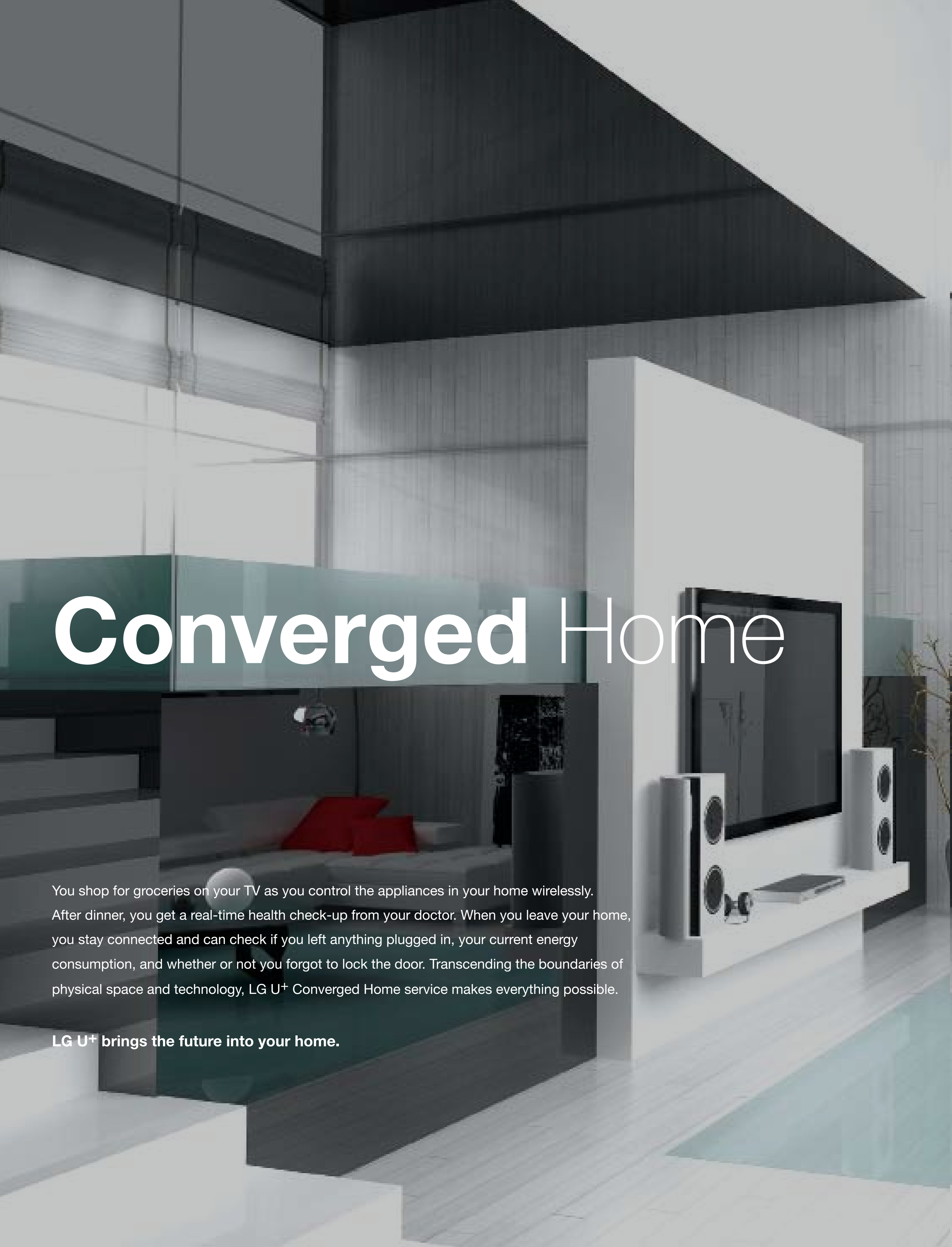
Total No. of Shares Outstanding 514,793,835

Financial Highlights →

Contents

When completed, LG U+ will be the first Korean mobile operator to have developed a 4G LTE (long-term evolution) network nationwide, establishing the world's largest ACN (AP-centric network) in the process. Today, LG U+ is constructing a next-generation network that will help create innovative customer value "Beyond Telecom." Ushering in an era of "U Convergence," LG U+ is at the forefront of a major breakthrough in the world of telecommunications.

Beyond Telecom



Converged Home

You shop for groceries on your TV as you control the appliances in your home wirelessly. After dinner, you get a real-time health check-up from your doctor. When you leave your home, you stay connected and can check if you left anything plugged in, your current energy consumption, and whether or not you forgot to lock the door. Transcending the boundaries of physical space and technology, LG U+ Converged Home service makes everything possible.

LG U+ brings the future into your home.

No matter where you are, you can now socialize with people through social networks and location-based services. The world is at your fingertips with LG U+ Social Mobility Service which allows you to connect instantly with family and friends from all around the world.

LG U+ brings people together from around the world.

Social Mobility

You can create your ideal smart office by using comprehensive wired and wireless network solutions that range from Internet infrastructure to groupware to telephony services. LG U+ Smart Workplace service enhances productivity, cost efficiency, and overall communication, serving to further strengthen your competitiveness.

LG U+ helps you grow faster.

Smart Workplace

CEO Message

At the vanguard of the movement
towards U Convergence,
LG U+ is playing a leading role
in the "Beyond Telecom" industry.

Stay always **connected**

Respected customers and shareholders,

In 2010, LG U+ adopted its new name and declared a new vision. The year was marked by a number of changes and obstacles which LG U+ overcame to prepare for the coming “Beyond Telecom” market. Everyone at LG U+ is a pioneer ready to adapt and excel in the constantly shifting telecommunications market. We are committed to ensuring that our company will play a pivotal role on the world stage by creating new telecom opportunities in place of walls that surround conventional telecom business. With this clear goal in mind, we have laid the foundation necessary to lead the new “Beyond Telecom” industry and saw significant results in all our business areas in 2010.

Focusing on the reinforcement of our competencies and competitiveness in preparation for the “Beyond Telecom” movement

In 2010, the telecommunications industry was faced with a series of uphill battles over price wars and new regulations. Mobile operators competed for lower price plans by offering product bundling and unlimited data plans. Triggered by the advent of smartphones, the smart mobile lifestyle craze took over the telecommunications market, establishing itself as the new trend in Koreans’ use of mobile devices.

As a result, LG U+ concentrated on setting up new business platforms and infrastructure in preparation for the convergence between devices and industries throughout 2010. While reinforcing our core competencies and competitiveness, we aggressively engaged in marketing campaigns and initiated several “Beyond Telecom” projects. These efforts led to a year-on-year sales revenue increase of 12 percent to KRW 8.5 trillion, while operating income and net income reached KRW 655.3 billion and KRW 570 billion, respectively.

By business area, the mobile business recorded KRW 3.48 trillion in revenue, with revenue from data service growing to KRW 547 billion, up 18.6 percent from the previous year, and is forecast to see continuous growth in the future. The number of our subscribers also grew by 364 thousand, bringing the total number of customers to more than 9.02 million.

In 2010, LG U+ reinforced its core competencies and competitiveness in sales and marketing, initiating several “Beyond Telecom” projects. As a result, it realized revenue growth of 12 percent and net income growth of 23.3 percent over the previous year on a Guidance basis.

2010 Revenues

KRW **8,500.8** billion

Compared to the 2009 Guidance-based performance

+12%

2010 Operating Income

KRW **655.3** billion

Compared to the 2009 Guidance-based performance

+0.2%

2009 Guidance-based figures herein have been prepared in advance prior to being audited by independent auditors.

Business revenue for LG U+'s TPS (Triple Play Service), which encompasses broadband, Voice over Internet Protocol (VoIP) and IPTV, grew by 19.5 percent in 2010, to KRW 1.05 trillion. This was a result of the explosion in new subscribers to our broadband Internet service and VoIP service. With total revenue surpassing the KRW 1 trillion mark, LG U+ is expected to enjoy sustainable growth into the near future. Also, while the number of TPS subscribers continued to grow, the biggest change was the increase in the number of subscribers to our VoIP service. In the B2B data business, revenue grew from the solutions and e-Biz sectors, resulting in 8.3 percent year-on-year growth, to KRW 1.26 trillion in revenue. At the same time, we sustained sound growth in the corporate client sector.

On July 1, LG U+ declared its new corporate identity and vision of becoming the leader in the "Beyond Telecom" industry, as it focused on enhancing its core competencies through the expansion of its networks, the development of various solutions, the construction of a more advanced infrastructure, and the launch of convergence services that will revolutionize people's lifestyle.

We began these efforts by launching the wireless Internet service U+ Wi-Fi100, which boasts a 100Mbps connection. LG U+ then turned this into a network to complete the world's largest Wi-Fi zone through an AP-centric network (ACN). We were also the first company in the industry to prepare for a fourth-generation (4G) wireless communications LTE (long-term evolution) Network. After selecting LTE equipment suppliers, LG U+ became the first Korean company to establish LTE transmission capability, while reinforcing our wired & wireless network at the same time. In addition, we added advanced services and solutions to our mobile carrier service, as well as our TPS and B2B services. Furthermore, we introduced the upgraded OZ 2.0, our mobile Internet service, launched Smart7 service which combines smart TV and IPTV, and released a cloud-based personal N-Screen service called U+Box and a Cloud-based SME-customized solution called U+ Smart SME. As part of the "Beyond Telecom" project, we also implemented myEdutv IPTV, which carries programs for educational purposes, and a mobile advertising platform called U+AD. Finally, we took the necessary steps to prepare for smart healthcare and commercial vehicle telematics services.

Most importantly, our Universal Yo plan and mVoIP service called, OZ 070, provided a "digital liberation" for our customers, allowing them to stay connected anytime and anywhere, and at a markedly reduced cost to their total household telecom expenditure.

Embracing the future with advanced networks and U Convergence services

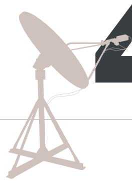
Now, having prepared for the "Beyond Telecom" project throughout 2010, everyone at LG U+ is set to move forward and transcend the boundaries of telecommunications. To that effect, we will further reinforce our competitiveness in terms of quality, speed, and mindset. With an investment totaling KRW 1.7 trillion, we are now completing the world's largest Wi-Fi network with both an ACN and 4G LTE nationwide network as we stay one step ahead of the competition. Not only do we aim to expand the portion of smartphone users up to 35 percent of our total subscribers in 2011, but we will also expand our smartphone device line-up by adding competitive smartphones and tablet PCs.

In 2011, we are focused on completing the ACN and
LTE nationwide networks ahead of schedule. We are also working to increase
the number of subscribers to our smartphone services,
while taking the lead in the U Convergence market through innovative services.

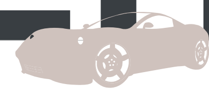
Korea's First 4G (LTE) Network

In 2011, LG U+ began developing 4G LTE (long-term evolution) transmission capability, the first for a Korean mobile operator, with plans in place to complete a nationwide All-IP network by 2012. This LTE network will provide cutting-edge U Convergence service, including M2M and connected car.

- Up to 10 times faster transmission than the 3G network
- Capable of transmitting massive amounts of data
- Innovatively reducing latency



4G LTE



World's Largest Wi-Fi Network

Integrating the vast one million wireless LAN access points (AP) nationwide through a Wi-Fi zone will create an integrated wireless network, the world's largest Wi-Fi zone AP-centric network (ACN), providing users with high-speed wireless Internet access at 100 Mbps.

- World's largest Wi-Fi network
- Connecting 2.6 million APs (2.5 million APs + 100,000 Hotspots) by 2012
- Ultra high-speed Internet access (100 Mbps)

ACN

Boundless Cross Platform Infrastructure

LG U+ is constructing a cross-platform infrastructure where the same content and services can be run identically on different platforms, and on all operating systems (OS) and devices. This will allow users to access a variety of content and services quickly, conveniently, and inexpensively.

- N-Screen service
- Application Store
- An open ecosystem offers more opportunities to developers

Cross-Platform

Industry Leader in Cloud Computing

LG U+ is building a cloud-computing platform where individuals and corporations have cost-effective access to solutions and content on the Internet at any time and in any place. This cloud-computing platform offers N-Screen and cloud service, with each tailored to the different needs of individual and SME customers.

- U+Box / Webhard
- Cloud service for SME users – U+Smart SME

Cloud

As we confidently target a service that is accessible to Korea's entire population, which numbers more than 50 million, we are also launching an innovative U Convergence service to help us become the leader in the "Beyond Telecom" industry. Through these initiatives and more, we have set our goal at reaching KRW 8.7 trillion in revenue in 2011.

Becoming the leader in the "Beyond Telecom" industry

As I mentioned earlier, LG U+ has set its vision to become the leader in the "Beyond Telecom" industry. We are breaking fresh ground as the first company in the world to realize U Convergence, a customer convergence service that helps people stay connected to the Internet regardless of their location or type of device. This innovative concept is allowing us to achieve our goal of becoming what we call "your personal value provider," which caters to each customer's undiscovered value.

In support of this U Convergence service, we plan on introducing an innovative infrastructure made up of an AP-centric network (ACN) – an integrated wired and wireless All-IP Wi-Fi network with a 100 Mbps connection – 4G long-term evolution (LTE), and cross-platform and cloud-computing services that provide content and service quickly, conveniently, and at affordable prices.

To enhance customer value, we are completing work on a U Convergence service that consists of converged home, social mobility and smart workplace services. By taking advantage of an open innovation framework, we are securing advanced service ideas and technologies through alliances with different partners, various investments, and design solutions that meet the needs of customers, allowing LG U+ to lead Korea's digital liberation.

Fellow customers and shareholders,

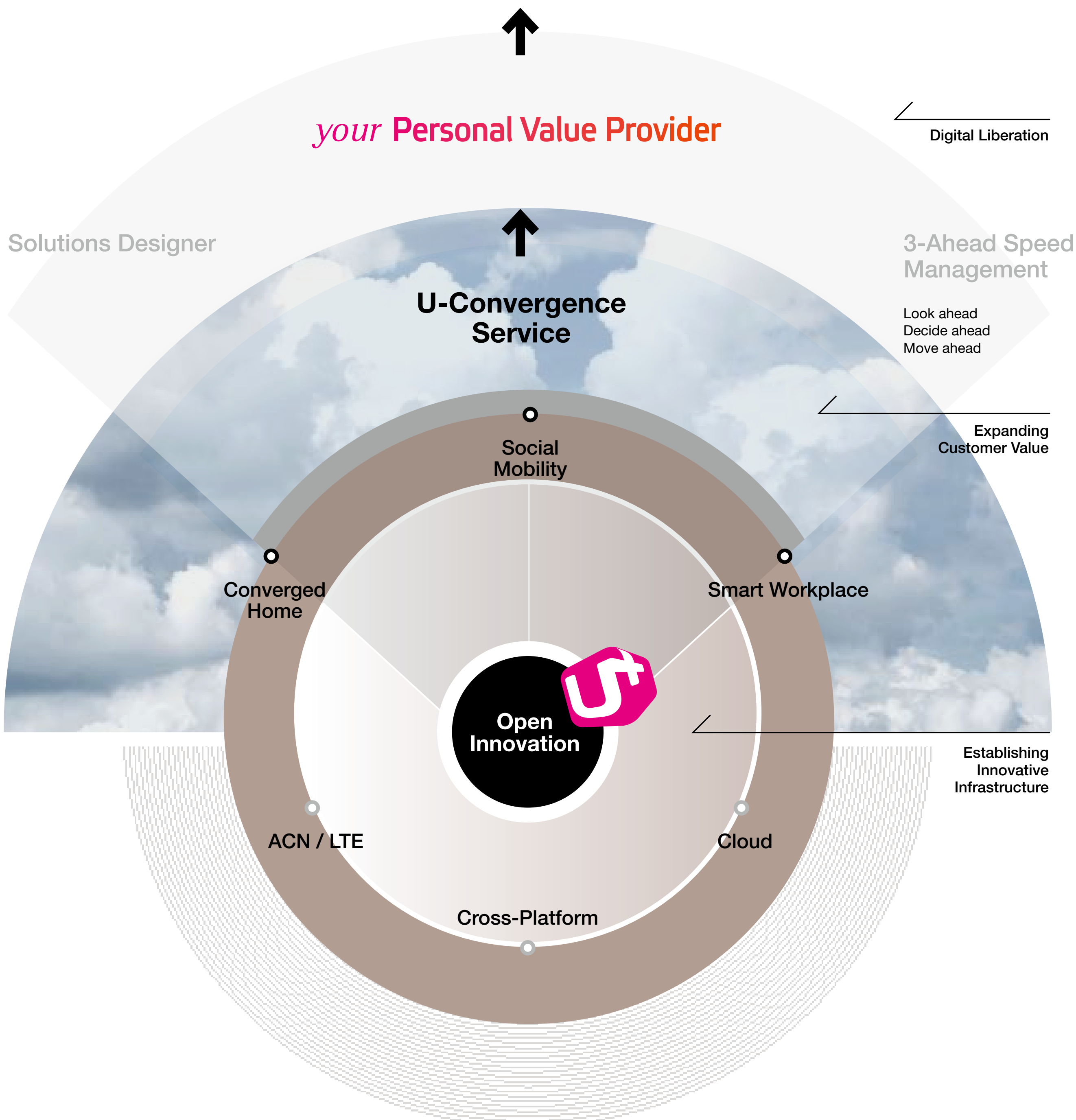
As we work hard to realize our vision, we are committed to remaining vigilant about our corporate social responsibility to all our shareholders. Our customer-oriented and integrity management practices are meant to create and maximize value for customers and investors, while our ceaseless efforts to establish a liberal corporate culture and family-friendly management focus on bringing about a great workplace for employees. As a responsible corporate citizen, LG U+ is actively involved in a wide range of social contribution activities for the betterment of society. There is no doubt that the unwavering trust and encouragement of our customers and shareholders are the main drive behind our sustainable growth. Our goal of leading the "Beyond Telecom" industry may be an uphill battle, but it is one which we undertake with confidence and pleasure as long as we have your cooperation and support. I ask for your continued support in the future as we move one step closer to accomplishing our goal of becoming your personal value provider.

Thank you.

CEO
Sang Chul Lee

Beyond Telecom

The leader in the "Beyond Telecom" industry



Board of Directors / Corporate Governance

Active Communication between Management and the BOD

The Board of Directors (BOD) at LG U+ focuses on protecting and enhancing shareholder value. After exhaustive discussion and deliberation of issues, the Board ensures that their final decisions are always informed ones. Business Review and Strategy Summit sessions guarantee that BOD members are involved in the initial stages of developing business plans, giving them the chance to communicate their opinions to senior management.

Corporate Governance / Board of Directors / IR Awards List

2003-2006 Recipient of the Best Corporate Governance Award (organized by the Korea Corporate Governance Service)
2007 Recipient of an Honorary Corporation Award for Corporate Governance (organized by the Korea Corporate Governance Service)
2007 Recipient of the Outstanding Corporation Award in the Board of Directors category (organized by the Korea Corporate Governance Service)
2007 Recipient of the Grand Prize at the Hankyung IR Awards (organized by the *Korea Economic Daily*)
2009 Named the CSRi Outstanding Corporation by Kudos IR Research Institute

We strive to enhance corporate value and shareholder value through ethical and transparent management.

Jun Ho Cho
Director
President & CEO, LG Corp.

Se Hyoung Kim
Independent Director & Commissioner of the Audit Committee
Vice Chairman of Korea Newspaper and Broadcasting Editors' Association
Member of the Regulatory Reform Committee under the Prime Minister's Office

Sang Chul Lee
CEO
CEO & Vice Chairman of LG U+

Reinforcing Management Transparency

LG U+ continuously monitors the ethical nature of management activities. The Corporate Audit Office and independent auditors tirelessly audit business operations and accounting practices according to their annual audit plan. In addition, the company has in place an established business ethics practice infrastructure, including a reporting system for unethical behavior, a Corporate Audit Committee, and an Executive Office for Business Ethics.

Comprehensive Internal Control System and Effective Risk Management

LG U+ has adopted a self-audit validation system for company-wide application to more effectively control risks arising from errors and irregularities with accounting information and business activities. The Internal Accounting Control System (IACS) allows for the efficacious operation of the internal control system, which strengthens the reliability of subsequent disclosures. The company also abides by all rules and provisions of the Capital Markets and Financial Investment Business Act.

IR Activities and Continued Enhancement of Corporate Governance

LG U+ provides key information on its business results and telecom business strategies to Korean and international investors and analysts in a timely and accurate manner. Through vigorous IR activities, the company also provides each and every one of its investors with the most up-to-date and accurate information, while remaining dedicated to enhancing its corporate governance.

Hyeon Jae Shin
Independent Director
Former independent director of LG Powercom

Ki Sup Sung
Director
Chief Financial Officer of LG U+

Sung Bin Jeon
Independent Director & Chairman of the Audit Committee
Independent director & Chairperson of the Board of Shinhan Financial Group
Former member of IFRS International Advisory Committee, Financial Supervisory Service

Kwang Bok Lee
Independent Director & Commissioner of the Audit Committee
Recipient of a Korea Engineering Award
A fellow of the Institute of Electrical and Electronics Engineers (IEEE)

2010 At a Glance

01 | January

A New LG Telecom Launched

On January 1, 2010, the newly integrated LG Telecom was launched, maximizing the synergies of three LG telecommunications companies. The Board of Directors named vice chairman Sang Chul Lee as the first CEO of the new company at a BOD meeting on January 5, 2010. Declaring its founding vision as “your Personal Value Provider,” a newly integrated LG Telecom expressed its determination to create value for customers through personally tailored services.

03 | March

Launch of OZ 2.0: An Advanced Mobile Internet Service

In celebration of OZ’s 2nd anniversary, LG U+ launched an upgraded version of its service, OZ 2.0, which offers 21 OZ apps that are customized for mobile usage through the OZ App Store. At the same time, the company released high-performance mobile phone devices optimized for OZ apps and launched the OZ Unlimited Freedom Plus plan.

05 | May

“Beyond Telecom” Fund Receives KRW 15 billion in Financing

The new LG Telecom has earmarked KRW 15 billion a year for the “Beyond Telecom” Fund in order to secure future growth engines. The fund will be used to invest in developing new business products and new technologies that can maximize synergies with existing businesses.

OZ Store Developers Conference

On May 31, the company held a conference dealing with its mobile application open market OZ App Store for individual application developers and the public. At the conference, the company announced its new service policy for retailers and its OZ App Store promotional plans, as well as a compatible platform for the OZ App Store service and price policy. The company also officially revealed development platform sources such as SDK and API to the public at the conference.

A New LG Telecom Launched

OZ Store Developers Conference

Launch of OZ 2.0:
An Advanced Mobile Internet Service

06 | June

Headquarters Relocated to LG Uplus Tower

On June 7, the company moved into its new office building, the LG Uplus Tower. With a total floor area spanning 41,597 m^2 in a 28-story structure, the new office building is capable of accommodating 2,000 employees. Equipped with a cutting-edge wired/wireless integrated system and a wide range of amenities, the office building will further enhance work efficiency and across-the-board communication, while reinforcing solidarity among employees.

Launch of Universal Yo Plan

When the company launched its innovative price plan called Universal Yo, it significantly reduced telecom expenses for every household. This new pricing policy offers customers the chance to pay just half of what they need for broadband, VoIP and IPTV services.

Company Renamed LG U$^+$

The Extraordinary General Shareholders' Meeting held on June 28 approved of an amendment to the Articles of Incorporation and subsequently renamed the company LG U$^+$. The new corporate name and identity officially took effect on July 1, 2010.

07 | July

Vision Declaration Ceremony as the World's Leader in the "Beyond Telecom" Industry

On July 1, 2010, LG U$^+$ held a new vision declaration ceremony at the Millennium Seoul Hilton Hotel, with 400 guests in attendance that included customers and employees. The accompanying announcement that the company would be renamed LG U$^+$ carried with it the company's determination to create innovative customer value. At the same time, the company revealed its new vision of becoming the leader in the "Beyond Telecom" industry, emphasizing its differentiated U Convergence service. In line with this vision, the company revealed its plans to complete sweeping new infrastructure that will encompass ACN, LTE, cross-platform and cloud functions, providing a U Convergence service that combines Converged Home, Social Mobility, and Smart Workplace services.

Win-Win Partnerships with SMEs

LG U$^+$ actively promotes win-win partnerships with small and medium enterprises (SMEs), supporting them through joint technology development projects and training programs. As a result of constant technological collaboration with SMEs, LG U$^+$ has successfully developed a 4G digital optic repeater and a large-capacity L3 switch. To ensure the highest quality network service – one free of handling failures – LG U$^+$ put together 40 training program sessions for employees to instruct them on the company's wired & wireless service providers and subcontractors.

08 | August

U$^+$Box: Launch of Personal Cloud Service

With the launch of its personal media cloud service called U$^+$Box, LG U$^+$ began offering customers what it calls an N-Screen service, which allows for the sharing of multimedia content – from pictures to music to video files – between and among tablet PCs, IPTVs, smartphones, digital photo frames and PMPs. By connecting a 100 Mbps wired & wireless network with a 3G network, the service is also accessible while on the move.

Do Dream U$^+$ Project Initiated

LG U$^+$ launched its Do Dream U$^+$ project on August 17 in the presence of 100 specially invited teenagers (beneficiaries of the project) and 100 employees. With the Do Dream U$^+$ Bank Account, in which LG U$^+$ and its employees as well as teenagers who have disabled family members contribute to the fund, the company was able to set up a project which helps disadvantaged teenagers realize their full potential. Money from the fund goes towards educational expenses, including university tuition, while certain LG U$^+$ employees also become mentors for these same young adults.

U$^+$Box: Launch of Personal Cloud Service

Company Renamed LG U$^+$

Vision Declaration Ceremony as the World's Leader in the "Beyond Telecom" Industry

Headquarters Relocated to LG Uplus Tower

Launch of Universal Yo Plan

Do Dream U$^+$ Project Initiated

09 | September

U+Wi-Fi100: Launch of 100 Mbps Wireless Internet

LG U+ launched its ultra high-speed wireless Wi-Fi service, U+Wi-Fi100, whose connection can top 100 Mbps when both uploading and downloading data. With its vast, secured coverage, U+Wi-Fi100 is playing a vital role in the company's efforts to establish an AP-centric network (ACN) as the backbone of the infrastructure needed for the company's innovative "Beyond Telecom" service. Coupled with LG U+'s existing ultra high-speed broadband service, this new service was in line with the company's plan to achieve 100 Mbps Internet access service for wired and wireless customers.

U+AD: Launch of Open Ad Platform

When LG U+ developed its open ad platform, U+AD, it became the first Korean mobile operator to do so. Offering 50 different kinds of application ads in categories spanning development, entertainment, lifestyle, shopping, SNS, news, and education, U+AD is also compatible with diverse service channels and new technology services. In addition, U+AD is open to all individual and SME IT developers, and is expected to contribute to the promotion of Korean IT businesses.

10 | October

U+Smart SME: Launch of SME-Customized Solutions

Providing smart work solutions for SME users, LG U+ recently completed its exclusive U+Smart SME (http://smartsme.uplus.co.kr) website. Based on Microsoft's SaaS platform and accompanying service, U+Smart SME allows small and medium enterprises to customize cloud-based solutions for their own specific size and usage, thereby achieving a similar ICT competitiveness to that of large corporations but at a fraction of the cost.

11 | November

Comprehensive Cooperation Agreement with Facebook on SNS

On November 3, 2010, LG U+ signed a comprehensive agreement with Facebook on social networking services (SNS), ensuring convenient yet differentiated services for Korean SNS users in the future. According to the agreement, LG U+ will offer the mobile Facebook service free of charge during a promotion period. This partnership with Facebook marks the first full alliance between the world's biggest SNS provider and a Korean mobile operator.

Smart7: Launch of Smart7

LG U+ became the first Korean mobile operator to offer an IPTV-based convergence service when it launched Smart7. This cloud-based convergence service is compatible with N-Screen, and comes complete with all the functions of a smart TV, Internet access, and a TV app store service. Adopting an open web-based platform, Smart7 features seven smart functions, including the diversified commerce model that links various contents.

12 | December

4G LTE Equipment Suppliers Chosen

After selecting 4G LTE equipment suppliers to establish its LTE network nationwide, LG U+ became Korea's first company to achieve LTE transmission capability. When completed, the 4G LTE will have a data transfer speed 10 times faster than 3G wireless communications. The new 4G LTE service was assigned with the 800MHz band. LG U+ chose LG-Ericsson, Samsung Electronics, and Nokia Siemens as its equipment suppliers.

Winter Internship Program

LG U+ ran a four-week winter internship program that started on December 27, 2010. The 60 interns who participated in the program began with an introductory course which included on-the-job training and volunteer activities. Outstanding interns were later hired during the company's annual recruitment period in 2011.

Winter Internship Program

U+Wi-Fi100: Launch of 100 Mbps Wireless Internet

U+AD: Launch of Open Ad Platform

Comprehensive Cooperation Agreement with Facebook on SNS

facebook

Smart7

Launch of Smart7

life & technology

The “Beyond Telecom” strategy captures the essence of what LG U+ is doing in its creation of innovative customer value. With the aim of making people’s lives better through means beyond their wildest imagination, we are creating more opportunities and services that go beyond simple telecommunications.
LG U+ is transcending telecommunications to provide personalized value unlike anyone else.

Business Overview

Realizing smart lifestyles through innovative customer value

CI & BI Introduction

CI (Corporate Identity)

The “U” in LG U+ stands for “a ubiquitous world for you, our customers.” The plus sign refers to the fact that we exceed customers’ expectations when it comes to providing personalized value at any time and in any place. At the center of all these efforts to bring about a ubiquitous world is you, the customer.

BI (Brand Identity)

The U+ cube in the brand identity symbolizes a gift box, one with an infinite amount of content inside. More specifically, the hexagon represents the diversity and stability of U+ services, and carries with it the determination of LG U+ to provide personalized value to each and every customer through boundless imagination and innovation.

From individual and household services that include mobile, broadband, Wi-Fi, IPTV, and VoIP services to wired & wireless solutions to smart workplaces for corporate users, LG U+ offers a comprehensive convergence service that caters to the needs of individual and corporate users anytime and anywhere. With our “Beyond Telecom” service, LG U+ is working hard to realize an innovative paradigm in communication. Experience the future era of convergence before anyone else through the innovative services of LG U+.

U+Mobile

LG U+ offers affordable price plans at competitive connection quality along with a variety of services customized to smartphones. Its upgraded music, e-mail, SNS and news content apps just make mobile life better and smarter.

U+Internet

With its cutting-edge technologies, LG U+ offers an innovative wired & wireless integrated Internet service that will keep you connected at 100 Mbps at anytime and anyplace.

U+070

U+ 070 is the nation’s most popular VoIP service. Calls between subscribers are free of charge and monthly telecom fees have been lowered because the service views all calls – no matter where they are made or received around Korea – as a single charge. Furthermore, this service comes with Wi-Fi service, allowing wireless Internet access anywhere inside your home.

U+TV

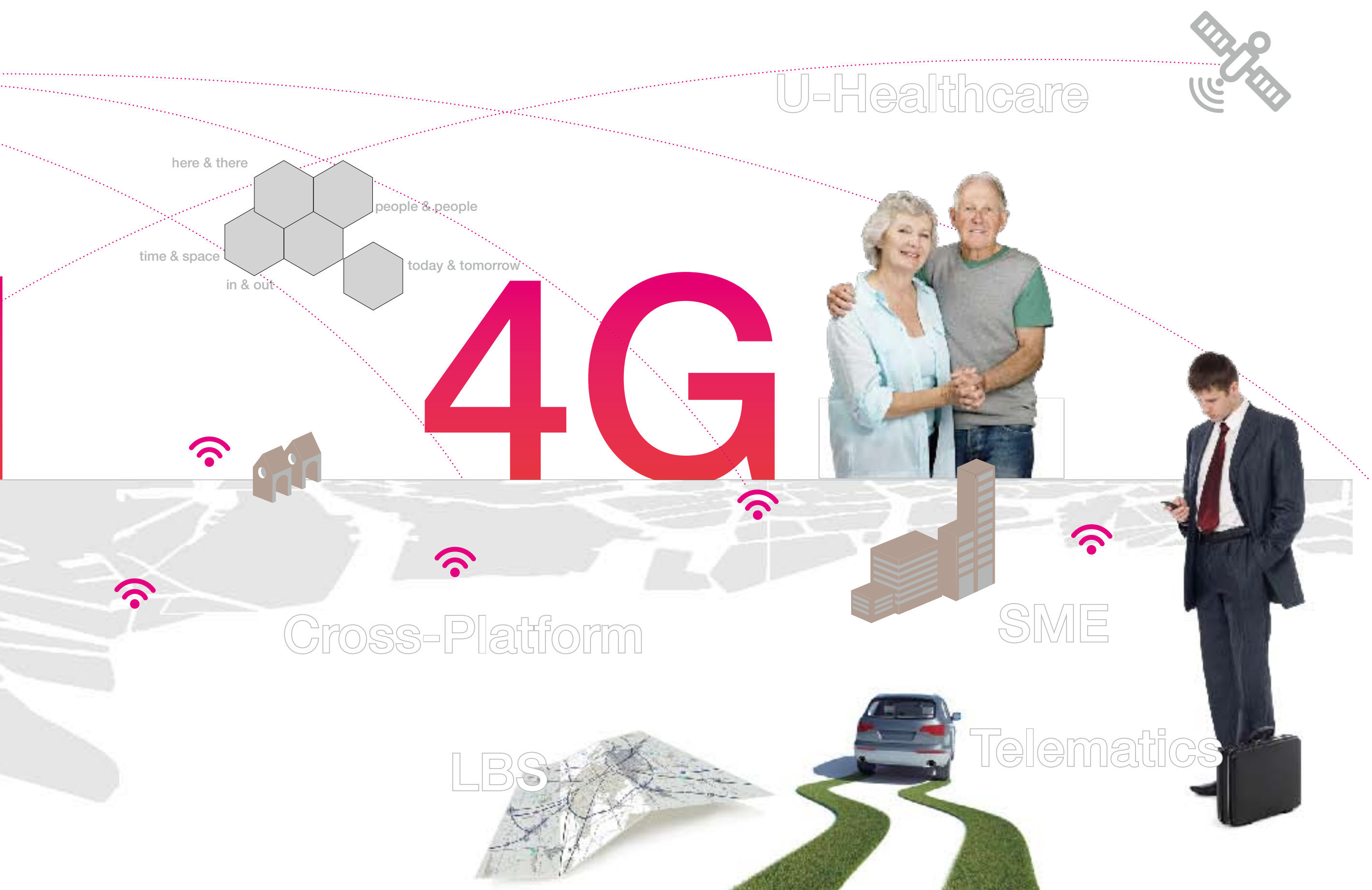
Boasting over 90 channels that include both terrestrial TV broadcasting and cable channels in high resolution digital HD, all programs are available on demand with a single click. The upgraded Smart7 service also provides a number of interactive services to your television, many of which used to be available through computers and smartphones only.

U+Biz

Whether wired or wireless, U+Biz offers total business solutions which range from Internet infrastructure – including Mobile Office, wired & wireless settlement solutions, intranet, an IT center, telephone, and Corporate FMC – to wired & wireless groupware, solutions and a telephone service. Together, these all help corporate customers reinforce business competencies and IT competitiveness.

U+Zone

U+Zone is the world’s largest Wi-Fi zone, connecting one million Wi-Fi access points (APs) at 100 Mbps. With a connection 20 times faster than other APs, U+Zone provides a reliable AP-centric network service that is secure and complete with cutting-edge encryption technologies.



The nation's first next-generation network creates a smart mobile service platform that helps make mobile life better than ever.

MOBILE BUSINESS

2010 MARKET ANALYSIS

The mobile business witnessed huge changes in 2010. With third-generation (3G) networks saturated, market players were in fierce competition to upgrade the speed of their fixedline networks. Deregulation, intensifying competition, and increased capital expenditures are changes to be dealt with in the industry right now. The advent of wired and wireless telecommunications convergence services has pitted mobile operators against one another in a battle to claim the lead in the fast-growing smartphone and tablet PC markets.

2010 PERFORMANCE

Growing subscriptions to data services and subsequent revenue growth I LG U+'s mobile business recorded KRW 3.48 trillion in service revenue in 2010, down by 1.5 percent from KRW 3.53 trillion in 2009. Nevertheless, revenue from its data service realized a sound 18.6 percent year-on-year growth, to KRW 547.0 billion, as a result of the expanding smartphone business and the consequent surge in data usage. In addition, the number of subscribers increased by 364 thousand, reaching 9.02 million in total on an accumulated basis. As the market is forecast to grow rapidly, LG U+ expects sustainable increases in data service revenue in the years to come.

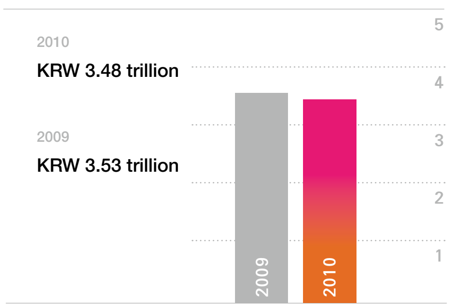
Expanding smartphone line-up and upgraded data service I Our diversified smartphone line-up includes the Optimus Q, Optimus one, Optimus Mach, Galaxy U, and Mirach, as well as the tablet PC Galaxy Tab. An upgraded version of the OZ service, OZ 2.0, was released in 2010 and came with 21 OZ apps which are optimal for mobile Internet and which are exclusive to the OZ App Store. These services are available with all our high-performance smartphones, which are suited to OZ apps and come with exclusive price plans. For example, price plans for OZ Smart55 and above offer an unlimited data plan. Also, after entering into a business alliance with the world's most popular social network, Facebook, LG U+ now offers its SNS service free of charge during a one-time promotion period.

Increasing investment in the next-generation network I In preparation for the use of the 800MHz bandwidth, scheduled to be available from July 2011, LG U+ is planning to complete LTE transmission capability nationwide ahead of its competition. LTE, or long-term evolution, is a fourth-generation (4G) mobile telecommunications network that achieves data transmission speed up to 10 times faster than 3G service. When LG U+ selected its LTE equipment supplier before its competitors, it ensured it would be ready for commercial service ahead of everyone else. LTE has come into the spotlight recently as the solution to the growing demands for a higher speed, larger capacity Internet connection to accommodate the exploding data traffic in proportion to the popularity of smartphones and other digital devices. As such, the company will invest in integrated stations that will accommodate 2G, 3G, and the new 4G LTE simultaneously and in a single device.

2011 OUTLOOK

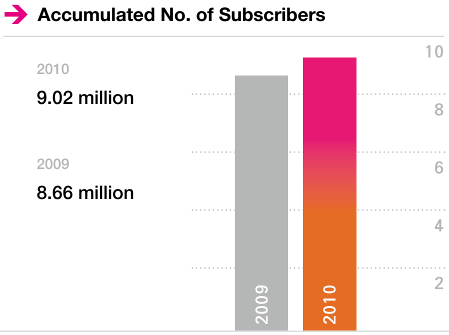
The expanding wireless data service market is forecast to see more intense competition in 2011. In response to a surge in data traffic, LG U+ is establishing a vast Wi-Fi network nationwide, while completing the national 4G LTE network in a timely manner. By securing a number of high-end competitive smartphone gadgets and tablet PCs, we will continue to increase the number of smartphone users. SNS, LBS, and cloud-based services, mobile IPTV, and app store services will all help drive us forward in tomorrow's wireless data service market.

Service Revenue



2009's Revenue breakdown has been accounted by offsetting internal transactions under K-GAAP and 2009 and 2010 figures were not accounted from a consolidated basis.

Accumulated No. of Subscribers



Transcending boundaries, our TPS service realizes a world beyond imagination and one which enriches your life.

TPS BUSINESS

2010 MARKET ANALYSIS

In the TPS (Triple Play Service) business, which encompasses broadband, VoIP and IPTV, competition intensified in service and price throughout 2010. The broadband service business continued to grow thanks to consistent network upgrades, expanding wireless data and IP service markets, as well as the growing need for a faster network and greater security. In 2010, LG U+'s cost-efficient and convenient VoIP service attracted a large number of subscribers, the growth of which was further expedited by deregulation to do with VoIP Number Portability (VNP). In addition, the IPTV business was able to grow thanks to the popularization of HDTV and digital broadcasting.

2010 PERFORMANCE

Revenue surpasses KRW 1 trillion I Fueled in large part by the increasing number of subscribers to broadband and VoIP services, TPS service revenue increased 19.5 percent year on year to KRW 1.05 trillion. It was the first time the business had eclipsed the KRW 1 trillion mark in revenue. The net increase in broadband subscription amounted to 251 thousand subscribers, bringing the accumulated subscription rate to 2.77 million subscribers. At the same time, LG U+'s VoIP service subscription achieved a net increase of 624 thousand, or 2.75 million accumulated subscribers in total. Finally, the IPTV business realized a net increase of 269 thousand subscribers, or 613 thousand accumulated subscribers in total.

Establishing 100 Mbps wired & wireless Internet access infrastructure I Upon choosing the AP-centric network (ACN) as the backbone infrastructure for its U Convergence service, LG U+ concentrated on building the world's largest Wi-Fi network, dubbed the U+Zone. As part of its U+Zone, LG U+ launched U+Wi-Fi 100, an ultra high-speed Wi-Fi service with a 100 Mbps connection, which has been lauded for its higher speed and improved coverage, stronger security, better maintenance, and competitive service quality. The company plans to install 1.8 million Wi-Fi APs in 2011, and more than 2.5 million by 2012.

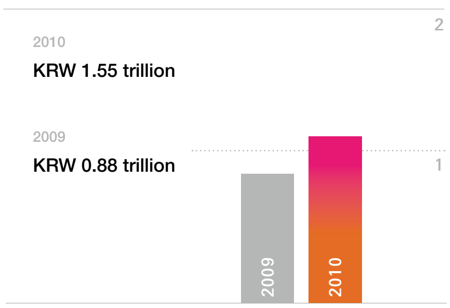
New mVoIP service I In order to take advantage of the exploding number of subscribers to its VoIP service U+070, LG U+ was quick to release new products as part of its mVoIP service. The wired & wireless convergence service OZ 070 allows users to make calls on both a mobile telecommunications network and a Wi-Fi network with the same phone device, while Mobile U+070 is a mVoIP application for smartphones.

Launch of Smart IPTV and N-Screen service I With the release of the smart TV service Smart7, LG U+ became the first Korean mobile operator to display a TV app store platform on a conventional IPTV. Compatible with the cloud-based N-Screen service, the service features seven different smart functions, including a content-linked commerce model on an open source web-based platform such as the TV app store. Popular not only with new subscribers, this service is also helpful for conventional IPTV subscribers, who are able to access it with a simple upgrade of one's set-top box. Furthermore, the U+Box offers a cloud-based N-Screen service.

2011 OUTLOOK

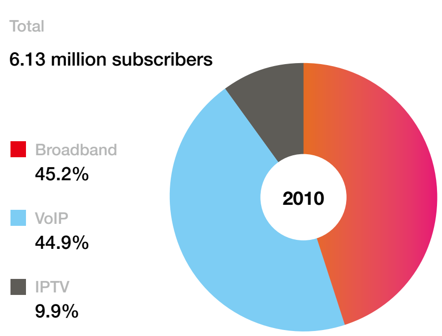
In 2011, the IPTV business, convergence service, and VoIP business are expected to see continuous growth, as are market demands for wireless Internet. Seizing such business opportunities, LG U+ will continue to reinforce IPTV service competencies, mainly through its Smart7 service, as it promotes its personal cloud service U+Box. With the number of household Wi-Fi APs forecast to jump from the current 1 million to 1.8 million, the company will also increase its number of Wi-Fi zones to a total of 50,000 nationwide, completing the world's largest Wi-Fi network.

Service Revenue



2009's Revenue breakdown has been accounted by offsetting internal transactions under K-GAAP and 2009 and 2010 figures were not accounted from a consolidated basis.

Business Portfolio



Our innovative B2B data service brings about smart workplaces and enhances business competitiveness.

B2B DATA BUSINESS

2010 MARKET ANALYSIS

The e-Biz market saw competition further intensify with larger telecommunications mobile operators achieving market penetration in 2010. At the same time, the intense competition in the IDC market resulted in turning a suppliers' market into a buyers' market. The corporate leased line service market also became more competitive as conglomerates, service operators (SO) and network operators (NO) entered the market. The key to success has become brand recognition, service development capability, total solutions development capacity, price-quality satisfaction, and marketing success.

2010 PERFORMANCE

A true breakthrough in the solutions and e-Biz markets I The B2B data business provides corporate clients with corporate leased lines, e-Biz, IDC, and solutions. The revenue from this business increased 8.3 percent over the previous year, reaching KRW 1.26 trillion. In addition, revenue has increased tremendously in the e-Biz service, which has led to growth in the overall revenue of the sector. The e-Biz service provides e-finance, enterprise resource planning (ERP) solutions, and corporate mobile solutions that support wired and wireless convergence.

e-Biz: Reinforcing business competitiveness I Our e-Biz essentially provides online financial services tailored to customer needs and ERP solutions, which is integral to efficient management. The e-finance services include e-payments, financial management, cash receipts, and other services for efficient financial management of corporate clients. Business solutions include groupware, e-Tax Invoice, SCM, web faxes, SMS, and remote control services, all of which help SMEs strengthen their competencies.

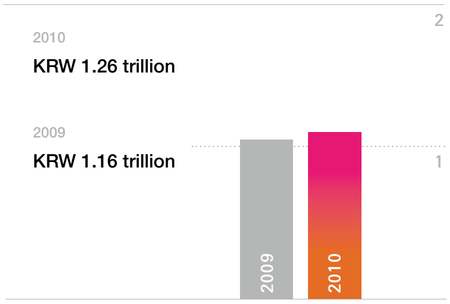
Smart workplace solution I Under the slogan of "An office in my hand," the U^+ Mobile Office is a mobile portal service customized for corporate users, supporting the compatibility of groupware on a mobile web service. Feature functions include e-mail, a schedule planner, and inquiries. The mobile office business expanded in 2010, when LG U^+ signed contracts to build the mobile office infrastructure for Korea's Public Procurement Service and E-Land. Another popular service for corporate users is U^+ Business FMC, a fixed mobile convergence (FMC) service which allows a single device to become compatible with both mobile phone and Wi-Fi services.

U^+Smart SME: SME-customized solutions I Tapping into the advanced SaaS platform and services of Microsoft through a strategic business alliance, LG U^+ launched a total solutions service for SMEs called U^+Smart SME, which helps foster an efficient smart work environment. The U^+Smart SME service supports SMEs in customizing their own service plan, picking from a variety of cloud-based solutions that best fit their use and size. Furthermore, it not only assists SME users enhance work efficiency at affordable prices but also equips them with ICT competencies as competitive as large corporations.

2011 OUTLOOK

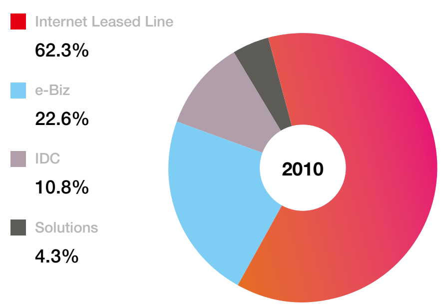
In 2011, the company expects to see continuous growth in SME and cloud computing, and B2B mobile markets to further expand. Accordingly, LG U^+ plans to increase SME services such as its bundle products that encompass SaaS solutions, its Internet phone and Internet access, and its approval solutions. At the same time, it will concentrate on increasing its all-IP-based service, as well as its B2B mobile and FMC subscriptions.

Service Revenue



2009's Revenue breakdown has been accounted by offsetting internal transactions under K-GAAP and 2009 and 2010 figures were not accounted from a consolidated basis.

Business Portfolio



The innovative concept "Beyond Telecom" is pushing us ahead of the competition in the future U Convergence market and creating a better future for everyone.

BEYOND TELECOM

2010 MARKET ANALYSIS

In 2010, “ubiquitous,” “convergence” and “smart” were the key words in the information and communication technology (ICT) business. Although there has been talk about ubiquitous objects and convergence for several years, the market has only recently started to grow. Triggered by innovative smartphones and tablet PCs, changing consumer sentiment has led to major changes not just in the smart business but also in people’s lifestyle. For their own part, mobile operators began investing in telecom convergences with industries such as broadcasting, finance, commerce, education and the media, with tangible results already seen amid intense market competition.

2010 PERFORMANCE

Education l In alliance with the Korean Ministry of Education, Science & Technology, LG U+ initiated a commercial service called myEdutv, an IPTV customized to the needs of schools. Having developed the world’s first USB-shaped set-top box, the company continues to develop a variety of educational content for schools. In addition, LG U+ released edu Tab, Korea’s first tablet PC custom designed for educational use.

Media / Advertising l LG U+ became the first Korean mobile operator to develop an open ad platform, U+AD, which features roughly 50 different apps in the categories of entertainment, lifestyle, shopping, SNS, news, and education. Open to customization by clients and ad targets, U+AD attracted 40 clients and 140 apps in its first three months of service.

Healthcare l LG U+ became the first Korean mobile operator to enter the smart healthcare business when it reached an agreement with Myongji Hospital on building an ICT and medical convergence service called Hospital 2.0. Slated for release in the second half of 2011, Hospital 2.0 will contribute to upgrading Korea’s hospitals, thereby improving their quality of medical service and operational efficiency.

Telematics l In collaboration with Hyundai-Kia Motors, LG U+ has now advanced into the commercial vehicle telematics service business. With cutting-edge ICT, commercial vehicle telematics allows for the efficient control of information when operating a vehicle, and is a more advanced convergence service than conventional telematics, which had traditionally been used for entertainment purposes. By linking this service to the standard Digital Tacho Graph (DTG) from Korea’s Ministry of Land, Transport and Maritime Affairs, as well as its mobile communications network, LG U+ is poised to play a leading role in the commercial vehicle telematics service market in the years to come.

Utilities l LG U+ initiated its high-pressure automatic meter management (AMM) business when it joined the Smart Meter Project, which is being promoted by the Ministry of Knowledge Economy, Korea Electric Power Corporation and GS Caltex. Today, the company is developing M2M platform and convergence solutions for the project. Starting with this AMM service, the company plans to engage in machine to machine (M2M) businesses in the future.

2011 OUTLOOK

While the ubiquitous convergence service market is expected to grow continuously, competition is only expected to get more intense. In 2011, the company will strive to take the lead in the U Convergence field by connecting its telecom infrastructure with the five major “Beyond Telecom” business areas: Education, Media/Advertising, Healthcare, Telematics, and Utilities.

The Five Major “Beyond Telecom” Business Areas

Education

Media/Advertising

Healthcare

Telematics

Utilities

Supporting society's next generation in the pursuit of its dreams,
extending a helping hand to the needy,
helping employees achieve a healthy work-life balance,
striving for higher customer satisfaction,
LG U+ is devoting itself to building a better world for everyone.

think & act

We are helping to create
a happier world for everyone.

Dream

Social Contribution

Under the slogan Love Plus, LG U+ is engaging in four categories of social contribution activities: youth care, multicultural family support, IT Plus, and volunteer activities. As a responsible corporate citizen, LG U+ is committed to bringing about a more prosperous and happier society for everyone.

Helping Underprivileged Teenagers Realize Their Dreams

LG U+ takes part in various youth care programs, helping underprivileged teens follow their dreams in spite of their challenging circumstances. In August 2010, the company initiated its Do Dream U+ project, which offers long-term sponsorship of teens from low-income families with disabled family members. As part of the project, volunteers from LG U+ become mentors for these teenagers. The project also includes the Do Dream U+ Fund, to which the company contributes at least three times the amount monthly as is donated by the beneficiary teenagers and their mentors, to finance university tuition and job search expenses. In December 2010, the company held a two-day camp for everyone involved in this project.

Working towards Digital Inclusiveness

Since 2007, LG U+ has donated mobile phones that can read books to the visually impaired. The Library that Reads to the Visually Impaired is a text-to-speech (TTS) phone which can download mobile audio books provided by the LG Sangnam Library to the visually impaired for free. In addition, it offers voice services for phone calls, the sending/receiving of text messages, the reading of documents, and other functions so the visually impaired can use their phones more easily.

Supporting Multicultural Families

LG U+ does not tolerate social prejudice and the resultant difficulties when it comes to multicultural families. In August 2010, the company initiated its U+ Multicultural Communication Program, and held an essay contest about the cultural differences between Korean and Vietnamese cultures. In October, the company sent a total of 100 people, some of whom were selected for writing excellent essays, along with their family members to Ho Chi Minh City, Vietnam, where it arranged for family gatherings.

Volunteer Services

The LG U+ Volunteer Corps, dubbed the Blue Dream Board, is composed of smaller units of volunteer groups within the company. Whenever these small groups provide volunteer services, the company contributes to the funds raised at a rate of KRW 10,000 per volunteer hour, which it then donates to charities. In 2010, a total of 200 members from nine small groups visited underprivileged people to help them bathe. They also distributed free meals to the homeless. At the end of the year, LG U+ donated the funds to charities to use for their necessities.

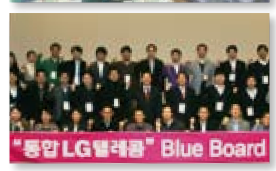
Open communication, innovation and creativity create the best corporate culture.

Idea

Corporate Culture

Encouraging Active Communication and Creative Innovation

In 2010, LG U+ launched “Blue Board” as a mediator of maximizing competencies and synergies, allowing for open communication and innovation within the organization and the market. Divided into two subgroups – Blue Communication Board and Blue Value Board – the 100 members of the board brainstorm in order to facilitate active communication within the company. In order to motivate the company’s entire workforce, including Board members, to participate in the company’s innovation drives, the company launched Blue I on its intranet, a forum where employees can post, perform and assess innovation projects. Throughout 2010, a total of 4,000 ideas were registered on Blue I, serving to develop new businesses and services in line with the “Beyond Telecom” initiative.



Advocating Originality and Diversity

Every year, LG U+ holds an Idea Olympiad that serves as a venue for sharing original and diverse ideas among employees. Participating in the 2nd Idea Olympiad, a number of younger employees put forward their ideas and suggestions from a customer’s point of view on new services the company should offer and improvements to the work process. Advocating originality and diversity, the Idea Olympiad serves as a think tank for innovative measures within LG U+.

United under the vision of becoming a leader in the “Beyond Telecom” industry, LG U+ advocates a creative and liberal corporate culture, one where its employees can achieve a healthy work-life balance and have the necessary resources to achieve all their professional goals.

Promoting a Healthy Work-Life Balance

LG U+ promotes family-friendly management practices under the CEO’s firm belief that a happy family allows for “people to work happily and creatively,” which is also the vision of LG U+. As such, the company shares in its employees’ lives by sending cards and gifts to the children of employees at significant times of their academic career, as well as to the spouses of employees when a new baby is born. The company even provides assistance to employees in times of hardship. These efforts have been widely recognized, especially when LG U+ was awarded the Family-Friendly Workplace title in the large company category by the Ministry of Gender Equality and Family in November 2010.

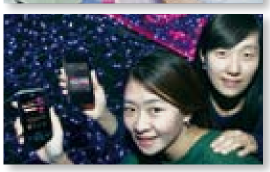
Ensuring Fair Compensation for Top Performances

LG U+ gives out Feel Good Awards every year to departments and employees in proportion to their accomplishments and contribution to building a creative and liberal corporate culture. Inspiring its employees with loyalty and pride to the company, the awards program helps improve productivity and fosters close collaboration among departments.

Customer-oriented management realizes the highest customer satisfaction.

Value

Customer Satisfaction



Customer value is at the heart of all business activities at LG U+. Constantly thinking about customer needs from their point of view, LG U+ aims to provide value for customers beyond their wildest expectations as their personal value provider.

Customer-Friendly Mobile Customer Center

In 2010, LG U+ improved mobile customer center service by enhancing the customer interface. One example of this was the company's Smart Spam Buster, which can detect even modified forms of spam. Furthermore, the Customize Your Customer Center service improved the user interface by allowing customers to put their favorite apps on their screen. Also, the Mobile Customer Center Widget connects users to LG U+'s mobile customer center, where they can modify their price plans with a single touch. Finally, the company has introduced an exclusive smartphone app called Mini U+ Customer Center.

Angel Service: Enhanced Customer Satisfaction

LG U+'s Angel Service visits customers on demand to take broken phones from customers to a repair center while also providing rental phones when necessary. A huge success in its first year of operation, Angel Service was expanded to the LG Electronics Service Center under a mutual partnership.

Reducing Bills

LG U+ has taken the bold step in offering unprecedented discount plans and various price plans, significantly reducing monthly bills for customers. The Universal Yo price plan was especially helpful in streamlining people's monthly telecom bills. In September 2010, the company announced the lifting of its CID charge, and in December LG U+ lowered its per second usage for mobile phones. It also exempted people from paying their bills who were victims of the Yeonpyeong Island incident.

Addressing Customer Inconveniences

Dedicated to becoming a personal value provider, LG U+ has consistently engaged in diverse innovation drives to correct customer inconveniences. Online VOC monitoring, customer previews before the launch of new products and services, and various customer panels are all a means of ensuring LG U+ understands the needs of both its customers and markets.

Management's Discussion & Analysis

As a result of our industry-leading capabilities and determined passion in each area of our business, including telecommunications, TPS, B2B data, etc., which are built on integrated synergies, LG U+ has maintained robust growth with a continuous increase in revenue. The Company will continue to grow in the future by actively reinforcing its network, developing advanced services and providing its customers with differentiated experiences.

The Management's Discussion & Analysis presented by LG U+ in this annual report may contain statements regarding future management plans to assist investors in understanding forecasts of future performances. However, please be aware that future results may differ from projections outlined in this report due to various factors that are beyond the company's control. The term 'the Company' used in the Management's Discussion & Analysis refers to 'LG U+' unless expressly noted otherwise.

01. Executive summary

The domestic telecommunications market in 2010 went through several changes including a new paradigm shift in the existing telecommunications environment with the introduction of smartphones. With the wide spread of smartphones, application stores based on an open ecosystem have been activated in the domestic market, which has led to an exponential increase in data traffic. Accordingly, to accommodate the huge increase in data being transmitted, telecommunications companies have focused on securing market competitiveness with a variety of combined products and convergence of services. The aim is to provide differentiated levels of value to customers while establishing Wi-Fi zones and preparing for the evolution to 4G, the 4th-generation network.

Over the past year, LG U+ made efforts to establish a basic infrastructure for diverged-telecommunications services as it reinforced the structure of its network base, a core component of a telecom company. The company also launched an innovative and converged IP-based home service, developed various company solutions as well as solutions through strategic alliances, and launched an innovative Life Five-O convergence service for 50 million telecom customers. Furthermore, the organization completed preparations for creating synergies through its internal capabilities. For instance, before actively providing smart services, the company sought to eliminate existing walls between individuals, homes and companies, and expanded and streamlined the organization through the convergence of functions. These were done in preparation for the integration of services, entry into an environment based on convergence and the specialization of required functions. Amid the expected number of 20 million smartphone subscribers in 2011, LG U+ will channel its capabilities into proactively responding to IP-based market change and prepare for the 'fundamental reinforcement of competitiveness' in the wireless business with the expansion of smartphones to a mass market. In particular, with the launch of an 800MHz 4G LTE service in the later this year, LG U+ will cut the age-old vicious cycle of being alienated in network and smartphones as the only holder of CDMA 1.8GHz frequency and resurface the company's inherent competitiveness. Through such efforts, LG U+ expects to drastically increase customer recognition of its brand as we grow through quality improvements made possible by a recovery in ARPU. Such a recovery will be made possible by maximizing the growth of data revenue and the securing of market leadership in the converged home market based on an ACN network.

Revenues in 2010 was KRW 8,500.8 billion based on K-IFRS, a 71.4% year-on-year increase, and a 12.0% increase on a guidance basis. With the completion of a merger between (former) LG Dacom and (former) LG Powercom in 2010, the company's overall performance in 2010 increased year-on-year in comparison to (former) LG Telecom in 2009 with the reflection of operating revenues of (former) LG Dacom and (former) LG Powercom. Operating income for 2010 was KRW 655.3 billion, an 84% year-on-year increase on a K-IFRS basis and a 0.2% increase on a guidance basis. On a K-IFRS basis, net income and EBITDA increased by 94.6% and 137.8% year-on-year to KRW 570.0 billion and KRW 1,908.8 billion, respectively. On a guidance basis, net income and EBITDA increased by 23.3% and 24.7% year-on-year, respectively. The debt-to-equity ratio increased by 11.3%p year-on-year under K-IFRS and by 10.2%p on a guidance basis due to an increase in borrowings caused by the issuance of debentures.

unit : KRW in billions

Summarized Statements of Income

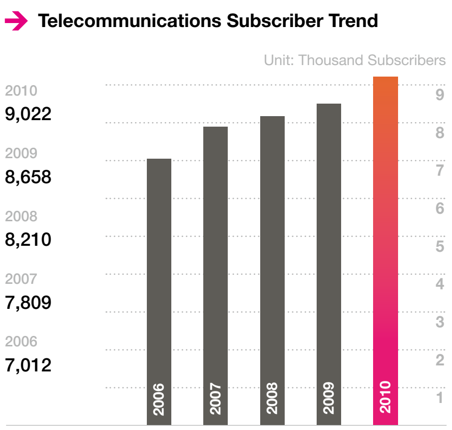
	2010	2009			
		K-IFRS	Change Rate	Guidance	Change Rate
Revenues	**8,500.8**	**4,958.7**	**71.4%**	**7,587.2**	**12.0%**
Service Revenue	6,314.9	3,572.7	76.8%	6,117.1	3.2%
Handset Revenue	1,648.4	1,371.9	20.2%	1,407.1	17.2%
Rental Revenue	11.4	2.3	390.9%	3.4	232.6%
Other Revenue	526.0	11.8	4348.6%	59.5	783.3%
Expenses	**7,845.5**	**4,602.6**	**70.5%**	**6,933.4**	**13.2%**
Operating Expense	7,770.3	4,587.2	69.4%	6,861.0	13.3%
Other Expense	75.1	15.3	389.8%	72.5	3.7%
Operating Income	**655.3**	**356.2**	**84.0%**	**653.7**	**0.2%**
Non-Operating Income	**47.5**	**75.1**	**-36.7%**	**97.7**	**-51.3%**
Non-Operating Expense	**134.6**	**92.9**	**44.9%**	**164.6**	**-18.2%**
Income before Tax	**568.2**	**338.4**	**67.9%**	**586.8**	**-3.2%**
Income Tax	**(1.8)**	**45.4**	**-103.9%**	**124.5**	**-101.4%**
Net Income	**570.0**	**293.0**	**94.6%**	**462.3**	**23.3%**
EBITDA	**1,908.8**	**802.8**	**137.8%**	**1,530.6**	**24.7%**
EBITDA Margin	**30.2%**	**22.5%**	**7.7%p**	**25.0%**	**5.2%p**
Operating Profit Margin	**10.4%**	**10.0%**	**0.4%p**	**10.7%**	**-0.3%p**

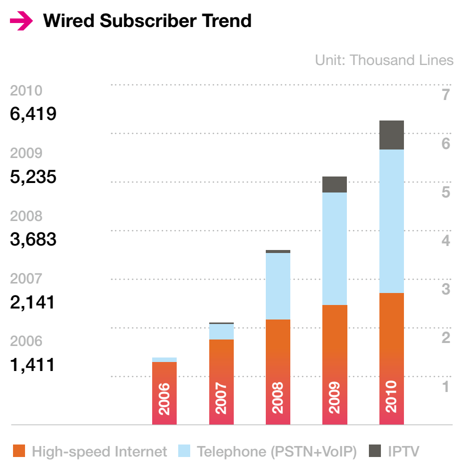
In this report 2009 figures marked "K-IFRS" represent the business results of pre-merger LG Telecom while figures marked "Guidance" represent the unaudited consolidated financial results of the three integrated companies based on K-IFRS.

02. Operating Results

Subscribers

The number of accumulated LG U+ subscribers reached 9.02 million with the securing of 360 thousand net additions in the wireless business. New subscribers rose by 2.9% year-on-year to 4.15 million. ARPU in 2010 was KRW 31,957, down by 5.7% from 2009. Data ARPU increased by 13.5% to KRW 5,141, while supplementary service charges decreased by 29.7% year-on-year. Meanwhile, the wired business has continued to create stable revenues especially with an IPTV showing high growth of 78.1% year-on-year. The number of high-speed Internet subscribers increased by 10% from 2009, while the numbers of Telephony and IPTV subscribers increased by 28.0% and 78.1%, respectively.





Revenues

LG U+'s Revenues in 2010 grew by 71.4% year-on-year to KRW 8,500.8 billion based on K-IFRS due to a bargain purchase gain from the merger in the first quarter despite readjustment of interconnection rates. Based on guidance, revenues increased by 12.0% compared with guidance-based revenues in 2009.

Wireless revenue decreased slightly by 1.5% year-on-year to KRW 3,479.3 billion. Among wireless revenues, revenue from interconnection calls and outgoing calls decreased year-on-year due to readjustment of the interconnection rate, etc., while revenue from data services increased by 18.6% year-on-year due to a continuous increase in data flat rate subscribers. Basic fees or minimum fees increased by 3.1% year-on-year due to continued expansion of the proportion of fixed amount subscribers. TPS revenue was KRW 1,055.1 billion, up by 19.5% year-on-year due to increases in high-speed Internet and IPTV subscribers. Data revenue grew by 8.3% to KRW 1,257.9 billion due to revenue increase in leased Internet lines, e-Biz, IDC, solutions, etc. Despite increased revenue from a new international telephony service, telephony revenue fell by 1.8% year-on-year owing to a decrease in revenue from international connection relays and the readjustment of interconnection rate.

Wireless Revenue

unit : KRW in billions

	2010	2009	Change Rate
Wireless Revenue	**3,479.3**	**3,531.1**	**-1.5%**
Sign-Up Fee	79.2	82.6	-4.2%
Monthly Fee	1,706.8	1,655.6	3.1%
Usage Charges	891.3	967.4	-7.9%
Data Services	547.0	461.1	18.6%
VAS	54.3	73.9	-26.5%
Interconnection	549.2	635.4	-13.6%
M to M	437.5	476.0	-8.1%
L to M	111.6	159.4	-30.0%
(Sales Discount)	(348.4)	(344.9)	1.0%

TPS Revenue

unit : KRW in billions

	2010	2009	Change Rate
TPS Revenue	**1,055.1**	**883.1**	**19.5%**
Broadband	691.3	650.3	6.3%
VoIP	279.7	210.1	33.2%
IPTV	84.0	22.8	268.9%

Data Revenue

unit : KRW in billions

	2010	2009	Change Rate
Data Revenue	**1,257.9**	**1,161.4**	**8.3%**
Internet Leased Line	285.2	274.2	4.0%
DLS & IDLS	498.4	500.5	-0.4%
e-Biz	284.7	225.5	26.2%
IDC	135.8	139.5	-2.6%
Solution	53.9	21.7	148.4%

Telephony Revenue

unit : KRW in billions

	2010	2009	Change Rate
Telephony Revenue	**513.0**	**522.6**	**-1.8%**
International Telephony	130.6	125.6	4.0%
International Call Fowarding	109.4	112.8	-3.0%
Domestic Telephony	122.9	128.3	-4.2%
Value-Added Telephony	150.0	155.9	-3.8%

2009's Revenue breakdown has been accounted by offsetting internal transactions under K-GAAP and 2009 and 2010 figures were not accounted from a consolidated basis.

Expenses

Operating expenses rose by 13.3% year-on-year to KRW 7,770.3 billion. With increased subscriber acquisition costs resulting from fierce competition to attract more subscribers, sales commissions increased by KRW 252.6 billion year-on-year. Fees and charges paid rose by KRW 135.9 billion year-on-year due to an increase in commissions paid initiated by an increase in the number of contracted salesmen and an increase in e-Biz sales. In addition, an increase in amortization due to identifiable assets such as customer value also have affected the increase in operating expenses. Other expenses increased by 3.7% caused by a loss from tangible / intangible asset impairments, etc.

Expenses

unit : KRW in billions

	2010	2009	Change Rate
Operating Expenses	**7,770.3**	**6,861.0**	**13.3%**
Wages	479.4	487.2	-1.6%
Rental	264.0	244.6	7.9%
Depreciation	1,008.2	851.0	18.5%
Repair	85.2	73.5	16.0%
Advertising	181.3	168.7	7.5%
Sales Commission	1,874.1	1,621.5	15.6%
Fee & Charges	644.3	508.4	26.7%
Interconnection	707.2	754.4	-6.3%
Telecom Circuit Rent	262.0	267.0	-1.9%
Outsourcing	243.0	281.9	-13.8%
Amortization of Intangible Assets	245.3	25.9	848.3%
Settlement	169.7	168.0	1.0%
Etc.	283.6	296.1	-4.2%
Cost of Handsets sold	1,323.1	1,112.8	18.9%
Other Operating Expenses	**75.1**	**72.5**	**3.7%**

Non-Operating Revenues & Expenses

Non-operating revenue dropped by 51.3% year-on-year to KRW 47.5 billion, while non-operating expenses decreased by 18.2% year-on-year to KRW 134.6 billion. The decrease in non-operating revenue mainly stemmed from decreases in interest revenue and foreign exchange translation income, while non-operating expenses also decreased from 2009 mainly due to decreases in the amount of losses from derivative evaluations and interest expenses. Consequently, the decrease in non-operating revenue exceeded the decrease in non-operating expenses, resulting in a net non-operating loss of KRW (-)87.1 billion.

Non-Operating Income

unit : KRW in billions

	2010	2009	Change Rate
Non-Operating Revenue	**47.5**	**97.7**	**-51.3%**
Interest Income	41.2	61.5	-33.1%
Others	6.3	36.1	-82.5%
Non-Operating Expense	**134.6**	**164.6**	**-18.2%**
Interest Expense	124.9	128.3	-2.7%
Others	9.7	36.3	-73.3%
Non-Operating Balance	**(87.1)**	**(66.9)**	**30.1%**

03. Statements of Financial Position

Assets

As of Dec. 31, 2010, total assets stood at KRW 8,525.2 billion, a 110.1% increase from 2009 based on K-IFRS and a 4.3% increase based on guidance.

Current Assets I As of Dec. 2010, current assets were KRW 2,160.1 billion, up by 73.8% based on K-IFRS and up by 19.1% under a guidance basis. This was mainly due to the increase in quick assets such as cash & cash equivalent assets and loans, etc.

Non-Current Assets I Non-current assets grew by 126.1% from 2009 based on K-IFRS mainly due to increases in property, plant and equipment, and showed a slight increase under a guidance basis.

unit : KRW in billions

Summarized Statements of Financial Position	2010.12	2009.12		2010.01	
		K-IFRS	Change Rate	Guidance	Change Rate
Total Assets	**8,525.2**	**4,058.3**	**110.1%**	**8,170.4**	**4.3%**
Current Assets	2,160.1	1,242.9	73.8%	1,813.1	19.1%
Non-Current Assets	6,365.1	2,815.4	126.1%	6,357.3	0.1%
Investment Assets	556.7	315.3	73.1%	443.7	23.0%
Property, Plant and Equipments	4,870.1	2,216.9	119.7%	4,782.2	1.8%
Intangible Assets	517.2	37.1	1,293.5%	748.1	-30.9%
Other Non-Current Assets	421.1	246.0	75.6%	383.3	12.7%
Total Liabilities	**4,576.7**	**2,075.0**	**120.6%**	**4,199.4**	**9.0%**
Current Liabilities	2,612.0	1,431.4	82.5%	2,675.7	-2.4%
Non-Current Liabilities	1,964.8	643.5	205.3%	1,523.7	28.9%
Total Shareholders' Equity	**3,948.5**	**1,983.3**	**99.1%**	**3,971.0**	**-0.6%**
Debt to Equity Ratio	**115.9%**	**104.6%**	**11.3%p**	**105.8%**	**10.2%p**
Total Debt	**2,785.3**	**971.6**	**186.7%**	**2,451.0**	**13.6%**
Cash & Cash Equivalents	**537.6**	**148.5**	**261.9%**	**270.6**	**98.6%**
Net Debt	**2,247.7**	**823.1**	**173.1%**	**2,180.3**	**3.1%**
Net Debt to Equity Ratio	**56.9%**	**41.5%**	**15.4%p**	**54.9%**	**2.0%p**

* Under K-IFRS, assets and liabilities should be measured by its fair value through an external valuator. So, the Statement of Financial Position has been compared to January 1, 2010's Opening Statements of Financial Position.

Liabilities

As of Dec. 31, 2010, total liabilities reached KRW 4,576.7 billion, up by 120.6% from 2010 under K-IFRS and 9.0% under guidance. Interest-bearing liabilities increased by 13.6% from 2009 to reach KRW 2,785.3 billion. Short-term borrowings including the current-portion of long-term liabilities decreased by 11.2% to KRW 915.8 billion, compared with the beginning balance sheet as of Jan. 1, 2010, the merger commencement period of three companies. However, long-term borrowings including debentures increased by 31.7% to KRW 1,869.5 billion. The long-term borrowing portion of interest-bearing liabilities was 67.1%, while short-term borrowings took up 32.9%. The net borrowings that deduct cash and cash-equivalents were KRW 2,247.7 billion.

Interest-Bearing Liabilities

unit : KRW in billions

	2010	2010.01	Change Rate
Short-term Borrowings	224.9	576.0	-61.0%
Current Portion of Long term debt	690.9	455.6	51.6%
Corporate Bond	1,529.9	1,198.1	27.7%
Long-term Borrowings	302.0	199.7	51.2%
Capital Lease	37.6	21.6	73.9%
Total	**2,785.3**	**2,451.0**	**13.6%**
Short-term debts %	32.9%	42.1%	-9.2%p
Long-term debts %	67.1%	57.9%	9.2%p
Cash and Cash Equivalents*	**537.6**	**270.6**	**98.6%**
Net Debt	**2247.7**	**2,180.3**	**3.1%**

* Cash and Cash Equivalents = Cash and Cash Equivalents + Short-Term Available-for-Sale Financial Instruments

Shareholders' Equity

As of Dec. 31, 2010, total Shareholders' Equity was KRW 3,948.5 billion, which was a 0.6% decrease from 2010 based on guidance; however, this was a 99.1% increase based on K-IFRS. Capital on the basis of K-IFRS increased to KRW 2,574.0 billion from KRW 1,386.4 billion last year as 237,515,405 new shares were allocated for the issuance after the registration of the three way merger with LG Dacom and LG Powercom, while capital based on guidance remained unchanged. Retained earnings were KRW 1,240.0 billion reflecting net income and earnings reserves.

Shareholders' Equity

unit : KRW in billions

	2010.12	2009.12		2010.01	
		K-IFRS	Change Rate	Guidance	Change Rate
Shareholders' Equity	**3,946.9**	**1,983.3**	**99.0%**	**3,969.5**	**-0.6%**
Capital Stock	2,574.0	1,386.4	85.7%	2,574.0	0.0%
Capital Surplus	834.7	11.6	7,108.8%	840.5	-0.7%
Retained Earnings	1,240.0	767.2	61.6%	1,263.7	-1.9%
Accumulated Other Comprehensive Income	0.2	(4.9)	-103.1%	(4.9)	-103.1%
Other Shareholders' Equity	**(702.0)**	**(176.9)**	**296.7%**	**(703.8)**	**-0.3%**
Wireline NW	**1.6**	**0**	**-**	**1.5**	**7.3%**
Total Shareholders' Equity	**3,948.5**	**1,983.3**	**99.1%**	**3,971.0**	**-0.6%**

04. CAPEX

LG U+ executed a total capital expenditure (CAPEX) of KRW 1,148.3 billion in 2010 to expand coverage of its wired and wireless networks and increase capacity, which was an 8% decrease from 2009.

CAPEX

unit : KRW in billions

	2010 1Q	2010 2Q	2010 3Q	2010 4Q	2010	2009	Change Rate
CAPEX	**222.1**	**259.0**	**288.1**	**379.2**	**1,148.3**	**1,248.2**	**-8.0%**
Wireless NW	80.8	106.9	89.4	123.5	400.6	407.8	-1.8%
Wireline NW	119.0	108.8	111.4	137.7	476.9	584.7	-18.4%
Other (IT, etc.)	22.3	43.3	87.2	118.0	270.8	255.7	5.9%

* Capital expenditure includes construction in progress

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
LG Uplus Corp. (formerly LG Telecom, Ltd.)

We have audited the accompanying consolidated statement of financial position of LG Uplus Corp. (the "Company") and its subsidiaries (collectively the "Group") as of December 31, 2010, the related consolidated statement of income and comprehensive income, changes in shareholders' equity and cash flows for the year 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. The comparative consolidated financial statements of the Group for the year ended December 31, 2009 are not audited.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 out 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 Group as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with Korean International Financial Reporting Standards ("K-IFRS").

March 10, 2011

Deloitte Anjin LLC CEO | Lee, Jae Sool

Deloitte Anjin LLC

This report is effective as of March 10, 2011, the auditors' report date. Certain subsequent events or circumstances may have occurred between this 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 UPLUS CORP. (FORMERLY LG TELECOM, LTD.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2010 AND 2009, AND JANUARY 1, 2009
unit : KRW in millions

			Unaudited			
		Dec. 31, 2010		Dec. 31, 2009		Jan. 1, 2009
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents (Notes 6 and 7)	₩	537,535	₩	148,350	₩	60,042
Financial institution deposits (Note 6 and 8)		15,350		10,000		102,000
Trade receivables, net (Notes 6 and 9)		1,221,731		798,077		829,434
Loans and other receivables, net (Notes 6 and 9)		127,915		81,981		56,497
Available-for-sale financial assets (Note 6)		71		186		252
Derivative assets (Note 6 and 31)		-		-		21,921
Inventories, net (Note 10)		190,097		155,053		101,266
Other current assets (Note 11)		67,382		49,277		56,845
TOTAL CURRENT ASSETS		**2,160,081**		**1,242,924**		**1,228,257**
NON-CURRENT ASSETS:						
Non-current financial institution deposits (Notes 6 and 8)		323		5		5
Non-current available-for-sale financial assets (Note 6)		75,477		26,000		27,895
Non-current trade receivables, net (Notes 6 and 9)		188,133		101,871		119,644
Non-current loans and other receivables (Notes 6 and 9)		234,836		176,989		173,367
Non-current derivative assets (Notes 6)		-		-		99
Investments in jointly-controlled entities and associates (Note 15)		10,963		-		-
Deferred income tax assets, net (Note 27)		394,161		223,277		210,406
Property, plant and equipment, net (Note 12)		4,870,145		2,216,925		2,187,136
Investment property, net (Notes 13)		47,005		10,465		11,093
Intangible assets, net (Note 14)		517,160		37,111		35,439
Other non-current assets (Note 11)		26,945		22,713		30,379
TOTAL NON-CURRENT ASSETS		**6,365,148**		**2,815,356**		**2,795,463**
TOTAL ASSETS	₩	**8,525,229**	₩	**4,058,280**	₩	**4,023,720**
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES:						
Trade payables (Notes 6 and 17)	₩	315,530	₩	246,857	₩	250,257
Non-trade and other payables (Notes 6 and 17)		1,101,128		589,686		629,323
Short-term borrowings (Notes 6 and 16)		224,910		186,045		196,624
Current portion of debentures and long-term borrowings(Notes 6 and 16)		653,767		184,963		566,500
Derivative liabilities (Notes 6 and 31)		699		19,844		-
Other current financial liabilities (Note 6, 17 and 21)		160,877		69,386		52,172
Income tax payable (Note 27)		37,229		30,999		37,007
Other current liabilities (Notes 20)		117,841		103,670		110,689
TOTAL CURRENT LIABILITIES		**2,611,981**		**1,431,450**		**1,842,572**

LG UPLUS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2010 AND 2009, AND JANUARY 1, 2009
unit : KRW in millions

		Dec. 31, 2010		Unaudited Dec. 31, 2009		Unaudited Jan. 1, 2009
ASSETS						
NON-CURRENT LIABILITIES:						
Debentures and long-term borrowings (Notes 6 and 16)	₩	1,831,899	₩	558,939	₩	178,634
Non-current derivative liabilities (Notes 6 and 31)		-		675		219
Other non-current financial liabilities (Notes 6, 17 and 21)		52,086		25,503		26,591
Retirement benefit obligation (Note 19)		28,554		12,583		3,833
Provisions (Note 18)		32,592		24,845		23,064
Other non-current liabilities (Note 20)		19,635		20,984		20,048
TOTAL NON-CURRENT LIABILITIES		**1,964,766**		**643,529**		**252,389**
TOTAL LIABILITIES		**4,576,747**		**2,074,979**		**2,094,961**
SHAREHOLDERS' EQUITY:						
Capital stock (Note 22)		2,573,969		1,386,392		1,386,392
Capital surplus (Note 22)		836,593		11,579		11,579
Other capital items (Note 22)		(703,879)		(176,948)		-
Accumulated other comprehensive income(loss) (Note 24)		153		(4,905)		(1,911)
Retained earnings (Note 22)		1,240,033		767,183		532,684
NON-CONTROLLING INTERESTS		**1,613**		**-**		**15**
TOTAL SHAREHOLDERS' EQUITY		**3,948,482**		**1,983,301**		**1,928,759**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	₩	**8,525,229**	₩	**4,058,280**	₩	**4,023,720**

See accompanying notes to the consolidated financial statements.

LG UPLUS CORP.
CONSOLIDATED STATEMENTS OF INCOME / COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
unit : KRW in millions

		2010		Unaudited 2009
OPERATING REVENUES (NOTES 5 AND 25)	₩	**8,500,751**	₩	**4,958,745**
Operating expenses:				
Cost of merchandise purchased		1,323,071		998,861
Employee benefits (Note 19)		400,096		214,306
Depreciation and amortization (Notes 12, 13 and 14)		1,253,495		446,605
Other expenses (Note 25)		4,868,793		2,942,795
		7,845,455		**4,602,567**
OPERATING INCOME		**655,296**		**356,178**
Financial revenues (Note 26)		45,501		75,074
Financial expenses (Note 26)		128,938		90,051
Share of profits (losses) of joint ventures and associates (Note 15)		2,019		-
Other non-operating expenses		5,644		2,818
Income before income tax		568,234		338,383
Income tax expense (Note 27)		(1,787)		45,406
NET INCOME		**570,021**		**292,977**
Net income attributable to:				
Owners of the Company		569,905		292,977
Non-controlling interests		116		-
Net income per share (In Korean Won) (Note 28)				
Basic income per share		1,318		1,057
Diluted income per share	₩	**1,297**	₩	**1,057**
NET INCOME	₩	**570,021**	₩	**292,977**
OTHER COMPREHENSIVE INCOME (LOSS):				
Gain on valuation of available-for-sale financial assets		254		318
Loss on valuation of available-for-sale financial assets		4,413		(2,088)
Gain on valuation of cash-flow-hedging derivatives		(77)		(22)
Loss on valuation of cash-flow-hedging derivatives		1,619		(1,609)
Gain on foreign currency translation for foreign operations		11		-
Share of other comprehensive income of joint ventures and associates		223		-
Actuarial gains and losses on defined benefit plans		(9,818)		(3,021)
Income tax effect relating to components of other comprehensive income		849		407
		(2,526)		**(6,015)**
TOTAL COMPREHENSIVE INCOME		**567,495**		**286,962**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company		567,379		286,962
Non-controlling interests	₩	**116**	₩	**-**

See accompanying notes to the consolidated financial statements.

LG UPLUS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
unit : KRW in millions

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Owners of the Company	Non-controlling interests	Total
Unaudited								
Balance at January 1, 2009	**₩1,386,392**	**₩ 11,579**	**₩ -**	**₩ (1,912)**	**₩ 532,684**	**₩1,928,743**	**₩ 15**	**₩1,928,759**
Annual dividends	**-**	**-**	**-**	**-**	**(55,458)**	**(55,458)**		**(55,458)**
Balance after appropriations	1,386,392	11,579	-	(1,912)	477,226	1,873,285	15	1,873,300
Net income	-	-	-		292,977	292,977	-	292,977
Acquisition of treasury stock	-	-	(176,948)	-	-	(176,948)	-	(176,948)
Changes in range of consolidation	-	-	-		-		(15)	(15)
Gain on valuation of available-for-sale financial assets	-	-	-	248	-	248	-	248
Loss on valuation of available-for-sale financial assets	-	-	-	(1,629)	-	(1,629)	-	(1,629)
Gain on valuation of cash-flow-hedging derivatives	-	-	-	(19)	-	(19)	-	(19)
Loss on valuation of cash-flow-hedging derivatives	-	-	-	(1,593)	-	(1,593)	-	(1,593)
Actuarial losses	-	-	-	-	(3,020)	(3,020)	-	(3,020)
Unaudited Balance at December 31, 2009	**1,386,392**	**11,579**	**(176,948)**	**(4,905)**	**767,183**	**1,983,301**	**-**	**1,983,301**
Balance at January 1, 2010	**1,386,392**	**11,579**	**(176,948)**	**(4,905)**	**767,183**	**1,983,301**	**-**	**1,983,301**
Annual dividends	**-**	**-**	**-**	**-**	**(89,968)**	**(89,968)**	**-**	**(89,968)**
Balance after appropriations	1,386,392	11,579	(176,948)	(4,905)	677,215	1,893,333		1,893,333
Net income					569,905	569,905	116	570,021
Capital stock issued in merger	1,187,577	823,133	-	-	-	2,010,710	-	2,010,710
Treasury stock acquired in merger		-	(526,931)	-	-	(526,931)	1,503	(525,428)
Conversion premium received	-	1,881	-	-	-	1,881	-	1,881
Gain on valuation of available-for-sale financial assets	-	-	-	198	-	198	-	198
Loss on valuation of available-for-sale financial assets	-	-	-	3,442	-	3,442	-	3,442
Gain on valuation of cash-flow-hedging derivatives	-	-	-	(59)	-	(59)	-	(59)
Loss on valuation of cash-flow-hedging derivatives	-	-	-	1,243	-	1,243	-	1,243
Gain(Loss) on foreign currency translation	-	-	-	11	-	11	-	11
Share of other comprehensive income of joint ventures and associates	-	-	-	223	-	223	-	223
Actuarial losses	-	-	-	-	(7,087)	(7,087)	(6)	(7,093)
BALANCE AT DECEMBER 31, 2011	**₩2,573,969**	**₩ 836,593**	**₩ 703,879)**	**₩ 153**	**₩1,240,033**	**₩3,946,869**	**₩ 1,613**	**₩3,948,482**

See accompanying notes to the consolidated financial statements.

LG UPLUS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
unit : KRW in millions

	Unaudited	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	₩ **570,021**	₩ **292,977**
Additions of expenses not involving cash outflows:		
Retirement benefits	29,138	15,107
Depreciation	1,008,184	437,295
Amortization of intangible assets	245,311	9,338
Bad debt expenses	46,979	62,060
Other bad debt expenses	-	258
Interest expenses	124,902	59,732
Loss on foreign currency translation	1,743	-
Loss on valuation of inventories	677	41
Income tax expense	-	45,406
Impairment loss on property, plant and equipment	9,535	-
Loss on disposal of property, plant and equipment	43,061	14,331
Loss on disposal of intangible assets	60	-
Impairment loss on intangible assets	9,417	-
Loss on valuation of derivatives	-	18,278
Loss on transactions of derivatives	3,383	4,319
Loss on redemption of debentures	-	19
Impairment loss on available-for-sale financial assets	-	124
	1,522,390	**666,308**
Deduction of items not involving cash inflows:		
Income tax expense	1,787	-
Interest income	41,184	43,906
Gain on foreign currency translation	1,859	16,427
Gain on disposal of property, plant and equipment	954	30
Gain on transactions of derivatives	566	8,612
Share of profits (losses) of associates	2,019	-
Other revenue	46	-
Bargain purchase gain	496,514	-
	(544,929)	**(68,975)**
Changes in operating assets and liabilities related to operating activities:		
Increase in trade receivables	(5,619)	(11,184)
Increase in loans and other receivables	(6,358)	(27,345)
Increase in inventories	(22,394)	(53,828)
Decrease in other current assets	9,773	16,779

LG UPLUS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
unit : KRW in millions

				Unaudited
		2010		2009
Increase in non-current trade receivables	₩	(138,043)	₩	(73,380)
Decrease (increase) in other non-current assets		(357)		431
Increase (decrease) in trade payables		71,489		(3,399)
Increase (decrease) in non-trade and other payables		27,940		(34,665)
Increase in other current financial liabilities		27,194		8,958
Decrease in other current liabilities		(10,161)		(7,020)
Decrease in other non-current financial liabilities		(5,433)		-
Decrease in retirement benefit obligation		(48,204)		(9,379)
Decrease in provisions		(1,056)		(11,428)
Increase (decrease) in other non-current liabilities		(1,664)		937
Increase in loss on foreign currency translation of foreign operations		11		-
		(102,882)		**(204,523)**
Interest income received		8,947		8,044
Interest expense paid		(126,554)		(46,564)
Income taxes paid		(65,149)		(63,466)
Net cash provided by operating activities		**1,261,844**		**583,801**
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash inflows from investing activities:				
Decrease in financial institution deposits		18		202,000
Disposal of available-for-sale financial assets		640		66
Disposal of property, plant and equipment		20,698		1,176
Disposal of intangible assets		1,864		1,723
Decrease in loans		30,648		8,634
Decrease in guarantee deposits		15,121		-
Decrease in leasehold deposits		21,126		25,881
Increase due to merger		122,109		-
		212,224		**239,480**
Cash outflows from investing activities:				
Increase of financial institution deposits		4,000		110,000
Acquisition of available-for-sale financial assets		20,372		-
Acquisition of property, plant and equipment		1,161,372		479,888
Acquisition of intangible assets		25,700		12,735
Increase in loans		31,961		6,966
Increase in leasehold deposits		40,240		25,983
		(1,283,645)		**(635,572)**
Net cash used in investing activities	₩	**(1,071,421)**	₩	**(396,092)**

LG UPLUS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
unit : KRW in millions

	2010	Unaudited 2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	574,910	186,589
Issuance of debentures	841,427	399,982
Proceeds from long-term borrowings	255,304	170,000
Increase in finance lease liabilities	52,998	21,733
Increase in government subsidy	397	-
Increase in leasehold deposits received	-	95
Settlement of derivatives	-	30,492
	1,725,036	**808,891**
Cash outflows from financing activities:		
Redemption of short-term borrowings	925,976	188,812
Redemption of current portion of long-term debt	453,743	479,460
Payment of dividends	119,537	55,456
Payment of stock issuance costs	5,796	-
Acquisition of treasury stock	120	176,948
Settlement of derivatives	21,094	4,294
Decrease in non-current other payables	-	3,246
Decrease in leasehold deposits received	-	75
	(1,526,266)	**(908,291)**
NET CASH PROVIDED(USED) BY FINANCING ACTIVITIES	**198,770**	**(99,400)**
EXCHANGE RATE FLUCTUATION EFFECT OF CASH AND CASH EQUIVALENTS	**(8)**	**(1)**
Net increase in cash and cash equivalents	389,185	88,308
Cash and cash equivalents:		
Beginning of the year	148,350	60,042
END OF THE YEAR	₩ **537,535**	₩ **148,350**

See accompanying notes to the consolidated financial statements.

LG UPLUS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

01. GENERAL:

LG Uplus Corp., formerly 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. In accordance with the resolution from the shareholders' meeting on March 18, 2008, the Company cancelled its listing on the KOSDAQ and on April 21, 2008 listed its' shares on the Korea Stock Exchange ("KRX").

In efforts to enhance operational efficiency and maximize synergy effects between wire and wireless communication business, LG Dacom Corp. and LG Powercom Corp. merged into the Company on January 1, 2010 (merger registration date: January 5, 2010). Through this merger, the Company expanded its operations to; fixed-line telephony service (including international and long-distance telephone service), internet access service and value-added telecommunication activities from LG Dacom; and broadband network rentals and broadband internet access service activities from LG Powercom.

Effective July 1, 2010, the Company changed its name from LG Telecom, Ltd. to LG Uplus Corp., to reflect the expanded nature of its business operations.

The Company's head office is located in Seoul, Korea and it has set up telecommunication networks all over the country to provide fixed-line and wireless services.

As of December 31, 2010, the Company's shareholders are as follows:

Name of shareholder	Number of shares owned	Percentage of ownership (%)
LG Corporation	157,376,777	30.57
KEPCO Corporation	38,409,376	7.46
Treasury stock	82,291,883	15.99
Others	236,715,799	45.98
	514,793,835	**100.00**

02. STANDARDS AFFECTING PRESENTATION AND DISCLOSURE AND SIGNIFICANT ACCCOUNTING POLICIES:

The consolidated financial statements of the Company and subsidiaries (collectively, the "Group") have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS").

The Company elected to early adopt K-IFRS beginning January 1, 2010 . While, the Company's transition date is January 1, 2009 based on K-IFRS 1101, First-time adoption of International Financial Reporting Standard. The significant adjustments related to the adoption of K-IFRS are as described in Note 3.

Since the transition date, the significant accounting policies followed by the Group in the preparation of financial statements are summarized below. The consistent accounting policies are applied to the consolidated financial statements for the current period and the comparative period.

(1) Basis of preparing consolidated financial statements

1) Basis of measurement
The financial statements have been prepared on the historical cost basis except certain non-current assets and financial instruments.

2) Functional and reporting currency
The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Group's functional currency and the reporting currency for the consolidated financial statements is Korean Won (KRW).

3) Basis for consolidation
The consolidated financial statements comprise the financial statements of the Company and the entities that are controlled by either the Company or its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.
All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group's equity in the consolidated statements of financial position. The interests of non-controlling shareholders are initially measured at the non-

controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Consolidated subsidiaries as of December 31, 2010 are as follows :

unit : KRW in millions

Consolidated subsidiaries	Place of incorporation and operation	Percentage of ownership (%)	Key financial highlights: Assets	Liabilities	Operating income	Net income
Ain Teleservice	South Korea	100.00	₩ 7,023	₩ 6,178	₩ 50,009	₩ 1,442
CS Leader	South Korea	100.00	5,671	4,765	36,880	1,169
DACOM Multimedia Internet Corporation	South Korea	88.06	19,347	5,838	33,765	970
DACOM America Inc.	USA	100.00	388	3,574	1,632	17
CS ONE Partner	South Korea	100.00	5,411	2,635	42,137	432

(2) Enacted or amended standards

The Company early adopted K-IFRS 1024 *Related Party Disclosures* which is effective as of January 1, 2011.

(3) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred (issuance costs of debt or equity instruments are excluded).

The Group recognizes goodwill at the date control is acquired (the acquisition date). Goodwill is measured as excess of sum of the consideration transferred, the non-controlling interest in the acquisition, if any, and the fair value of the Group's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed for business combination achieved in stages. Otherwise, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognizes the difference after that review in profit or loss as a bargain purchase gain (loss).

Non-controlling interest in the acquiree is measured with non-controlling interest's proportional interest in the identifiable net assets.

(4) Investments in associates

An associate is an entity which the Group has significant influence on and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case, it is accounted for in accordance with K-IFRS 1105 - *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that in substance, form part of the Group's net investment in the associate) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When an entity in the Group transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(5) Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When an entity in the Group directly undertakes its activities under joint venture arrangements, the Group's share of jointly-controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly-controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly-controlled assets and its share of joint venture expenses are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities. The Group reports its interests in jointly-controlled entities using equity method, except when the investment is classified as held for sale, in which case, it is accounted for in accordance with K-IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations*. When an entity in the Group transacts with a jointly-controlled entity of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

(6) Foreign currencies

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity in the Group are expressed in Korean Won ('KRW'), which is the functional currency of the Company and the reporting currency for the consolidated financial statements.

In preparation of the Group's separate financial statements, any transaction that occurred in currency other than its functional currency will be recorded in translated amount using the exchange rate of the transaction. At the end of reporting period, all monetary assets and liabilities will be translated using the exchange rate at the end of reporting date. Meanwhile, non-monetary assets and liabilities measured at fair value will be re-translated using the exchange rate on the day of fair value evaluation, whereas non-monetary assets and liabilities measured at historical cost will not be translated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income (loss) and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Korean Won (KRW) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income (loss) and accumulated in equity (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(7) Cash and cash equivalents
Cash and cash equivalents includes cash, savings and checking accounts, and short-term investment highly liquidated (maturities of three months or less from acquisition). Bank overdrafts are accounted for as short-term borrowings.

(8) Financial assets
All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL), held-to-maturity investments, available-for-sale ('AFS') financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1) Financial assets at FVTPL
Financial assets are classified at FVTPL when the financial asset is either held for trading or it is designated at FVTPL. FVTPL includes a financial asset held for trading and a financial asset designated as at FVTPL upon initial recognition. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in near term. A financial instrument, as long as it is not designated as an effective hedge derivative instrument or a financial guarantee contract, and contains one of more embedded derivatives, while it is treated separately from the host contract, is classified as held-for-trading.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Transaction costs attributable to acquisition upon initial recognition are immediately recognized in profit or loss in the period occurred.

2) Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

3) AFS financial assets
AFS financial assets are non-derivative financial assets that are either designated as AFS or are not classified as FVTPL, held-to-maturity investments, or loans and receivables. These are measured at fair value and changes in the fair value of AFS financial assets are recognized in other comprehensive income (loss) except for changes due to foreign currency translation and impairment. However, AFS financial assets that are not traded in an active market and the fair value cannot be reliably measured will be recognized at cost. Gains and losses arising from changes in fair value are recognized in other comprehensive income (loss), with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

4) Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

5) Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is directly reduced by the impairment loss for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent of the previously recognized loss amount. The carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had no impairment was previously recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

6) Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(9) Inventories
Inventories are stated at the lower of cost or net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the weighted average method and the moving average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(10) Property, plant and equipment
Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land and certain tangible assets. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

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

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

In addition, when an acquisition of a tangible asset occurs free-of-charge or at a value less than fair market value, due to government subsidy, the acquisition cost less government subsidy is recorded as the acquisition cost upon initial acquisition and depreciation expense is calculated based on the carrying amount.

(11) Investment property
Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses.
Subsequent costs are recognized in carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

Amongst the investment properties, land is not depreciated. However, investment properties other than land are depreciated over 20-40 years of their useful lives using the straight-line method.

The depreciation method, residual value and useful lives of investment properties are reassessed or reviewed at the end of each annual reporting period, and any changes from them are treated as change in accounting estimates.

(12) Intangible assets
Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets comprise of intellectual property rights, membership, customer relationships and others, and are amortized by the straight-line method over 2-20 years with no residual value. Some intellectual property rights and memberships have indefinite useful lives; such intangibles are not amortized but tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

In relation to intangible assets with definite useful lives, the estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for as change in accounting estimates.

(13) Goodwill
Goodwill arising in a business combination is recognized as an asset at the date when control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the relevant amount of goodwill is included in the determination of the gain or loss on disposal.

(14) Impairment of non-financial assets
At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount for an individual asset cannot be estimated, recoverable amount is determined for the CGU. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is immediately recognized as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(15) Financial liabilities and equity instruments

1) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

2) Financial liabilities at FVTPL (Fair Value Through Profit or Loss)
Financial liabilities at FVTPL include a financial liability held for trading and a financial liability designated at FVTPL. A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term or it is a derivative that is not designated and effective as a hedging instrument. Gains and losses arising on remeasurement are recognized in profit or loss and interest expenses paid in financial liabilities are recognized in profit and loss, as well.

3) Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.
4) Derecognition of financial liabilities The Group derecognizes financial liabilities only when, the Group's obligations are discharged, cancelled or expired.

(16) Lease
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessee
Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The financial charge, except for the case that it is capitalized as part of the cost of that asset according to the Group's accounting for borrowing costs, is immediately expensed in the period in which it is incurred. Contingent rents are charged as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2) The Group as lessor
Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect an effective interest rate on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(17) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Additionally, borrowing costs eligible for capitalization reflects hedge effectiveness in case that the hedge accounting for interest rate risk can be applied for borrowing costs directly related to qualifying assets.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(18) Derivative financial instruments
Derivatives are initially recognized at fair value at the date the derivative contract is entered into and transaction costs are recognized in profit or loss as incurred.

Derivatives are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is immediately recognized in profit or loss unless the derivative is designated as a and is an effective hedge instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

When designating a cash flow hedge, the Group formally designates a hedging relationship and the Group's risk management objective and strategy for undertaking hedge at the inception of the hedge and documents identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedge and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes. Additionally, the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Under a cash flow hedge, the effective portion of the gain or loss on the cash flow hedging instrument is recognized in other comprehensive income (loss) and the ineffective portion is recognized in profit or loss. The associated gains or losses that are recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods, during which the asset acquired or liability assumed affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses are removed from other comprehensive income (loss) and included in the initial cost or other carrying amount of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, exercised, or when it no longer qualifies for hedge accounting. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the forecast transaction ultimately occurs. However, when a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(19) Retirement benefit costs
Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. The present value of defined benefit obligations is expressed in a currency in which retirement benefits will be paid and is calculated by discounting expected future cash outflows with the interest rate of high quality corporate bonds which maturity is similar to the payment date of retirement benefit obligations. Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions. They are recognized in other comprehensive income (loss) in the statements of comprehensive income in the period in which they occur. Actuarial gains and losses recognized in other comprehensive income (loss) are immediately recognized in retained earnings and not be reclassified to profit or loss in a subsequent period. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

(20) Provisions
A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embody

ing economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are calculated as present value of the best estimate of the expenditure required to settle the present obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. The Group reviews provision balance at the end of reporting period and adjusts the amount reflecting the best estimate.

1) Restoration liabilities
The Group leases various land and building sites to for base station machinery and repeater, and non-networking assets facilities, to provide country-wide wireless telecommunication services, and has the obligation to restore the site at the end of lease period, when the economic use of related infrastructures are terminated. As a result, the Group recognizes restoration liabilities for the amount that it estimates that will be incurred for removing, dismantling and restoring the site in order to restore the leased site at the end of lease contract.

(21) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the Group's normal course of business, net of discounts, customer returns, rebates and related taxes. The Group recognizes revenues when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

With regard to the customer's reward points (EZ points and EZ money mileage) granted on the use of PCS services, rendering PCS services is considered as multiple deliverable transactions. The total consideration received or receivable in exchange for the PCS services is allocated between the sale of PCS services and reward points. For reward points, the allocation of the total consideration is measured at fair value and shall be accounted for as unearned revenue for initial measurement. Afterwards, when the reward points are either used or redeemed, it is recognized as revenue.

(22) Current tax payable and deferred tax
Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax payable
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each 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 asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3) Recognition of current tax payable and deferred tax
Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income (loss) or directly in equity, in which case the deferred tax is also recognized in other comprehensive income (loss) or directly in equity, respectively. In case of business combination, the tax effect is considered when calculating goodwill or when determining the excess (bargain purchase gain) of the fair value, net of tax, of identifiable assets, liabilities and contingent liabilities over the exceed business combination costs.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax law) that have been enacted or substantively enacted by the end of the reporting period in a country where a subsidiary or an associate manages its operation and generates taxable profits. Management regularly assesses determining the excess (bargain purchase grain) of position taken with regard to tax reporting in a case that an applicable tax code relies on its interpretation and accounts the expected amounts which will be paid to a taxing authority as a liability.

(23) Treasury stock
When the Group repurchases its equity instruments (Treasury stock), the incremental costs, net of tax effect, are deducted from the shareholders' equity and recognized as other capital items deducted from the total equity in the statement of financial position. In addition, profits or losses from purchase, sale, or retirement of treasury stocks

are directly recognized in shareholders' equity.

03. TRANSITION TO K-IFRS:

Under previous GAAP ("K-GAAP"), for consolidation purposes, the Company had no subsidiary that required to be consolidated in the comparative prior year financial statements. Furthermore, consolidated financial statements were neither prepared nor published for the comparative prior periods. As a result, the financial effects that resulted from the conversion from K-GAAP to K-IFRS on the consolidated statement of position, income and comprehensive income, and cash flow are not required for disclosure purposes. However, for informational purposes of the Company's investors, the effects of conversion starting from the non-consolidated (individual) financial statements basis under K-GAAP, to the consolidated financial statements under K-IFRS are as follows:

(1) Application of exemption on retrospective application of K-IFRS 1101
In connection with the opening statement of financial position based under K-IFRS, the Company elected to apply more than one exemption from retrospective application of K-IFRS 1101 *First-time adoption of International Financial Reporting Standard*. The Company's exemptions from retrospective application on K-IFRS are as follows:

1) Business combination
The Group elected not to retroactively adjust for business combinations that have occurred before the date of transition to K-IFRS.

2) Investments in associates and jointly-controlled entities
The Group applies the carrying amounts under K-GAAP as deemed cost for investments in associates and jointly-controlled entities as of the date of transition to K-IFRS.

3) Changes of restoration liabilities included in costs of tangible assets
For restoration liabilities of leased land and construction sites, the Group elected not to retroactively apply K-IFRS 2101, *Changes in Existing Decommissioning and Restoration Similar Liabilities*.

(2) Material adjustments of adoption of K-IFRS
① Revenue recognition for subscription fees
Under K-GAAP, subscription fees for PCS services are recognized as revenue when customers subscribe for PCS services. Under K-IFRS, subscription fees are deferred and recognized as revenue over the expected terms of customer relationship.

② Accounting of customer loyalty program
Under K-GAAP, future obligation related to the mileage given to customers for the use of PCS services was estimated and recognized as provision. However, under K-IFRS, the Group allocates total consideration in proportion to the fair value of PCS services and mileage. The allocated amount to mileage is deferred and recognized as revenue upon the redemption of mileage.

③ Impairment and allowance of financial assets
Under K-GAAP, expected loss was estimated and set as allowance for doubtful accounts based on the Group's evaluation of loans' and receivables' collectability. However, under K-IFRS, the Group reviews whether or not impairment exists for individually significant loans and receivables. For other loans and receivables, the Group groups loans and receivables which have similar credit risks, performs collective impairment test, and estimates the incurred loss as allowance for doubtful loans and receivables.

④ Derecognition of financial assets
Under K-GAAP, the Group reported the transaction as sales of receivables when the Group transferred its receivables to an asset-backed securitization company. However, under K-IFRS, the transfer of receivables to an asset-backed securitization company by itself does not satisfy the derecognition standards of financial assets; therefore, such transaction is accounted for as a borrowing transaction with receivables as collateral.

⑤ Assessment of present value of financial instruments
Under K-GAAP, certain long-term loans and receivables were stated at their nominal value. However, under K-IFRS, they are measured at fair value at initial recognition and are stated at amortized cost using the effective interest method after initial recognition.

⑥ Reclassification of memberships and other facility use rights
Under K-GAAP, membership and other facility use rights are reported as other non-current assets, which are reclassified as intangible assets with indefinite useful lives under K-IFRS.

⑦ Reclassification of investment property
Properties acquired for rental revenue purposes which were reported as tangible assets under K-GAAP, are reclassified as investment property.

⑧ Actuarial assessment of defined benefit obligation
Under K-GAAP, accrued severance benefits is calculated and recognized as if all employees who have worked over a year were to retire at the end of a reporting period. However, under K-IFRS, retirement benefit obligation is estimated by actuarial assessment using the projected unit credit method.

⑨ Changes from subsequent assessment of restoration liabilities
Under K-IFRS, if subsequent assessment are made, effects of changes in discount rates are applied to restoration liabilities of leased land and building sites.

⑩ Presentation of deferred tax and conversion adjustments due to tax effects
Under K-GAAP, the Group classified deferred tax assets and liabilities based on liquidity while under K-IFRS the Group reclassifies current deferred tax as non-current. Additionally, the tax effects resulting from the K-IFRS transition adjustments herein are reflected.

⑪ Changes in the Group's basis of consolidation

Under K-GAAP, the financial statements did not consolidate the financial statements of certain entities including CS Leader and Ain Teleservice, which were reflected in the financial statements as investment assets accounted for using the equity method. Under K-IFRS, the consolidated financial statements incorporate the financial statements of all entities that are deemed to be controlled by the Company and its subsidiaries.

(3) Effects of K-IFRS adoption in equity

1) Effects of K-IFRS adoption in equity as of January 1, 2009, date of transition, are as follows :

unit : KRW in millions

	Balance at January 1, 2009 K-GAAP, non-consolidated (individual) basis	Subscription fee	Customer loyalty program	Impairment & bad debt allowance for financial assets	Derecognition of financial assets	Present value of financial instruments	Reclassification of memberships
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	₩ 50,126	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Hedging derivative assets	21,921	-	-	-	-	-	-
Financial institution deposits	101,000	-	-	-	-	-	-
Trade receivables, net	700,847	-	-	28,455	100,000	-	-
Loan and other receivables, net	56,497	-	-	-	-	-	-
Available-for- sale financial assets	252	-	-	-	-	-	-
Inventories, net	101,266	-	-	-	-	-	-
Other current assets	152,391	-	-	-	-	-	-
TOTAL CURRENT ASSETS	**1,184,300**	**-**	**-**	**28,455**	**100,000**	**-**	**-**
NON-CURRENT ASSETS:							
Non-current financial institution deposits	5	-	-	-	-	-	-
Non-current available- for-sale financial assets	26,113	-	-	-	-	-	-
Non-current trade receivables	119,579	-	-	-	-	-	-
Non-current loan and other account receivables	190,280	-	-	-	-	(16,913)	-
Investments in subsidiaries	2,399	-	-	-	-	-	-
Deferred tax assets	102,496	-	-	-	-	-	-
Property, plant and equipment	2,185,683	-	-	-	-	-	-
Intangible assets	15,256	-	-	-	-	-	18,799
Investment property	-	-	-	-	-	-	-
Hedging derivative assets	99	-	-	-	-	-	-
Other non-current assets	32,253	-	-	-	-	16,913	(18,799)
TOTAL NON-CURRENT ASSETS	**2,674,163**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL ASSETS	**₩**	**₩ -**	**₩ -**	**₩ 28,455**	**₩ 100,000**	**₩ -**	**₩**
LIABILITIES	**3,858,463**						**-**
CURRENT LIABILITIES:							
Hedging derivative liabilities	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Trade payables	243,158	-	-	-	-	-	-
Non-trade and other payables	629,323	-	-	-	-	-	-
Short term borrowings	196,624	-	-	-	-	-	-
Current portion of debentures and long- term borrowings	466,500	-	-	-	100,000	-	-
Other current financial liabilities	52,172	-	-	-	-	-	-
Income tax payable	36,412	-	-	-	-	-	-
Current portion of provisions	22,267	-	(22,267)	-	-	-	-
Other current liabilities	30,245	56,552	22,267	-	-	-	-
TOTAL CURRENT LIABILITIES	**1,676,701**	**56,552**	**-**	**-**	**100,000**	**-**	**-**
NON-CURRENT LIABILITIES:							
Financial liabilities at fair value through profit or loss	219	-	-	-	-	-	-
Hedging derivative liabilities	178,728	-	-	-	-	-	-
Long-term borrowings & Debentures	26,625	-	-	-	-	(34)	-
Provision for retirement benefits	5,671	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-
Other non-current liabilities	3,439	16,575	-	-	-	34	-
TOTAL LONG-TERM LIABILITIES	**214,682**	**16,575**	**-**	**-**	**-**	**-**	**-**
TOTAL LIABILITIES	**1,891,383**	**73,127**	**-**	**-**	**100,000**	**-**	**-**
SHAREHOLDERS' EQUITY	**₩ 1,967,079**	**₩ (73,127)**	**₩ -**	**₩ 28,455**	**₩ -**	**₩ -**	**₩ -**

unit : KRW in millions

	Reclassification of investment property	Provision for defined benefit	Restoration liabilities	Deferred tax	Other adjustment	Basis of consolidtion	Balance at January 1, 2009K-IFRS, consolidated basis
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 9,916	₩ 60,042
Hedging derivative assets	-	-	-	-	-	-	21,921
Financial institution deposits	-	-	-	-	-	1,000	102,000
Trade receivables, net	-	-	-	-	-	132	829,434
Loan and other receivables, net	-	-	-	-	-	-	56,497
Available-for- sale financial assets	-	-	-	-	-	-	252
Inventories, net	-	-	-	-	-	-	101,266
Other current assets	-	-	-	(95,863)	-	317	56,845
TOTAL CURRENT ASSETS	**-**	**-**	**-**	**(95,863)**	**-**	**11,365**	**1,228,257**
NON-CURRENT ASSETS:							
Non-current financial institution deposits	-	-	-	-	-	-	5
Non-current available- for-sale financial assets	-	-	-	-	1,782	-	27,895
Non-current trade receivables	-	-	-	-	-	65	119,644
Non-current loan and other account receivables	-	-	-	-	-	-	173,367
Investments in subsidiaries	-	-	-	-	(1,692)	(707)	-
Deferred tax assets	-	-	-	107,640	-	270	210,406
Property, plant and equipment	(11,093)	-	12,415	-	-	131	2,187,136
Intangible assets	-	-	-	-	-	1,384	35,439
Investment property	11,093	-	-	-	-	-	11,093
Hedging derivative assets	-	-	-	-	-	-	99
Other non-current assets	-	-	-	-	-	12	30,379
TOTAL NON-CURRENT ASSETS	**-**	**-**	**12,415**	**107,640**	**90**	**1,155**	**2,795,463**
TOTAL ASSETS	**₩ -**	**₩ -**	**₩ 12,415**	**₩ 11,777**	**₩ 90**	**₩ 12,520**	**₩ 4,023,720**
LIABILITIES							
CURRENT LIABILITIES:							
Hedging derivative liabilities	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Trade payables	-	-	-	-	-	7,099	250,257
Non-trade and other payables	-	-	-	-	-	-	629,323
Short term borrowings	-	-	-	-	-	-	196,624
Current portion of debentures and long- term borrowings	-	-	-	-	-	-	566,500
Other current financial liabilities	-	-	-	-	-	-	52,172
Income tax payable	-	-	-	-	-	595	37,007
Current portion of provisions	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	1,625	110,689
TOTAL CURRENT LIABILITIES	**-**	**-**	**-**	**-**	**-**	**9,319**	**1,842,572**
NON-CURRENT LIABILITIES:							
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	219
Hedging derivative liabilities	-	-	-	-	-	(94)	178,634
Long-term borrowings & Debentures	-	-	-	-	-	-	26,591
Provision for retirement benefits	-	(4,509)	-	-	-	2,671	3,833
Provisions	-	-	23,064	-	-	-	23,064
Other non-current liabilities	-	-	-	-	-	-	20,048
TOTAL LONG-TERM LIABILITIES	**-**	**(4,509)**	**23,064**	**-**	**-**	**2,577**	**252,389**
TOTAL LIABILITIES	**-**	**(4,509)**	**23,064**	**-**	**-**	**11,896**	**2,094,961**
SHAREHOLDERS' EQUITY	**₩ -**	**₩ 4,509**	**₩ (10,649)**	**₩ 11,777**	**₩ 90**	**₩ 624**	**₩ 1,928,759**

2) Effects of K-IFRS adoption in equity as of December 31, 2009, the final fiscal period-end under K-GAAP, are as follows :

unit : KRW in millions

	Balance at December 31, 2009 K-GAAP, non-consolidated (individual) basis	Subscription fee	Customer loyalty program	Impairment & bad debt allowance for financial assets	Derecognition of financial assets	Present value of financial instruments	Reclassification of memberships
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	₩ 138,351	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Financial institution deposits	10,000	-	-	-	-	-	-
Trade receivables, net	795,708	-	-	2,175	-	-	-
Loan and other receivables, net	81,981						
Available-for-sale financial assets	186	-	-	-	-	-	-
Inventories, net	155,053	-	-	-	-	-	-
Other current assets	129,200	-	-	-	-	-	-
TOTAL CURRENT ASSETS	**1,310,479**	**-**	**-**	**2,175**	**-**	**-**	**-**
NON-CURRENT ASSETS:							
Non-current financial institution deposits	5	-	-	-	-	-	-
Non-current available-for-sale financial assets	24,218	-	-	-	-	-	-
Long-term trade receivables	101,871	-	-	-	-	-	-
Long-term other accounts and other receivables	190,070	-	-	-	-	(13,119)	-
Investments in subsidiaries	2,903	-	-	-	-	-	-
Deferred tax assets	125,435	-	-	-	-	-	-
Property, plant and equipment	2,227,501	-	-	-	-	-	-
Intangible assets	16,931	-	-	-	-	-	18,799
Investment property	-	-	-	-	-	-	-
Other non-current assets	28,382	-	-	-	-	13,119	(18,799)
TOTAL NON-CURRENT ASSETS	**2,717,316**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL ASSETS	**₩ 4,027,795**	**₩ -**	**₩ -**	**₩ 2,175**	**₩**	**₩ -**	**₩**
LIABILITIES					**-**		**-**
CURRENT LIABILITIES:							
Hedging derivative liabilities	₩ 19,844	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Trade payables	244,567	-	-	-	-	-	-
Other accounts and other liabilities	589,686						
Short term borrowings	186,045	-	-	-	-	-	-
Current portion of debentures and long-term borrowings	184,963	-	-	-	-	-	-
Current portion of long- term financial liabilities	69,386	-	-	-	-	-	-
Income tax payable	30,912	-	-	-	-	-	-
Current portion of provisions	18,551	-	(18,551)	-	-	-	-
Other current liabilities	25,259	57,867	18,551	-	-	-	-
TOTAL CURRENT LIABILITIES	**1,369,213**	**57,867**	**-**	**-**	**-**	**-**	**-**
NON-CURRENT LIABILITIES:							
Hedging derivative liabilities	675	-	-	-	-	-	-
Long-term borrowings	558,939	-	-	-	-	-	-
Other non-current financial liabilities	25,519	-	-	-	-	(16)	-
Provision for retirement benefits	8,592	-	-	-	-	-	-
Provisions	22,551	-	-	-	-	-	-
Other non-current liabilities	2,523	18,445	-	-	-	16	-
TOTAL LONG-TERM LIABILITIES	**618,799**	**18,445**	**-**	**-**	**-**	**-**	**-**
TOTAL LIABILITIES	**1,988,012**	**76,312**	**-**	**-**	**-**	**-**	**-**
SHAREHOLDERS' EQUITY	**₩ 2,039,783**	**₩ (76,312)**	**₩ -**	**₩ 2,175**	**₩ -**	**₩ -**	**₩ -**

unit : KRW in millions

	Reclassification of investment property	Provision for defined benefit	Restoration liabilities	Deferred tax	Other adjustment	Basis of consolidtion	Balance at December 31, 2009 K-IFRS, consolidated basis
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 9,999	₩ 148,350
Financial institution deposits	-	-	-	-	-	-	10,000
Trade receivables, net	-	-	-	-	-	194	798,077
Loan and other receivables, net							81,981
Available-for-sale financial assets	-	-	-	-	-	-	186
Inventories, net	-	-	-	-	-	-	155,053
Other current assets	-	-	-	(80,219)	-	296	49,277
TOTAL CURRENT ASSETS	**-**	**-**	**-**	**(80,219)**	**-**	**10,489**	**1,242,924**
NON-CURRENT ASSETS:							
Non-current financial institution deposits	-	-	-	-	-	-	5
Non-current available-for-sale financial assets	-	-	-	-	1,782	-	26,000
Long-term trade receivables	-	-	-	-	-	-	101,871
Long-term other accounts and other receivables	-	-	-	-	-	38	176,989
Investments in subsidiaries	-	-	-	-	(2,196)	(707)	-
Deferred tax assets	-	-	-	97,527	-	315	223,277
Property, plant and equipment	(10,465)	-	2,122	-	(2,307)	74	2,216,925
Intangible assets	-	-	-	-	-	1,381	37,111
Investment property	10,465	-	-	-	-	-	10,465
Other non-current assets	-	-	-	-	-	11	22,713
TOTAL NON-CURRENT ASSETS	**-**	**-**	**2,122**	**97,527**	**(2,721)**	**1,112**	**2,815,356**
TOTAL ASSETS	**₩ -**	**₩ -**	**₩ 2,122**	**₩ 17,308**	**₩ (2,721)**	**₩ 11,601**	**₩ 4,058,280**
LIABILITIES							
CURRENT LIABILITIES:							
Hedging derivative liabilities	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 19,844
Trade payables	-	-	-	-	-	2,290	246,857
Other accounts and other liabilities							589,686
Short term borrowings	-	-	-	-	-	-	186,045
Current portion of debentures and long-term borrowings	-	-	-	-	-	-	184,963
Current portion of long- term financial liabilities	-	-	-	-	-	-	69,386
Income tax payable	-	-	-	-	-	87	30,999
Current portion of provisions	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	1,993	103,670
TOTAL CURRENT LIABILITIES	**-**	**-**	**-**	**-**	**-**	**4,370**	**1,431,450**
NON-CURRENT LIABILITIES:							
Hedging derivative liabilities	-	-	-	-	-	-	675
Long-term borrowings	-	-	-	-	-	-	558,939
Other non-current financial liabilities	-	-	-	-	-	-	25,503
Provision for retirement benefits	-	(1,967)	-	-	-	5,958	12,583
Provisions	-	-	2,294	-	-	-	24,845
Other non-current liabilities	-	-	-	-	-	-	20,984
TOTAL LONG-TERM LIABILITIES	**-**	**(1,967)**	**2,294**	**-**	**-**	**5,958**	**643,529**
TOTAL LIABILITIES	**-**	**(1,967)**	**2,294**	**-**	**-**	**10,328**	**2,074,979**
SHAREHOLDERS' EQUITY	**₩ -**	**₩ 1,967**	**₩ (172)**	**₩ 17,308**	**₩ (2,721)**	**₩ 1,273**	**₩ 1,983,301**

(4) Effects of K-IFRS adoption in the consolidated statement of comprehensive income

1) Effects of K-IFRS adoption in the consolidated statement of comprehensive income for the year ended December 31, 2009, the final period under K-GAAP, are as follows :

unit : KRW in millions

	Balance at January 1, 2009K-GAAP, non-consolidat-ed (individual) basis	Subscription fee	Customer loyalty program	Impairment & bad debt al-lowance for fi-nancial assets	Present value of financial in-stru-ments	Provision for defined benefit
Operating revenues	₩ 4,962,835	₩ (3,186)	₩ (1,304)	₩ -	₩ 29	₩ -
Operating expenses:						
Cost of merchandise purchased	998,861	-	-	-	-	-
Employee benefits	138,907	-	-	-	-	(1,972)
Depreciation and amortization	449,042	-	-	-	-	-
Other expenses	2,990,695	-	(1,304)	26,279	5,644	(143)
	4,577,505	-	(1,304)	26,279	5,644	(2,115)
Operating income	385,330	(3,186)	-	(26,279)	(5,615)	2,115
Non-operating income and expenses:						
Financial revenues	70,265	-	-	-	5,644	(1,634)
Financial expenses	94,301	-	-	-	29	-
Share of profits (losses) of associates	529	-	-	-	-	-
Other non-operating expenses	2,818	-	-	-	-	-
Income before income tax	359,005	(3,186)	-	(26,279)	-	481
Income tax expense	50,880	-	-	-	-	-
Net income	308,125	(3,186)	-	(26,279)	-	481
Other comprehensive income (loss)	(3,017)	-	-	-	-	(3,022)
Comprehensive income	₩ 305,108	₩ (3,186)	₩ -	₩ (26,279)	₩ -	₩ (2,541)

unit : KRW in millions

	Restoration liabilities	Deferred tax	Other adjustment	Basis of consolidation	Balance at December 31, 2009 K-IFRS, consolidated basis
Operating revenues	₩ -	₩ -	₩ -	₩ 371	₩ 4,958,745
Operating expenses:					
Cost of merchandise purchased	-	-	-	-	998,861
Employee benefits	-	-	-	77,371	214,306
Depreciation and amortization	(4,775)	-	2,309	29	446,605
Other expenses	(1,135)	-	(2)	(77,239)	2,942,795
	(5,910)	-	2,307	161	4,602,567
Operating income	**5,910**	**-**	**(2,307)**	**210**	**356,178**
Non-operating income and expenses:					
Financial revenues	-	-	-	799	75,074
Financial expenses	(4,568)	-	-	289	90,051
Share of profits (losses) of associates	-	-	(529)	-	-
Other non-operating expenses	-	-	-	-	2,818
Income before income tax	10,478	-	(2,836)	720	338,383
Income tax expense	-	(5,531)	-	57	45,406
Net income	10,478	5,531	(2,836)	663	292,977
Other comprehensive income (loss)	-	-	25	-	(6,015)
Comprehensive income	**₩ 10,478**	**₩ 5,531**	**₩ (2,811)**	**₩ 663**	**₩ 286,962**

(5) Effects of K-IFRS adoption for the consolidated statement of cash flows

Under K-GAAP, interest income received, interest expense paid and income taxes paid, which were presented as non-cash items, are now under K-IFRS, presented as separate items classified as operating cash flows. In addition, effects of foreign currency translation of cash and cash equivalents, which were classified as operating cash flows in accordance with K-GAAP, are now under K-IFRS, stated separately in either from operating, investing and financing cash flows.

04. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimates. The estimates and underlying assumptions are continuously reviewed. The changes in accounting estimates are recognized in the period in which the estimate is changed if the change affects only that period, or in the period of the change and future periods if the change affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Fair value of financial instruments
Derivatives financial instruments and financial assets available for sale are measured at fair value after initial recognition and gains and losses from changes in fair value are recognized either in profit or loss or in accumulated other comprehensive income (loss). If there is a market value disclosed in an active market when measuring fair value, that market value is used as fair value. Otherwise, the fair value is estimated by a valuation technique requiring management's assumption on the expected future cash flows and discount rate.

(2) Bad debt allowance for loans and receivables
The Group estimates an allowance for doubtful loans and receivables based on aging of receivables, historical loss experience and economic and industrial factors.

(3) Measurement of tangible and intangible assets
When tangible or intangible assets are acquired as part of a business combination, management uses judgment in addition to other factors, to estimate the fair value at the acquisition date. In addition, an estimate of the associated assets' useful lives for depreciation is made.

(4) Estimation of restoration liabilities
Group recognizes restoration liabilities for the amount that it estimates that will be incurred for removing, dismantling and restoring the site in order to restore the leased site at the end of lease contract. Estimation of future cash flows for restoration is based on factors such as inflation rates and market risk premium, and the present value is estimated by discounting estimated future cash flows with a risk-free interest rate.

(5) Impairment of non-financial assets
At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Other non-financial assets are tested for impairment whenever there is an indication that the carrying amount will not be recoverable. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

(6) Defined benefit pension plan
For the defined benefit pension plan, the service cost is determined using actuarial valuations. In order to apply actuarial valuations, it is necessary to assume a discount rate, an expected rate of return on plan assets, and wage increase rate, etc. The retirement benefit plan contains significant uncertainties on the estimation due to its long-term nature. The defined benefit obligations as of December 31, 2010 are ₩28,554 million (₩12,583 million as of December 31, 2009) and details are described in Note 19.

(7) Deferred tax
Deferred tax assets and liabilities are recognized and measured based on management's judgment. In particular, whether or not to recognize deferred tax assets and the scope of recognition are determined by assumptions on future circumstances and management's judgment.

(8) Revenue and expense recognition
Subscription fees are allocated on a straight-line basis during the expected subscription period and the expected subscription period is estimated based on the characteristics of services and past experience. In addition, a portion of the revenues and expenses which are received from and paid to other telecommunication companies are regulated by the relevant authorities, and under such regulation retroactive billing is made related to prior periods. As such, management estimates the period revenue and expenses by taking all the related circumstances as of end of reporting period into account.

05. SEGMENT INFORMATION:

(1) The Group determined that it operates under only one operating segment for segment reporting purposes, taking the characteristics of goods and services and the nature of network assets to provide telecommunications services into consideration. As a result, no separate segment information is disclosed in this report.

(2) Details of operating revenues from the Group's sale of goods and provision of services for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

Reporting segment	Major goods and service	2010	Unaudited 2009
The Group	Telecommunication and related services	₩ 6,321,404	₩ 3,574,983
	Handset sales	1,653,339	1,371,938
	Other	526,008	11,824
		₩ 8,500,751	**₩ 4,958,745**

(3) The Group's operating revenues are mostly generated from domestic customers based on the nature of the telecommunication services and the majority of the related non-current assets are located in the Republic of Korea.

06. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

(1) The carrying amount and fair value of financial assets and liabilities as of December 31, 2010 and 2009, and January 1, 2009 are as follows:

1) Financial assets

unit : KRW in millions

				Unaudited			
		December 31, 2010		December 31, 2009		January 1, 2009	
Financial assets	**Account**	**Book value**	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and cash equivalents	Cash and cash equivalents	₩ **537,535**	₩ **537,535**	₩ **148,350**	₩ **148,350**	₩ 60,042	₩ **60,042**
Derivative assets designated as a hedging instrument	Derivative assets designated as a hedging instrument	-	-	-	-	22,020	22,020
Available-for-sale financial assets	Marketable equity securities	40,361	40,361	14,188	14,188	15,958	15,958
	Unmarketable equity securities	35,043	35,043	11,812	11,812	11,937	11,937
	Debt securities	144	144	186	186	252	252
		75,548	**75,548**	**26,186**	**26,186**	**28,147**	**28,147**
Loans and receivables	Financial institution deposits	15,673	15,673	10,005	10,005	102,005	102,005
	Trade receivables	1,409,864	1,409,864	899,948	899,948	949,078	949,078
	Loans	42,962	42,962	6,989	6,989	8,716	8,716
	Other receivable	91,093	91,093	77,769	77,769	50,622	50,622
	Accrued income	561	561	9	9	192	192
	Deposits	228,135	228,135	174,203	174,203	170,334	170,334
		1,788,288	**1,788,288**	**1,168,923**	**1,168,923**	**1,280,947**	**1,280,947**
		₩ **2,401,371**	₩ **2,401,371**	₩ **1,343,459**	₩ **1,343,459**	₩ **1,391,156**	₩ **1,391,156**

2) Financial liabilities

unit : KRW in millions

		December 31, 2010		December 31, 2009		January 1, 2009	
Financial assets	**Account**	**Book value**	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**
Derivative liabilities designated as a hedging instrument	Derivative liabilities designated as a hedging instrument	₩ **699**	₩ **699**	₩ **20,519**	₩ **20,519**	₩ **219**	₩ **219**
		699	**699**	**20,519**	**20,519**	**219**	**219**
Financial liabilities measured at amortized cost	Trade payables	315,530	315,530	246,857	246,857	250,257	250,257
	Borrowings	679,899	679,899	396,045	396,045	241,624	241,624
	Debentures	2,030,677	2,030,677	533,902	533,902	700,134	700,134
	Other payables	678,205	678,205	405,266	405,266	371,385	371,385
	Accrued expenses	422,946	422,946	184,420	184,420	257,938	257,938
	Withholdings	123,855	123,855	49,363	49,363	41,217	41,217
	Finance lease liabilities	74,628	74,628	41,653	41,653	33,711	33,711
	Rental deposits	14,457	14,457	3,873	3,873	3,835	3,835
		4,340,197	**4,340,197**	**1,861,379**	**1,861,379**	**1,900,101**	**1,900,101**
		₩ **4,340,896**	₩ **4,340,896**	₩ **1,881,898**	₩ **1,881,898**	₩ **1,900,320**	₩ **1,900,320**

The carrying values of certain financial assets (loans and receivables) and liabilities recognized at amortized cost are considered to approximate their fair values. In addition, an equity instrument, classified as available-for-sale financial assets but does not have market value disclosed in an active market, is measured at cost if the fair value cannot be reliably measured.

(2) Fair value hierarchy

The fair values of financial instruments (i.e., financial assets held for trading and financial assets available for sale) traded on active markets are determined with reference to quoted market prices. The Group uses the current closing price as the quoted market price for its financial assets.

The fair values of financial instruments not traded on an active market (i.e., over-the-counter derivatives) are determined using a valuation technique. The Company uses various valuation techniques using assumptions based on current market conditions. The fair values of long-term liabilities and financial liabilities available for settlement are determined using prices from observable current market transactions and dealer quotes for similar instruments. Where such prices are not available, a discounted cash flow analysis or other valuation technique is performed to measure their fair values.

The fair values of trade receivable and trade payables are approximated as their carrying value less impairment loss. The Company estimates the fair values of financial liabilities as the present value of future contractual cash flows discounted based on current market interest rates applied to similar financial instruments.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable, as described below:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

1) Financial instruments that are measured subsequent to initial recognition at fair value by fair-value hierarchy levels as of December 31, 2010 and 2009, and January 1, 2009 are as follows :

unit : KRW in millions

	December 31, 2010				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	₩ 537,535	₩ 537,535	₩ -	₩ -	₩ 537,535
Marketable equity securities	40,361	40,361	-	-	40,361
Unmarketable equity securities	35,043	-	-	35,043	35,043
Debt securities	144	-	-	144	144
	613,083	**577,896**	**-**	**35,187**	**613,083**
Financial liabilities:					
Derivative liabilities designated as a hedging instrument	699	-	699	-	699
	₩ **699**	₩ **-**	₩ **699**	₩ **-**	₩ **699**

unit : KRW in millions

	Unaudited December 31, 2009				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	₩ 148,350	₩ 148,350	₩ -	₩ -	₩ 148,350
Marketable equity securities	14,188	14,188	-	-	14,188
Unmarketable equity securities	11,812	-	-	11,812	11,812
Debt securities	186	-	-	186	186
	174,536	**162,538**	**-**	**11,998**	**174,536**
Financial liabilities:					
Derivative liabilities designated as a hedging instrument	20,519	-	20,519	-	20,519
ENDING BALANCE	₩ **20,519**	₩ **-**	₩ **20,519**	₩ **-**	₩ **20,519**

unit : KRW in millions

	Unaudited January 1, 2009				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	₩ 60,042	₩ 60,042	₩ -	₩ -	₩ 60,042
Derivatives asset designated as a hedging instrument	22,020	-	22,020	-	22,020
Marketable equity securities	15,958	15,958	-	-	15,958
Unmarketable equity securities	11,937	-	-	11,937	11,937
Debt securities	252	-	-	252	252
	110,209	**76,000**	**22,020**	**12,189**	**110,209**
Financial liabilities:					
Derivative liabilities designated as a hedging instrument	219	-	219	-	219
ENDING BALANCE	₩ **219**	₩ **-**	₩ **219**	₩ **-**	₩ **219**

2) Changes in Level 3 financial assets for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

	2010				
	Beginning balance	Acquisition from merger	Purchases	Disposals	Ending balance
Financial assets:					
Unmarketable equity securities	₩ 11,812	₩ 3,421	₩ 20,372	₩ (562)	₩ 35,043
Debt securities	186	73	-	(115)	144
	₩ **11,998**	₩ **3,494**	₩ **20,372**	₩ **(677)**	₩ **35,187**

unit : KRW in millions

	Unaudited 2009									
	Beginning balance		Acquisition from merger		Purchases		Disposals		Ending balance	
Financial assets:										
Unmarketable equity securities	₩	11,937	₩	-	₩	-	₩	(125)	₩	11,812
Debt securities		252		-		-		(66)		186
	₩	**12,189**	**₩**	**-**	**₩**	**-**	**₩**	**(191)**	**₩**	**11,998**

07. CASH AND CASH EQUIVALENTS:

The Group's cash and cash equivalents in the statements of financial position are equivalent to those in the statements of cash flows. Details of cash and cash equivalents as of December 31, 2010 and 2009, and January 1, 2009 are as follows :

unit : KRW in millions

			Unaudited			
	Dec. 31, 2010		Dec. 31, 2009		Jan. 1, 2009	
Cash on hand	₩	1	₩	3	₩	2
Financial institution deposits		535,215		148,343		60,035
Other cash equivalents		2,319		4		5
	₩	**537,535**	**₩**	**148,350**	**₩**	**60,042**

08. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of December 31, 2010 and 2009, and January 1, 2009 are as follows :

unit : KRW in millions

				Unaudited			
	Financial institution	Dec. 31, 2010		Dec. 31, 2009		January 1, 2009	
Guarantee deposits for checking accounts	Woori Bank and others	₩	24	₩	8	₩	8
Term deposits	NongHyup Bank(*1)		350		-		-
	Hana Bank (*2)		300		-		-
			650		-		-
		₩	**674**	**₩**	**8**	**₩**	**8**

(*1) These deposits are pledged to BC Card Co., Ltd. in relation to the Company's corporate purchase card.
(*2) These are amount deposited for Asia-Pacific Satellite Communications Council (APSCC).

09. TRADE AND OTHER RECEIVABLES:

(1) Details of current portion of trade and other receivables as of December 31, 2010 and 2009, and January 1, 2009 are as follows:

unit : KRW in millions

			Unaudited			
	Dec. 31, 2010		Dec. 31, 2009		Jan. 1, 2009	
Trade receivables	₩	1,448,124	₩	953,305	₩	965,239
Allowances for doubtful accounts		(226,393)		(155,228)		(135,805)
Trade receivables, net		1,221,731		798,077		829,434
Short-term loans		37,180		4,842		6,262
Allowances for doubtful accounts		(919)		(639)		(579)
Short-term loans, net		36,261		4,203		5,683
Other accounts receivable		110,831		94,817		72,800
Allowances for doubtful accounts		(19,738)		(17,048)		(22,178)
Other accounts receivable, net		91,093		77,769		50,622
Accrued income		561		9		192
	₩	**1,349,646**	**₩**	**880,058**	**₩**	**885,931**

(2) Details of non-current portion of trade and other receivables as of December 31, 2010 and 2009, and January 1, 2009 are as follows:

unit : KRW in millions

			Unaudited			
	Dec. 31, 2010		Dec. 31, 2009		Jan. 1, 2009	
Trade receivables	₩	190,234	₩	102,977	₩	120,982
Allowances for doubtful accounts		(2,101)		(1,106)		(1,338)
Trade receivables, net		188,133		101,871		119,644
Long-term loans		6,701		2,786		3,033
Leasehold deposits		207,127		160,139		158,006
Guarantee deposits		21,008		14,064		12,328
	₩	**422,969**	**₩**	**278,860**	**₩**	**293,011**

(3) Aging of trade and other receivables as of December 31, 2010 and 2009, and January 1, 2009 is as follows:

unit : KRW in millions

		Unaudited	
	Dec. 31, 2010	Dec. 31, 2009	Jan. 1, 2009
Less than 7 months	₩ 1,791,043	₩ 1,170,446	₩ 1,197,501
7-12 months	42,096	44,544	22,960
1-3 years	182,439	116,372	116,860
More than 3 years	6,188	1,577	1,521
	₩ 2,021,766	₩ 1,332,939	₩ 1,338,842

(4) Changes in allowance for trade and other receivables for the years ended December 31, 2010 and 2009 are as follows:

unit : KRW in millions

		Unaudited
	2010	2009
Beginning balance	₩ 174,021	₩ 159,900
Increase due to merger	68,833	-
Impairment loss	46,979	62,060
Write-off of accounts receivable	(49,606)	(48,198)
Reversal of impairment loss	8,924	259
ENDING BALANCE	₩ **249,151**	₩ **174,021**

10. INVENTORIES:

(1) Inventories are stated at the lower of cost or net realizable value in case that the market value is lower than the acquisition cost. Details of inventories as of December 31, 2010 and 2009, and January 1, 2009 are as follows:

unit : KRW in millions, except for net income per share

				Unaudited					
	December 31, 2010			December 31, 2009			January 1, 2009		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation Allowance	Carrying amount
Merchandise	₩ 196,638	₩ (8,728)	₩ 187,910	₩ 161,153	₩ (7,235)	₩ 153,918	₩ 106,595	₩ (8,495)	₩ 98,100
Supplies	7,146	(4,959)	2,187	8,492	(7,357)	1,135	6,555	(3,389)	3,166
	₩ **203,784**	₩ **(13,687)**	₩ **190,097**	₩ **169,645**	₩ **(14,592)**	₩ **155,053**	₩ **113,150**	₩ **(11,884)**	₩ **101,266**

(2) Inventory costs recognized in operating expenses for the year ended December 31, 2010 are 1,268,032 million, which include 677 million of losses on valuation of inventories.

11. OTHER ASSETS:

(1) Details of other current assets as of December 31, 2010 and 2009, and January 1, 2009 are as follows:

unit : KRW in millions

		Unaudited	
	Dec. 31, 2010	Dec. 31, 2009	Jan. 1, 2009
Advanced payments	₩ 9,622	₩ 3,217	₩ 1,335
Prepaid expenses	57,376	45,915	55,463
Income tax refund receivables	384	145	47
	₩ **67,382**	₩ **49,277**	₩ **56,845**

(2) Details of other non-current assets as of December 31, 2010 and 2009, and January 1, 2009 are as follows :

unit : KRW in millions

		Unaudited	
	Dec. 31, 2010	Dec. 31, 2009	Jan. 1, 2009
Non-current prepaid expenses	₩ **26,945**	₩ **22,713**	₩ **30,379**

12. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts

Changes in property, plant and equipment for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

	2010											
	Land		Buildings		Telecommunication facilities		Other assets		Construction in progress		Total	
Beginning acquisition cost	₩	66,583	₩	233,649	₩	4,808,736	₩	307,042	₩	171,461	₩	5,587,471
Accumulated depreciation		-		(35,620)		(3,143,905)		(190,306)		-		(3,369,831)
Government subsidies		-		-		(231)		(484)		-		(715)
Beginning balance		66,583		198,029		1,664,600		116,252		171,461		2,216,925
Acquisition due to merger		484,639		231,413		1,746,780		69,585		32,884		2,565,301
Acquisition		1		134		287,747		221,370		652,120		1,161,372
Transfers		926		12,019		811,523		(110,596)		(709,108)		4,764
Disposals		-		(74)		(33,066)		(7,262)		(22,402)		(62,804)
Depreciation		-		(19,787)		(925,643)		(60,447)		-		(1,005,877)
Impairment loss		-		-		(1,492)		(8,044)		-		(9,536)
Ending balance		552,149		421,734		3,550,449		220,858		124,955		4,870,145
Ending acquisition cost		552,149		477,723		7,459,415		464,319		124,955		9,078,561
Accumulated depreciation		-		(55,989)		(3,906,984)		(235,145)		-		(4,198,118)
Accumulated impairment loss		-		-		(1,492)		(8,044)		-		(9,536)
Government subsidies		-		-		(490)		(272)		-		(762)
ENDING BALANCE	₩	**552,149**	₩	**421,734**	₩	**3,550,449**	₩	**220,858**	₩	**124,955**	₩	**4,870,145**

unit : KRW in millions

	Unaudited 2009											
	Land		Buildings		Telecommunication facilities		Other assets		Construction in progress		Total	
Beginning acquisition cost	₩	66,526	₩	233,519	₩	4,563,135	₩	276,493	₩	105,300	₩	5,244,973
Accumulated depreciation		-		(26,669)		(2,848,006)		(181,185)		-		(3,055,860)
Accumulated impairment loss		-		(958)		-		-		-		(958)
Government subsidies		-		-		(274)		(745)		-		(1,019)
Beginning balance		66,526		205,892		1,714,855		94,563		105,300		2,187,136
Acquisition		4		1,237		230,272		26,914		221,461		479,888
Transfers		53		-		130,891		26,456		(155,300)		2,100
Disposals		-		(61)		(11,569)		(3,848)		-		(15,478)
Depreciation		-		(9,040)		(399,848)		(27,833)		-		(436,721)
Ending balance		66,583		198,028		1,664,601		116,252		171,461		2,216,925
Ending acquisition cost		66,583		233,649		4,808,736		307,042		171,461		5,587,471
Accumulated depreciation		-		(35,620)		(3,143,905)		(190,306)		-		(3,369,831)
Government subsidies		-		-		(231)		(484)		-		(715)
ENDING BALANCE	₩	**66,583**	₩	**198,029**	₩	**1,664,600**	₩	**116,252**	₩	**171,461**	₩	**2,216,925**

(2) Assets pledged as collateral

The Group has pledged a portion of land, buildings and telecommunication facilities as collateral related to its borrowings from Korea Development Bank (KDB).

13. INVESTMENT PROPERTY:

(1) Changes in investment property for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

	2010					
	Land		Building		Total	
Beginning acquisition cost	₩	3,152	₩	10,297	₩	13,449
Accumulated depreciation		-		(2,984)		(2,984)
Beginning balance		3,152		7,313		10,465
Acquisition due to merger		20,992		15,435		36,427
Transfers		274		2,146		2,420
Depreciation		-		(2,307)		(2,307)
Ending balance		24,418		22,587		47,005
Ending acquisition cost		24,418		27,278		51,696
Accumulated depreciation		-		(4,691)		(4,691)
ENDING BALANCE	₩	**24,418**	₩	**22,587**	₩	**47,005**

unit : KRW in millions

	Unaudited 2009		
	Land	Building	Total
Beginning acquisition cost	₩ 3,205	₩ 10,394	₩ 13,599
Accumulated depreciation	-	(2,506)	(2,506)
Beginning balance	3,205	7,888	11,093
Transfers	(53)	-	(53)
Depreciation	-	(575)	(575)
Ending balance	3,152	7,313	10,465
Ending acquisition cost	3,152	10,297	13,449
Accumulated depreciation	-	(2,984)	(2,984)
ENDING BALANCE	₩ **3,152**	₩ **7,313**	₩ **10,465**

(2) The Group recognized rental revenue related to investment property, in the amount of ₩3,586 million and ₩28 million, for the years ended December 31, 2010 and 2009, respectively.

14. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions, except for net income per share

	2010						
	Intellectual property rights	Computer software	Membership	Goodwill	Customer relationship	Other intangible assets	Total
Beginning acquisition cost	₩ 2,655	₩ 4,979	₩ 19,248	₩ 932	₩ -	₩ 35,071	₩ 62,885
Accumulated amortization	(1,073)	(4,807)	-	-	-	(19,894)	(25,774)
Beginning balance	1,582	172	19,248	932	-	15,177	37,111
Acquisition due to merger	109	5,809	16,804	-	647,600	40,678	711,000
Acquisition	335	131	3,370	-	-	21,864	25,700
Disposals	-	-	(390)	-	-	(1,533)	(1,923)
Impairment loss(*1)	-	-	-	-	-	(9,417)	(9,417)
Amortization	(360)	(4,411)	-	-	(215,867)	(24,673)	(245,311)
Ending balance	1,666	1,701	39,032	932	431,733	42,096	517,160
Ending acquisition cost	3,099	10,919	39,032	932	647,600	96,080	797,662
Accumulated amortization	(1,433)	(9,218)	-	-	(215,867)	(44,567)	(271,085)
Accumulated Impairment loss	-	-	-	-	-	(9,417)	(9,417)
ENDING BALANCE	₩ **1,666**	₩ **1,701**	₩ **39,032**	₩ **932**	₩ **431,733**	₩ **42,096**	₩ **517,160**

(*1) For the year ended December 31, 2010, the Group determined the recoverable amount of its trademark related to Xspeed is less than the carrying amount and accordingly recognized ₩9,417 million of impairment loss.

unit : KRW in millions

	Unaudited 2009					
	Intellectual property rights	Computer software	Membership	Goodwill	Other intangible assets	Total
Beginning acquisition cost	₩ 2,471	₩ 4,981	₩ 19,248	₩ 932	₩ 24,243	₩ 51,875
Accumulated amortization	(829)	(4,770)	-	-	(10,837)	(16,436)
Beginning balance	1,642	211	19,248	932	13,406	35,439
Acquisition	184	-	-	-	12,552	12,736
Disposals	-	(2)	-	-	(1,726)	(1,726)
Amortization	(244)	(37)	-	-	(9,057)	(9,338)
Ending balance	1,582	172	19,248	932	15,177	37,111
Ending acquisition cost	2,655	4,979	19,248	932	35,071	62,885
Accumulated amortization	(1,073)	(4,807)	-	-	(19,894)	(25,774)
ENDING BALANCE	₩ **1,582**	₩ **172**	₩ **19,248**	₩ **932**	₩ **15,177**	₩ **37,111**

(2) The Group classifies membership and goodwill as intangible assets with indefinite useful lives and does not amortize them.

(3) R&D costs

The costs related to research and development for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

	2010	Unaudited 2009
Research costs	₩ **48,844**	₩ **37,042**

(4) Significant intangible assets

As part of the merger between LG Dacom and LG Powercom during the period, the Group recognized customer relationships as intangible assets. Such customer relationships consists of; ₩278,100 million from VoIP, corporate internet access, fixed-line telepony and eBiz services of LG Dacom; and ₩369,500 million from broadband internet access, broadband network rentals, and VoIP services of LG Powercom. Recognized customer relationships are amortized on a straight-line method for 3 years of useful lives.

15. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND INVESTMENTS IN ASSOCIATES:

(1) Composition of the Group's investments in jointly-controlled entities (joint ventures) and investments in associates as of December 31, 2010 are as follows :

unit : KRW in millions

Companies	Class	Place of incorporation and operation	Percentage of ownership (%)		December 31, 2010
DACOM Crossing	Jointly-controlled entities	South Korea	51.00	₩	7,361
True Internet Data Center Company	Associates	Thailand	30.00		3,602
				₩	**10,963**

Investment in above jointly-controlled entities and associates were acquired as part of the merger of LG Dacom on January 1, 2010. Acquisition cost is the fair value at the time of merger and changes in net assets of the investees are accounted by applying the equity method.

(2) Equity securities accounted for using the equity method for the year ended December 31, 2010 consist of the following :

unit : KRW in millions

		January 1, 2010		Acquisition due to merger		Share of profits (losses) of associates		Share of profits (losses) in other comprehensive income		December 31, 2010
DACOM Crossing	₩	-	₩	5,964	₩	1,397	₩	-	₩	7,361
True Internet Data Center Company		-		2,757		622		223		3,602
	₩	-	₩	**8,721**	₩	**2,019**	₩	**223**	₩	**10,963**

(3) Summary of financial information for jointly-controlled entities and associates as of and for the year ended December 31, 2010 is as follows :

unit : KRW in millions

	2010							
		Assets		Liabilities		Sales		Net income
DACOM Crossing	₩	61,585	₩	47,151	₩	24,777	₩	2,740
True Internet Data Center Company	₩	16,314	₩	4,308	₩	10,027	₩	2,073

16. DEBENTURES AND BORROWINGS:

(1) The Group's short-term borrowings as of December 31, 2010 and 2009, and January 1, 2009 consist of the following :

unit : KRW in millions

					Unaudited			
Type of borrowings	Creditor	Annual interest rate (%)		December 31, 2010		December 31, 2009		January 1, 2009
Bank overdraft	Woori Bank	-	₩	4,910	₩	-	₩	1,074
General loans	Kookmin Bank and others	2.89 - 4.04		170,000		30,000		50,000
Facilities financing	Korea Development Bank	CD+1.56		50,000		-		-
Commercial paper	Woori Bank and others	-		-		-		145,550
Short-term bond	Private debentures	-		-		100,000		-
Short-term foreign bond	Foreign floating-rate notes (FRNs)	-		-		56,045		-
			₩	**224,910**	₩	**186,045**	₩	**196,624**

(2) The Group's long-term borrowings as of December 31, 2010 and 2009, and January 1, 2009 consist of the following :

unit : KRW in millions

					Unaudited			
Type of borrowings	Creditor	Annual interest rate (%)		December 31, 2010		December 31, 2009		January 1, 2009
General loans	Woori Bank	-	₩	-	₩	30,000	₩	30,000
(included loan on bills)	Korea Development Bank	-		-		10,000		10,000
	Korea Exchange Bank	CD+1.00		50,000		50,000		-
	HP Financial Services	-		-		-		5,000
Facilities financing	Shinhan Bank	CD+2.65		175,000		30,000		-
	Korea Development Bank	CD+1.75		60,000		60,000		-
	Korea Finance Corporation	Industrial Financial Debentures+0.63		130,000		30,000		-
IT promotion funds	Hana Bank	Variable interest rate (3.97 - 4.73)		39,989		-		-
				454,989		210,000		45,000
Less: current maturities				(152,981)		(40,000)		(5,000)
			₩	**302,008**	₩	**170,000**	₩	**40,000**

(3) The Group's debentures as of December 31, 2010 and 2009, and January 1, 2009 consist of the following :

unit : KRW in millions

Type of borrowings	Annual interest rate (%)	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
Debentures issued under public offering	3.86 - 6.70	₩ 1,490,000	₩ 360,000	₩ 260,000
Debentures issued privately	4.13 - 6.00	200,000	120,000	90,000
Foreign unsecured debentures	-	-		251,500
Foreign FRN	-	-	56,045	-
Convertible bond ("CB")	5.00	348,225	-	-
Other	-	-		100,000
		2,038,225	536,045	701,500
Less: current portion of debentures		500,000	146,045	561,500
		1,538,225	390,000	140,000
Discount on debentures		(9,301)	(2,143)	(1,366)
Less: current portion of discount on debentures		(46)	(1,082)	-
		(9,255)	(1,061)	(1,366)
			-	
Premium on debentures		4,214	-	-
Less: current portion of premium on debentures		832	-	-
		3,382	-	-
			-	
CB adjustment		(2,461)	-	-
		₩ 1,529,891	**₩ 388,939**	**₩ 138,634**

As of December 31, 2010, the Group issued convertible bonds with the following terms.

1) Face value	₩348,255 million (USD 300,000,000)
2) Issue and maturity dates	Issue date: September 29, 2010 Maturity date: September 29, 2012
3) Coupon interest rate	The bonds have a stated interest rate of 2.5%, which is applied to the Korean won equivalent of face value of the bond (USD 300,000,000) using the fixed exchange rate of 1 USD to 1,160.75 KRW, payable on March 29, 2011 and September 29, 2011.
4) Redemption at maturity	Upon maturity, the bondholder would be repaid the Korean won equivalent of face value of the bond (USD 300,000,000), that is not converted into treasury shares, using the fixed exchange rate of 1 USD to 1,160.75 KRW.
5) Early redemption feature	Bondholder is able to exercise an early redemption right for one day on March 29, 2012. At the exercise of the redemption option, the bondholder would be repaid the same amount as if paid upon maturity.
6) Conversion period	November 9, 2010 – September 22, 2012
7) Convertible instrument(*1)	The convertible bond will be converted into treasury stock at the stated conversion price, except in case of deficiency in treasury stock or difficulty in purchase of and payment of treasury shares, the Group shall pay bondholder cash equivalent of amount using conversion price determined as the arithmetic mean of closing price of treasury shares for ten (10) consecutive days following the conversion request date. In addition, in case the Group is unable to issue treasury stock due to the limit of equity held by foreigners (49%) pursuant to Article 6 of Telecommunications Business Law, the Group shall sell its treasury stock before the eleventh (11th) day following the conversion date and pay the proceeds to the bondholder.
8) Conversion price	As of December 31, 2010, the conversion price is ₩9,273.75 per share of treasury stock. The price may be adjusted for any issuance of shares without consideration, stock split, reverse stock split and cash dividend.

(*1) In connection with the convertible bonds, the Group deposited 37,549,534 shares of treasury stock with the Korea Securities Depository, and the Group cannot transfer its rights to, provide as collateral, or otherwise dispose of such treasury shares.

(4) The repayment schedule of long-term borrowings and debentures as of December 31, 2010 is as follows :

unit : KRW in millions

Period	Debentures	Long-term borrowings	Total
Jan. 1, 2012 ~ Dec. 31, 2012	₩ 948,225	₩ 49,562	₩ 997,787
Jan. 1, 2013 ~ Dec. 31, 2013	590,000	147,979	737,979
Jan. 1, 2014 and thereafter	-	104,467	104,467
	₩ 1,538,225	**₩ 302,008**	**₩ 1,840,233**

17. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of December 31, 2010 and 2009, and January 1, 2009 are as follows :

unit : KRW in millions

					Unaudited							
	December 31, 2010				December 31, 2009				January 1, 2009			
	Current		Non-current		Current		Non-current		Current		Non-current	
Trade payables	₩	315,530	₩	-	₩	246,857	₩	-	₩	250,257	₩	-
Other accounts payable		678,182		23		405,266		-		371,385		-
Accrued expenses		422,946		-		184,420		-		257,938		-
Withholdings		123,855		-		49,363		-		41,217		-
Rental deposits		-		14,457		-		3,873		-		3,835
Finance lease liabilities		37,022		37,606		20,023		21,630		10,955		22,756
	₩	**1,577,535**	₩	**52,086**	₩	**905,929**	₩	**25,503**	₩	**931,752**	₩	**26,591**

18. PROVISIONS:

(1) The Group leases various land and building sites to accommodate for base station machinery and repeater, and non-networking assets facilities, to provide country-wide wireless telecommunication services, and has the obligation to restore the site at the end of lease period, when the economic use of related infrastructures are terminated.

As a result, the Group recognizes restoration liabilities for the amount that it estimates that will be incurred for removing, dismantling and restoring the site in order to restore the leased site at the end of lease contract as of December 31, 2010.

(2) Changes in restoration liabilities are as follows :

unit : KRW in millions

	2010							
	Beginning balance		Increase		Decrease		Ending balance	
Restoration liabilities	₩	**24,845**	₩	**8,803**	₩	**(1,056)**	₩	**32,592**

unit : KRW in millions

	Unaudited							
	2009							
	Beginning balance		Increase		Decrease		Ending balance	
Restoration liabilities	₩	**23,064**	₩	**3,842**	₩	**(2,061)**	₩	**24,845**

19. RETIREMENT BENEFIT PLAN:

(1) Defined contribution plan

The Group operates a defined contribution plan for employees, under which the Group is obligated to make payments to third party funds. The employee benefits under the plan are determined by payments made to the funds by the Group and the investment earnings from the funds. Additionally, plan assets are managed by the third party funds and are segregated from the Group's assets. The Group recognized ₩1,125 million of service cost relating to its defined contribution plan in the statement of income for the year ended December 31, 2010.

(2) Defined benefit plan

The Group operates a defined benefit plan for employees and according to the plan, employees will be paid, his or her average salary amount of the final three months multiplied by the number of years vested, adjusted for salary pay rate and other. The valuation of related plan assets and the defined benefit liability are performed by an independent reputable actuary specialist under the projected unit credit method.

1) As of December 31, 2010 and 2009, and January 1, 2009, amounts recognized in the statements of financial position related to retirement benefit obligation are as follows :

unit : KRW in millions

			Unaudited			
	December 31, 2010		December 31, 2009		January 1, 2009	
Present value of defined benefit obligation	₩	109,127	₩	47,109	₩	36,466
Fair value of plan assets		(80,573)		(34,526)		(32,633)
RETIREMENT BENEFIT OBLIGATION	₩	**28,554**	₩	**12,583**	₩	**3,833**

2) Changes in defined benefit obligation for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

	2010	Unaudited 2009
Beginning balance	₩ 47,109	₩ 36,466
Increase due to merger	56,493	-
Actuarial losses(gains)	9,587	3,313
Current service cost	29,214	12,205
Interest cost	5,645	2,761
Benefits paid	(37,317)	(8,738)
Other (*1)	(1,604)	1,102
ENDING BALANCE	₩ **109,127**	₩ **47,109**

(*1) Change of liabilities from transfer of employees between the Group and the related companies

3) Changes in plan asset for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

	2010	Unaudited 2009
Beginning balance	₩ 34,526	₩ 32,633
Increase due to merger	35,027	-
Expected return on plan assets	3,765	1,201
Actuarial gains(losses)	(136)	290
Contributions from the employer	44,850	5,560
Benefits paid	(37,317)	(5,063)
Other (*1)	(142)	(95)
ENDING BALANCE	₩ **80,573**	₩ **34,526**

(*1) Change of liabilities from transfer of employees between the Group and the related companies

4) Income and loss related to defined benefit plan during the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

	2010	Unaudited 2009
Current service cost	₩ 29,214	₩ 12,205
Interest cost	5,645	2,761
Expected return on plan assets	(3,765)	(1,201)
	₩ **31,094**	₩ **13,765**

5) The principal assumptions used for the actuarial valuations as of December 31, 2010 and 2009, and January 1, 2009 are as follows:

		Unaudited	
	December 31, 2010	December 31, 2009	January 1, 2009
Discount rate (%)	4.18% ~ 5.50%	6.20%	7.30%
Expected return on plan assets (%)	4.28% ~ 5.70%	6.20%	4.80%
Expected rate of salary increase (%)	4.50% ~ 5.10%	5.40%	5.40%

20. OTHER LIABILITIES:

Other liabilities as of December 31, 2010 and 2009, and January 1, 2009 are as follows :

unit : KRW in millions

			Unaudited			
	December 31, 2010		December 31, 2009		January 1, 2009	
	Current	Non-current	Current	Non-current	Current	Non-current
Advances received	₩ 51,388	₩ -	₩ 25,998	₩ -	₩ 30,589	₩ -
Unearned income	66,453	19,635	77,672	20,984	80,100	20,048
	₩ **117,841**	₩ **19,635**	₩ **103,670**	₩ **20,984**	₩ **110,689**	₩ **20,048**

21. FINANCE LEASE LIABILITIES:

Finance lease liabilities as of December 31, 2010 and 2009, and January 1, 2009 are as follows :

unit : KRW in millions

	Creditor	Lease term	Annual interest rate (%)	Minimum lease payment(*1)	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
Finance lease	Hewlett Packard Korea Financial Service, Ltd.	Oct. 31, 2008 ~Oct. 31, 2011	**6.60**	**739**	₩ 7,174	₩ 15,280	₩ 22,869
		Dec. 31, 2008~Dec. 31, 2011	**6.97**	**335**	3,868	7,476	10,842
		Jul. 29, 2009~Jul. 29, 2012	**4.78**	**649**	11,858	18,897	-
		Apr. 30, 2010~Apr. 29, 2013	**3.94**	**3,058**	28,983	-	-
		Oct. 29, 2013~Oct.31, 2013	**3.17**	**1,995**	22,745	-	-
					74,628	41,653	33,711
		Less: current maturities			(37,022)	(20,023)	(10,955)
		Book value of financial lease liabilities			₩ 37,606	₩ 21,630	₩ 22,756

(*1) The minimum lease payment is the gross amount of monthly, or annual principal and interest paid.

22. EQUITY:

(1) Capital stock

Details of capital stock as of December 31, 2010 are as follows:

Type of stock	Number of authorized shares	Par value	Number of issued shares	Amount of capital stock
Common stock	700,000,000 shares	₩ 5,000	514,793,835 shares	₩ 2,573,969 million

As of December 31, 2009, the number of issued common stocks and the amount of capital stocks were 277,278,430 shares and ₩1,386,392 million, respectively. On January 1, 2010, additional 237,515,405 shares were issued as part of the merger process of LG Dacom and LG Powercom.

(2) Capital surplus

Capital surplus of the Group is comprised of paid-in capital in excess of par value and option premium on convertible bonds, and, as of December 31, 2009, capital surplus amounted to ₩11,579 million. On January 1, 2010, the Group acquired LG Dacom and LG Powercom, increasing the capital surplus by ₩823,133 million. In addition, in September 2010, the Group issued convertible bonds, resulting in conversion price of ₩1,881 million recorded as capital surplus. Paid-in capital in excess of par value may only be used for capitalization or disposition of accumulated deficit.

(3) Legal reserve

As of December 31, 2010, earned surplus reserve in form of legal reserve of ₩22,861 million is included in retained earnings. 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

On January 1, 2010, the Group acquired LG Dacom and LG Powercom and purchased 20,227,229 shares of treasury stock (₩8,748 per share) from shareholders who exercised their appraisal rights and recognized it as other capital item amounting to ₩176,948 million as of December 31, 2009.

In addition, as part of the merger of LG Dacom and LG Powercom the Group also issued 62,050,804 shares for the treasury shares which LG Dacom and LG Powercom had acquired from their shareholders who exercised their respective appraisal rights. The Group accounted for the merger with LG Dacom and LG Powercom in accordance with Korean IFRS 1103 Business Combinations and recognized the treasury stock at fair value of ₩526,811 million as other capital items. Also, the Group recognized additional ₩120 million for 13,850 shares acquired subsequent to the merger.

In compliance with the Capital Market and Financial Investment Business Act, Article 165-5, Section 4 and Article 176-7, Section 3, the Group plans to dispose of its treasury stocks within three years from the date of purchase.

During the year ended December 31, 2010, the Group issued convertible bonds for which the Group deposited 37,549,534 shares of treasury stock with the Korea Securities Depository, and the Group cannot transfer its rights, such that it cannot provide such treasury shares as collateral or dispose of them.

23. DIVIDENDS:

(1) The details of dividend paid for the years ended December 31, 2010 and 2009 are as follows:

	2010	Unaudited 2009
Number of shares issued and outstanding	514,793,835 shares	277,278,430 shares
Number of treasury stocks	82,291,883 shares	20,227,229 shares
Number of shares eligible for dividends	432,501,952 shares	257,051,201 shares
Par value per share	₩ 5,000	₩ 5,000
Dividend rate	7%	7%
Dividends per share	₩ 350	₩ 350
TOTAL DIVIDENDS	₩ **151,376 million**	₩ **89,968 million**

(2) Dividend payout ratio for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

	2010	Unaudited 2009
TOTAL DIVIDENDS	₩ **151,376**	₩ **89,968**
Net income attributable to the owners of the company	569,905	292,977
Dividend payout ratio	₩ **26.56%**	₩ **30.71%**

24. ACCUMULATED OTHER COMPREHENSIVE INCOME(LOSS):

(1) Composition of accumulated other comprehensive income or loss for the years ended December 31, 2010 and 2009, is as follows :

unit : KRW in millions

	Gain on valuation of available-for-sale financial assets	Loss on valuation of available-for-sale financial assets	Gain on valuation of cash-flow-hedging derivatives	Loss on valuation of cash-flow-hedging derivatives	Share of other comprehensive income of joint ventures and associates	Gain on foreign currency translation for foreign operations	Total
Unaudited	₩ 2	₩ (1,813)	₩ 77	₩ (177)	₩ -	₩ -	₩ (1,911)
Balance at					-	-	
January 1, 2009				-	-	-	
Fair Value assessment	248	(1,629)	-		-	-	(1,381)
Hedge accounting	-	-	(19)	(1,594)	-	-	(1,613)
Unaudited Balance at December 31, 2009	**250**	**(3,442)**	**58**	**(1,771)**	**-**	**-**	**(4,905)**
						-	
Balance at January 1, 2010	250	(3,442)	58	(1,771)	-	-	(4,905)
Fair Value assessment	198	3,442	-	-	-		3,640
Hedge accounting	-	-	(58)	1,242	-		1,184
Equity method	-	-	-	-	223		223
Foreign currency translation	-	-	-	-		11	
for foreign operations					-		11
Balance at December 31, 2010	₩ **448**	₩ **-**	₩ **-**	₩ **(529)**	₩ **223**	₩ **11**	₩ **153**

25. OTHER OPERATING INCOME AND EXPENSES:

(1) Other operating income for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

	2010	Unaudited 2009
Gain on disposal of tangible assets	₩ 955	₩ 30
Gain on foreign currency transactions (operating)	3,880	239
Gain on foreign currency translation (operating)	1,859	-
Miscellaneous income	22,800	11,555
Bargain purchase gain from the merger (*1)	496,514	-
	₩ **526,008**	₩ **11,824**

(*1) The Group recognized a bargain purchase gain from the acquisition of LG Dacom and LG Powercom on January 1, 2010 as part of net income for the year ended December 31, 2010.

(2) Composition of other operating expenses for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

		2010		Unaudited 2009
Operating lease payment	₩	263,943	₩	166,096
Sales commissions		1,874,030		1,291,885
Commission charge		644,393		183,313
Interconnection charge		707,171		580,749
Telecommunication equipment rental fees		261,986		238,732
Outsourcing expense		242,970		98,683
Bad debt expenses		46,929		62,060
International interconnection charge		169,708		10,908
Other		637,613		310,369
	₩	**4,868,793**	₩	**2,942,795**

26. FINANCIAL REVENUES AND FINANCIAL EXPENSES:

(1) Net financial expenses for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

		2010		Unaudited 2009
Financial revenues	₩	45,501	₩	75,074
Financial expenses		128,938		90,051
Financial expenses, net	₩	**83,437**	₩	**14,977**

(2) Financial revenues for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

		2010		Unaudited 2009
Interest income	₩	41,184	₩	43,906
Gain on foreign currency transactions (non-operating)		3,118		5,772
Gain on foreign currency translation (non-operating)		-		16,427
Dividend income		416		357
Gain on trading of derivative instruments		566		8,612
Other		217		-
	₩	**45,501**	₩	**75,074**

(3) Interest income included in financial revenues for the years ended December 31, 2010 and 2009 is as follows :

unit : KRW in millions

		2010		Unaudited 2009
Cash and cash equivalents and financial institution deposits	₩	7,649	₩	7,500
Other loans and receivables		33,535		36,406
	₩	**41,184**	₩	**43,906**

(4) Financial expenses for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

		2010		Unaudited 2009
Interest expense	₩	124,901	₩	59,732
Loss on foreign currency transactions (non-operating)		646		7,578
Loss on foreign currency translation (non-operating)		8		1
Loss on trading of derivative instruments		3,383		4,319
Loss on valuation of derivative instruments		-		18,278
Impairment loss on available-for-sale financial assets		-		124
Loss on redemption of debentures		-		19
	₩	**128,938**	₩	**90,051**

(5) Interest expense included in financial expenses for the years ended December 31, 2010 and 2009 is as follows :

unit : KRW in millions

		2010		Unaudited 2009
Bank overdrafts and loan interest	₩	26,473	₩	18,379
Finance lease liabilities interest		2,879		2,349
Debentures interest		93,905		41,651
Other interest expense		1,644		5,438
Less: capitalized interest expense		-		(8,085)
	₩	**124,901**	₩	**59,732**

27. INCOME TAX:

(1) Composition of income tax expense for the years ended December 31, 2010 and 2009 is as follows :

unit : KRW in millions

		2010		Unaudited 2009
Current income tax payable	₩	**64,170**	₩	**57,870**
CHANGES IN DEFERRED TAX ASSETS:				
Income tax payable due to the merger		(17,618)		-
Temporary differences		(86,407)		149
Tax credit carry-forwards		(83,876)		(13,020)
Succession of deferred tax assets due to the merger		121,654		-
Tax effect related to the change in other comprehensive income (loss)		290		407
Income tax expense	₩	**(1,787)**	₩	**45,406**

(2) Reconciliation between income before income tax and income tax expense of the Group for the years ended December 31, 2010 and 2009 is as follows :

unit : KRW in millions

		2010		Unaudited 2009
INCOME BEFORE INCOME TAX EXPENSE	₩	**568,234**	₩	**338,383**
TAX EXPENSE CALCULATED ON BOOK INCOME (TAX RATE: 24.2%)		**137,486**		**81,862**
ADJUSTMENTS:				
Non-taxable income		(120,324)		(6)
Non-deductible expense		2,198		414
Additional payment (Refund) of income tax		(6,118)		1,730
Changes in the assets or liabilities relating to deferred taxes and tax rate		16,804		(10,726)
Tax credits		(31,640)		(27,726)
Others		(193)		(142)
INCOME TAX EXPENSE	₩	**(1,787)**	₩	**45,406**
EFFECTIVE TAX RATE (INCOME TAX EXPENSE/ INCOME BEFORE INCOME TAX EXPENSE)		**-**		**13.42%**

(3) Income tax directly reflected in equity for the years ended December 31, 2010 and 2009 is as follows :

unit : KRW in millions

		2010		Unaudited 2009
REVENUES AND EXPENSE RELATED TO THE CHANGE IN OTHER COMPREHENSIVE INCOME (LOSS)				
Gain on valuation of cash-flow-hedging derivatives	₩	(18)	₩	(3)
Loss on valuation of cash-flow-hedging derivatives		376		(14)
Gain from valuation of available-for-sale financial assets		56		70
Loss from valuation of available-for-sale financial assets		971		(460)
Other capital surplus		559		-
Actuarial gain(loss)		(2,234)		-
INCOME TAX EXPENSE RELATED TO THE CHANGE IN OTHER COMPREHENSIVE INCOME (LOSS)	₩	**(290)**	₩	**(407)**

(4) Changes in deferred tax assets (liabilities) for the year ended December 31, 2010 is as follows :

unit : KRW in millions

	2010				
	Beginning balance	**Succession due to merger**	**Increase**	**Decrease**	**Ending balance**
Provision for severance benefits	₩ 23,082	₩ 44,795	₩ 19,803	₩ 14,682	₩ 72,998
Allowance for doubtful accounts	134,233	52,466	201,520	179,737	208,482
Loss on valuation of inventories	10,840	-	6,109	8,401	8,548
Unsettled expenses	67,276	18,963	104,597	86,239	104,597
Property, plant and equipment	150,614	-	227,742	8,195	370,161
Provisions	43,396	-	40,763	43,396	40,763
Impairment losses on investment securities	27,870	-	-	1,000	26,870
Loss on valuation of investment securities	4,092	-	-	4,666	(574)
Derivatives	20,519	-	699	20,519	699
Intangible assets	19,552	-	99,786	6,843	112,495
Deemed dividends (CS Leader)	160	-	-	-	160
Government subsidies	1,027	-	1,419	1,466	980
Share of profits (losses)	3,411	-	-	671	2,740
of associates under the equity method					
Loss on foreign currency translation	1	-	1,743	1	1,743
Share of profits (losses) of associates in other	25	-	-	25	-
comprehensive income(loss) under the equity method	76,312	31,476	497	31,476	76,809
Adjustment on revenues					
Others	1,972	-	2,915	671	4,216
Subtotal of temporary differences to be deducted	**584,382**	**147,700**	**707,593**	**407,988**	**1,031,687**
Accrued interest income	(7)	(118)	(516)	(125)	(516)
Deposits for severance benefits	(25,049)	(34,741)	(22,306)	(14,682)	(67,414)
Interest expenses (capitalized interest expense)	(17,512)	-	-	5,066	(22,578)
Adjustment on revenues	(2,148)	-	-	(2,148)	-
Share of profits (losses) of associates in other	(1,111)	-	-	(1,111)	-
comprehensive income(loss) under the equity method	(16,427)	-	(1,859)	(16,428)	
Gain on foreign currency translation		-		(12,804)	(1,858)
Property, plant and equipment	(12,804)	(25,200)	(18,239)	-	(18,239)
Tax reserves	-	-	-	-	(25,200)
Conversion feature on convertible bonds	-	(60,059)	(2,461)	(42,232)	(2,461)
Subtotal of temporary differences to be added	**(75,058)**		**(45,381)**		**(138,266)**
Realizable temporary differences	506,839				890,521
Unrealizable temporary differences	2,485				2,900
	24.2%				24.2%
Tax rate	22.0%				22.0%
Income tax effect due to temporary differences	117,421				204,429
Income tax effect due to tax credit carry forwards	105,856				189,732
Deferred income tax assets	₩ **223,277**				₩ **394,161**

(5) Changes in the deferred tax assets (liabilities) for the year ended December 31, 2009 is as follows :

unit : KRW in millions

	Unaudited 2009			
	Beginning balance	Increase	Decrease	Ending balance
Provision for severance benefits	₩ 22,711	₩ 6,316	₩ 5,945	₩ 23,082
Allowance for doubtful accounts	112,035	161,287	139,089	134,233
Loss on valuation of inventories	11,883	6,938	7,981	10,840
Unsettled expenses	65,594	67,276	65,594	67,276
Property, plant and equipment	135,756	24,228	9,370	150,614
Provisions	45,332	20,332	22,268	43,396
Impairment losses on investment securities	27,746	124	-	27,870
Loss on valuation of investment securities	3,318	774	-	4,092
Derivatives	(18,588)	18,420	(20,687)	20,519
Intangible assets	23,690	3,875	8,013	19,552
Deemed dividends (CS Leader)	160	-	-	160
Government subsidies	836	125	(66)	1,027
Share of profits (losses) of associates under the equity method	3,850	-	439	3,411
Loss on foreign currency translation	63,479	1	63,479	1
Share of profits (losses) of associates in other comprehensive income(loss) under the equity method	-	25	-	25
Adjustment on revenues	73,127	3,185	-	76,312
Others	1,940	624	592	1,972
Subtotal of temporary differences to be deducted	**572,869**	**313,530**	**302,017**	**584,382**
Accrued interest income	(163)	(7)	(163)	(7)
Deposits for severance benefits	(25,436)	(5,087)	(5,474)	(25,049)
Interest expenses (capitalized interest expense)	(22,479)	(5,867)	(10,834)	(17,512)
Adjustment on revenues	(2,335)	(2,148)	(2,335)	(2,148)
Share of profits (losses) of associates in other comprehensive income(loss) under the equity method	(1,111)	-	-	(1,111)
Gain on foreign currency translation	(5)	(16,427)	(5)	(16,427)
Property, plant and equipment	(12,415)	(389)	-	(12,804)
Subtotal of temporary differences to be added	**(63,944)**	**(29,925)**	**(18,811)**	**(75,058)**
Realizable temporary differences	508,765			506,839
Unrealizable temporary differences	160			2,485
Tax rate	**24.2%, 22.0%**			**24.2%, 22.0%**
Income tax effect due to temporary differences	117,570			117,421
Income tax effect due to tax credit carry forwards	92,836			105,856
Deferred income tax assets	₩ **210,406**			₩ **223,277**

(6) As of December 31, 2010 and 2009, temporary differences not recognized as deferred tax assets (liabilities) related to investment asset and equity interest are as follows :

unit : KRW in millions

		Unaudited	
	December 31, 2010	December 31, 2009	January 1, 2009
Investments in associates	₩ **2,900**	₩ **2,485**	₩ **160**

28. EARNINGS PER SHARE:

(1) Basic earnings per share is the net income attributable to one share of common stock of the Company. It is measured by dividing net income attributable to common stocks during a specified period by the weighted average numbers of common shares issued during that period. Earnings per share for the years ended December 31, 2010 and 2009 are calculated as follows :

Unit: KRW in millions, except for earnings per share)

		Unaudited
	2010	2009
Net income	₩ 569,905	₩ 292,977
Weighted average number of common shares outstanding (*1)	432,501,952 shares	277,278,430 shares
Earnings per share (in Korean Won)	₩ **1,318 per share**	₩ **1,057 per share**

(*1) Includes 82,291,883 shares of treasury stock due to the dissenting shareholders of LG Dacom and LG Powercom exercising their respective appraisal rights.

(2) As of December 31, 2010, the potential dilutive shares are as follows :

unit : KRW in millions

	Conversion period	Number of treasury shares to be issued in exchange for convertible bonds	December 31, 2010
Convertible bonds	Nov. 9, 2010 ~Sep. 22, 2012	**37,549,534**	**₩ 9,273.75 per share**

unit : KRW in millions

		2010
Net income attributable to the common shares of the Company	₩	569,905
Net income attributable to the potential dilutive shares (A)		573,392
Weighted average number of common shares outstanding (B)		432,501,952 shares
Number of dilutive shares(C)		9,670,291 shares
Total (D=B+C)		**442,172,243 shares**
Dilutive earnings per share (in Korean Won) (A/D)		**1,297 per share**

As there are no dilutive securities as of December 31, 2009, diluted earnings per share is equal to basic earnings per share for the year ended December 31, 2009.

29. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2010, there are 37 lawsuits ongoing where the Group is a defendant in the Republic of Korea; total claim amount the Company is being sued for is ₩16,076 million. Management believes the outcome of these lawsuits will likely not have a significant effect on the financial position of the Group.

(2) The Group entered into agreements with Shinhan Bank and others for promissory notes and a line of credit up to ₩250,000 million. Among these agreements includes a bank overdraft agreement with Woori Bank and others up to ₩40,000 million.

(3) As of December 31, 2010, the Group has entered into agreements with Woori Bank for a B2B limit of ₩350,000 million, in order to pay off its accounts payable. Among the agreements, the Group has entered into a loan agreement secured by an electronic accounts receivable agreement, where the Group guarantees the payment of accounts receivable up to ₩70,000 million when the Company's vendors transfers the accounts receivable due from the Group prior to its maturity.

In addition, the Group has agreements with; the Industrial Bank of Korea for its corporate purchasing card with a limit of ₩9,500 million, Korea Exchange Bank and Shinhan Bank for payment guarantee of accounts receivable up to ₩15,000 million and ₩30,000 million, respectively.

(4) The Group has a telecommunication equipment and facility purchase agreement with LG Ericsson Co., Ltd.(formerly LG Nortel Corp.) amounting to ₩34,616 million.

(5) As of December 31, 2010, in relation to the *Frequency Law Article 11, paragraph 4 and 5 and Korea Communications Commission Announcement 2010-18: Guarantee to the deposits made to request for frequency band allotments,* the Company receives a payment guarantee up to ₩25,140 million from Shinhan Bank until July 1, 2011.

30. RELATED PARTY TRANSACTIONS:

(1) Major related parties

	Company
Investor with significant influence over the Group	LG Corporation
Subsidiaries	Ain Teleservice, CS Leader, Dacom Multimedia Internet Corp., DACOM America Inc. and CS ONE Partner
Jointly controlled entity	DACOM Crossing
Associate	True Internet Data Center Company

As of December 31, 2010, no entity controls the Group; LG Corp. has 30.57% of ownership interest and has significant influence over the Company.

(2) Major transactions with the related parties for the years ended December 31, 2010 and 2009 are as follows :

unit : KRW in millions

	2010		Unaudited 2009	
	Sales and others	Purchases and others	Sales and others	Purchases and others
INVESTOR WITH SIGNIFICANT INFLUENCE OVER THE GROUP: LG Corporation	₩ 412	₩ 22,006	₩ 229	₩ 9,836
SUBSIDIARIES:	33	49,711	13	53,450
Ain Teleservice	75	38,009	24	42,787
CS Leader	3,831	26,074	-	-
Dacom Multimedia Internet Corp.	-	1,772	-	-
DACOM America Inc.	84	42,093	-	-
CS ONE Partner				
JOINTLY CONTROLLED ENTITY:	2,055	11,798	-	-
DACOM Crossing				
ASSOCIATE:				
True Internet Data Center Company	828	-	-	-
	₩ 7,318	**₩ 191,463**	**₩ 266**	**₩ 106,073**

Intra-group transactions, income and expenses are eliminated in full for the purpose of preparing the consolidated financial statements.

(3) Outstanding receivables and payables from transactions with related parties as of December 31, 2010 and 2009, and January 1, 2009 are as follows :

unit : KRW in millions

	December 31, 2010		Unaudited December 31, 2009		Unaudited January 1, 2009	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
INVESTOR WITH SIGNIFICANT INFLUENCE OVER THE GROUP:						
LG Corporation	₩ 4,801	₩ 790	₩ 35	₩ 321	₩ 10	₩ 424
SUBSIDIARIES:						
Ain Teleservice	-	1,655	-	4,275	-	240
CS Leader	-	1,583	-	4,086	5	714
Dacom Multimedia Internet Corp.	28	6,915	-	-	-	-
DACOM America Inc.	2,719	148	-	-	-	-
CS ONE Partner	-	425	-	-	-	-
JOINTLY CONTROLLED ENTITY:						
DACOM Crossing	30	1,076	-	-	-	-
ASSOCIATE:						
True Internet Data Center Company	-	-	-	-	-	-
	₩ 7,578	**₩ 12,592**	**₩ 35**	**₩ 8,682**	**₩ 15**	**₩ 1,378**

The outstanding intra-group receivables and payables are eliminated in full for the purpose of preparing the consolidated financial statements. Above receivables and payables are unsecured and will be settled in cash. Also, there are no payment guarantees given or received related to above receivables and payables.

In addition, no bad debt expense occurred during the years ended December 31, 2010 and, 2009. No allowance for doubtful accounts remain as of December 31, 2010 and 2009, respectively.

(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 Group's business activities for the years ended December 31, 2010 and 2009 are summarized as follows :

unit : KRW in millions

	2010	Unaudited 2009
Short-term employee benefits	₩ 18,737	₩ 7,135
Post-employment benefits (*1)	3,977	912
	₩ 22,714	**₩ 8,047**

(*1) The above balances refer to retirement benefits incurred for key management during the years ended December 31, 2010 and 2009. In addition, the present values of defined benefit obligations for key management are ₩17,317 million and ₩7,175 million as of December 31, 2010 and 2009, respectively.

31. RISK MANAGEMENT:

(1) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue while maximizing the return to shareholders and interest parties and reducing capital expenses through the optimization of the debt and equity balance. In order to maintain such optimization of the debt and equity balance, the Group may adjust dividend payments, redeem paid in capital to shareholders, issue stocks to reduce liability or sell assets.

The Group's capital structure consists of net liability which is borrowings (including bonds and finance lease liability) less cash and cash equivalents and equity; the overall capital risk management policy of the Group remains unchanged from prior period. In addition, items managed as capital by the Group as of December 31, 2010 and 2009, and January 1, 2009 are as follows :

unit : KRW in millions

			Unaudited			
		December 31, 2010		December 31, 2009		January 1, 2009
TOTAL BORROWINGS	₩	**2,785,204**	₩	**971,600**	₩	**975,469**
Less: Cash and cash equivalents		(537,535)		(148,350)		(60,042)
Borrowings, net		2,247,669		823,250		915,427
TOTAL SHAREHOLDER'S EQUITY	₩	**3,948,482**	₩	**1,983,301**	₩	**1,928,758**
Net borrowings to equity ratio		56.92%		41.51%		47.46%

(2) Financial risk management

The Group is exposed to various financial risks such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk related to financial instruments. The purpose of risk management of the Group is to identify the potential risks to financial performance and reduce, eliminate and evade those risks to a degree acceptable to the Group. The Group makes use of derivative financial instruments to hedge certain risks such as foreign exchange and interest rate risks. Overall financial risk management policy of the Group remains unchanged as prior period.

1) Foreign currency risk

The Group is exposed to exchange rate fluctuation risk since it undertakes transactions denominated in foreign currencies. The carrying amounts of Group's monetary assets and liabilities denominated in foreign currencies that is not the functional currency as of December 31, 2010 are as follows :

unit : KRW in millions

Currency		Assets		Liabilities
CAD	₩	-	₩	184
EUR		843		814
HKD		371		-
JPY		9		8
SDR		219		341
USD		92,827		111,515
Other		2		5
	₩	**94,271**	₩	**112,867**

The Group internally assesses the foreign currency risk from changes in exchanges rates on a regular basis. The Group's sensitivity to a 10% increase and decrease in the KRW(functional currency of the Group) against the major foreign currencies as of December 31, 2010 is as follows :

unit : KRW in millions

Currency		Gain(loss) from 10% increase against foreign currency		Gain(loss) from 10% decrease against foreign currency
CAD	₩	(14)	₩	14
EUR		2		(2)
HKD		28		(28)
SDR		(9)		9
USD		(1,417)		1,417
Other		(1)		1
	₩	**(1,411)**	₩	**1,411**

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than functional currency as of December 31, 2010.

2) Interest rate risk

The Group borrows funds on floating interest rates and is exposed to cash flow risk arising from interest rate changes. The book value of liability exposed to interest rate risk as for December 31, 2010 is as follows :

unit : KRW in millions

		December 31, 2010
Borrowings	₩	200,000
Debentures		674,989
	₩	**874,989**

The Group internally assesses the cash flow risk from changes in interest rates on a regular basis. Effect of changes in interest rates of 1% to net income as of December 31, 2010 is as follows :

unit : KRW in millions

	1% increase		1% decrease	
	Gain(Loss)	Net Asset	Gain(Loss)	Net Asset
Borrowings	₩ (1,516)	₩ (1,516)	₩ 1,516	₩ 1,516
Debentures	(5,116)	(5,116)	5,116	5,116
	₩ (6,632)	**₩ (6,632)**	**₩ 6,632**	**₩ 6,632**

In order to manage its interest rate risks, the Group enters into interest rate swap contracts. The Group applies cash flow hedge accounting for its interest swap contracts; the value of the unsettled interest swap contract as of December 31, 2010 is as follows :

unit : KRW in millions

		Valuation gain and loss			Fair value	
	Notional principal value	Gain	Loss	Accumulated other comprehensive income	Assets	Liabilities
Interest rate swap	**50,000**	₩ -	₩ -	**₩ (530)**	₩ -	**₩ 699**

3) Price risk

The Group is exposed to price risks arising from available-for-sale equity instruments. As of December 31, 2010, fair value of available for sale equity instruments is ₩40,361 million and when all the other variables are constant and when the price of equity instrument changes by 10%, the effect to equity will be ₩3,148 million.

4) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group; Credit risk is being managed at the each entity level (controlling company, subsidiaries and others). Credit risk arises from cash and cash equivalents, derivatives, bank and financial institution deposits as well as receivables and firm commitments. As for banks and financial institutions, the Group is making transactions with reputable financial institutions; therefore, the credit risk from it is limited. For ordinary transactions, customer's financial status, credit history and other factors are considered to evaluate their credit status. The Group does not have policies to manage credit limits of each customer.

The book value of financial asset in the Company's financial statements is the amount after deduction of impairment loss and represents as a maximum exposure to credit risk, without taking into account collateral or other credit enhancements held. The ageing of trade and other receivables are described in Note 9.

5) Liquidity risk

The Group manages liquidity risk by establishing short, medium and long-term funding plans and continuously monitoring actual cash out flow and its budget to match the maturity profiles of financial assets and liabilities. Management of the Group believes that financial liability may be redeemed by cash flow arising from operating activities and financial assets.

Maturity analysis of non-derivative financial liabilities according to its remaining maturity as of December 31, 2010 is as follows :

unit : KRW in millions

	Within a year	1 - 5 years	Total
Variable interest instruments	₩ 494,573	₩ 419,804	₩ 914,377
Fixed interest rate instruments	460,701	1,542,574	2,003,275
Non-interest bearing instruments	1,577,535	52,086	1,629,621
	₩ 2,532,809	**₩ 2,014,464**	**₩ 4,547,273**

(*) Maturity analysis above is based on the book value and the earliest maturity date by which the payments should be made.

Maturity analysis of derivative financial liabilities according to its remaining maturity as of December 31, 2010 is as follows :

unit : KRW in millions

	Within a year
DERIVATIVE FINANCIAL LIABILITIES:	
Interest Rate Swap	699
	₩ 699

(3) Estimation of fair value

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable, as described below:

• Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes). The Group' financial instruments are disclosed at the closing price of the market prices. These are included in level 1 and the level 1 consists of equity instruments classified as available for sales securities.

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The required input variables for the fair value measurement of financial instruments are observable; such financial instruments are classified as level 2.

If one or more than one of the variable inputs is not based on the observable market information, such financial instruments are classified as level 3.

The fair values of financial instruments determined using a valuation technique. The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

32. MERGER (BUSINESS COMBINATION):

On January 1, 2010 (registered January 5, 2010), the Group acquired LG Dacom and LG Powercom which operates in the wire communication business, in order to increase operational efficiency and create synergies by combining its wire and wireless communication businesses

Below is the summary of companies participated in the acquisition.

	LG Telecom	LG Dacom	LG Powercom
Location	Seoul Mapo-gu Sangam-dong 1600	Seoul Gangnam-gu Yuksam-dong 706-1	Seoul Seocho-gu Seocho-dong 1329-7
CEO	Jeong, Iljae	Park, Jongeung	Lee, Jeongsik
Major sales activity	Wireless communications	Wireless communications	Wire communications

Due to the merger of LG Dacom, Dacom Multimedia Internet Corp. and DACOM America Inc. are newly consolidated and Dacom Crossing Corp. and True Internet Data Center Company are newly accounted as a jointly- controlled entity and associate, respectively. In addition, due to the merger of LG Powercom, CSOne Partner Corp. is newly consolidated. (See Notes 2 and 15)

(2) The Group issued 237,515,405 shares (2.1488702 shares per 1 common stock of LG Dacom and 0.7421356 share per 1 common stock of LG Powercom) of registered common stocks (par value ₩5,000) to registered shareholders of LG Dacom and LG Powercom as of acquisition date however, no stock was issued related to LG Powercom common stocks held by LG Dacom.

(3) The acquisition of LG Dacom and LG Powercom is accounted for in accordance with K- IFRS 1103 - *Business Combinations*; therefore, acquired assets and assumed liabilities are measured at fair value.

(4) The 237,515,405 shares of common stock issued by the Group in order to acquire LG Dacom and LG Powercom are measured by applying fair value of the Company's stocks as of acquisition date, January 1, 2010, which is ₩8,490 per share; while the total consideration to acquire LG Dacom and LG Powercom is ₩2,016,506 million. Of this amount, the fair value of consideration transferred less treasury stocks which LG Dacom and LG Powercom had purchased in cash from their shareholders who exercised appraisal rights of dissenting shareholders is ₩1,489,695 million.

(5) Measurement of non-controlling interest
The non-controlling interest (11.9% ownership interest in LG Dacom) is measured as of the date of acquisition by reference to the non-controlling interests' share of recognized identifiable net asset of LG Dacom, which amounted to ₩1,503 million.

(6) Bargain purchase gain
After applying the purchase method, the Group incurred a bargain purchase gain on the acquisition of LG Dacom and LG Powercom of ₩193,173 million and ₩303,341 million, respectively, which is recognized in operating income in the statement of income. The bargain purchase gain recognized was measured as the excess of the fair value of acquired net assets over the consideration transferred and the acquired net assets included the intangible assets that were not previously recognized in the statement of financial position of the acquires, such as customer relationships.

(7) Summary of acquired assets and assumed liabilities of LG Dacom and LG Powercom as of January 1, 2010, the acquisition date, is as follows :

unit : KRW in millions

	LG Dacom		LG Powercom	
	Book Value before merger K-IFRS(*1)	Fair value	Book Value before the merger K-IFRS(*1)	Fair value ₩ 278,745
CURRENT ASSETS	₩ 369,617	₩ 370,144	₩ 276,204	
NON-CURRENT ASSETS:				
Investment assets	723,180	377,549	65	65
Property, plant, and equipment	837,377	1,231,038	1,570,948	1,334,262
Investment property	78,444	30,634	5,817	5,794
Intangible assets	47,634	310,692	18,792	400,309
Other non-current assets	38,049	21,365	172,475	205,084
TOTAL NON-CURRENT ASSETS	**1,724,684**	**1,971,278**	**1,768,097**	**1,945,514**
TOTAL ASSETS	**₩ 2,094,301**	**₩ 2,341,422**	**₩ 2,044,301**	**₩ 2,224,259**
CURRENT LIABILITIES	**₩ 659,274**	**₩ 651,700**	**₩ 694,184**	**₩ 713,420**
NON-CURRENT LIABILITIES	**412,438**	**416,276**	**445,469**	**453,079**
TOTAL LIABILITIES	**₩ 1,071,712**	**₩ 1,067,976**	**₩ 1,139,653**	**₩ 1,166,499**

(*1) Carrying amounts are obtained from unaudited financial statements.
(*2) The acquired assets and assumed liabilities from LG Dacom and LG Powercom, include the assets and liabilities of Dacom Multimedia Internet Corp. and DACOM America Inc. which are the subsidiaries of LG Dacom, and the assets and liabilities of CSOne Partner Corp. which is the subsidiary of LG Powercom. Also, the above acquired net assets include the fair value of investments in Dacom Crossing Corp. and True Internet Data Center Company, which are the jointly-controlled entity and associate of LG Dacom, respectively, as investment assets.

The fair value of loans and receivables acquired from LG Dacom and LG Powercom is ₩301,658 million and ₩207,623 million, respectively, whereas, their contractual amounts are ₩339,121 million and ₩239,723 million, respectively. Additionally, the cash flows from loans and receivables acquired from LG Dacom and LG Powercom of ₩37,463 million and ₩32,100 million, respectively, are not expected to be collected :

unit : KRW in millions

	LG Dacom			LG Powercom		
	Fair value	Gross contractual amount	Amount deemed uncollectable	Fair value	Gross contractual amount	Amount deemed uncollectable
Trade receivables	₩ 275,633	₩ 311,721	₩ 36,088	₩ 165,158	₩ 196,574	₩ 31,416
Other accounts receivable	25,955	27,330	1,375	7,794	8,278	484
Loans	70	70	-	34,672	34,871	200
	₩ 301,658	**₩ 339,121**	**₩ 37,463**	**₩ 207,624**	**₩ 239,723**	**₩ 32,100**

33. APPROVAL OF FINANCIAL STATEMENTS PUBLICATION

The accompanying consolidated financial statements for the General Shareholders Meeting were approved by the Board of Directors on January 28, 2011.

History

1990s

Jun. 1996 Personal communications service (PCS) business license obtained
Jul. 1996 LG Telecom established and CEO appointed
Jun. 1997 Network management center (NMC) built
Jul. 1997 First call center opened
Oct. 1997 Nationwide PCS service launched
Feb. 1998 World's first CDMA PCS wireless data service launched
Oct. 1998 Strategic alliance established with British Telecom
May. 1999 Korea's first commercial wireless Internet service launched
Sep. 1999 Ranked No. 1 in a call quality survey by Korea's Ministry of Information & Communication

2000s

Feb. 2000 New 'Khai' brand aimed at Gen N youth launched
Sep. 2000 Listed on KOSDAQ / Trading of stocks begun (Sep. 21)
May. 2001 CDMA2000 1X service launched
Aug. 2001 Synchronous IMT-2000 license acquired
Apr. 2002 World's first commercial service with infrared ray-based mobile payment launched
Apr. 2003 Customer Champion Value Position (CCVP) initiative introduced
Sep. 2003 Chip-based mobile banking service 'Bank ON' service launched
Nov. 2004 Subscribers to mobile telephone service surpassed six million
Dec. 2004 Wired & wireless integrated Music ON service launched
May. 2005 New corporate vision, 'The People Company,' announced
Jun. 2005 Three Major Win-Win Principles initiative to support SMEs announced
Oct. 2005 New brand identity, 'Happy Change' announced
Jan. 2006 World's first commercial terrestrial DMB service launched
Jun. 2006 Recipient of KCGS Award of Excellence for fourth consecutive year
Sep. 2006 ISO 2000 acquired, a first for a Korean mobile operator
Dec. 2006 Subscribers to mobile telephone service surpassed seven million
Jun. 2007 Inducted into Corporate Governance Hall of Fame by KCGS and recipient of Award of Better Boards
Sep. 2007 EV-DO Rev.A handset launched
Oct. 2007 Recipient of MOCIE Minister's Award for Service Quality Innovation, a first for a mobile operator
Dec. 2007 Subscribers to mobile telephone service surpassed 7.81 million
Apr. 2008 3G data service 'OZ' launched
Apr. 2008 Subscribers to mobile telephone service surpassed eight million
Apr. 2008 Company's listing transferred to KOSPI
Jul. 2008 Bundled product 'LG Power Together' launched
Jul. 2008 LOHAS certification for rental phone service acquired
Aug. 2008 Headquarters relocated to Sangam Digital Media City
Nov. 2008 Recipient of Quality Management Award at the 34th Annual National Quality Management Competition
Nov. 2008 Recipient of the 3G CDMA Industry Achievement Award
Feb. 2009 New 'Teen Ring' brand aimed at teenagers launched
Mar. 2009 Signboards at 1,700 direct distribution channels replaced with ones reading OZ
May. 2009 Customer information successfully encrypted, a first for a Korean mobile operator
Jun. 2009 Google Maps service for mobile phones launched
Oct. 2009 Building 2,000 multi-mode stations begun
Nov. 2009 Merger of LG Telecom, LG Dacom and LG Powercom authorized in an extraordinary General Shareholders' Meeting

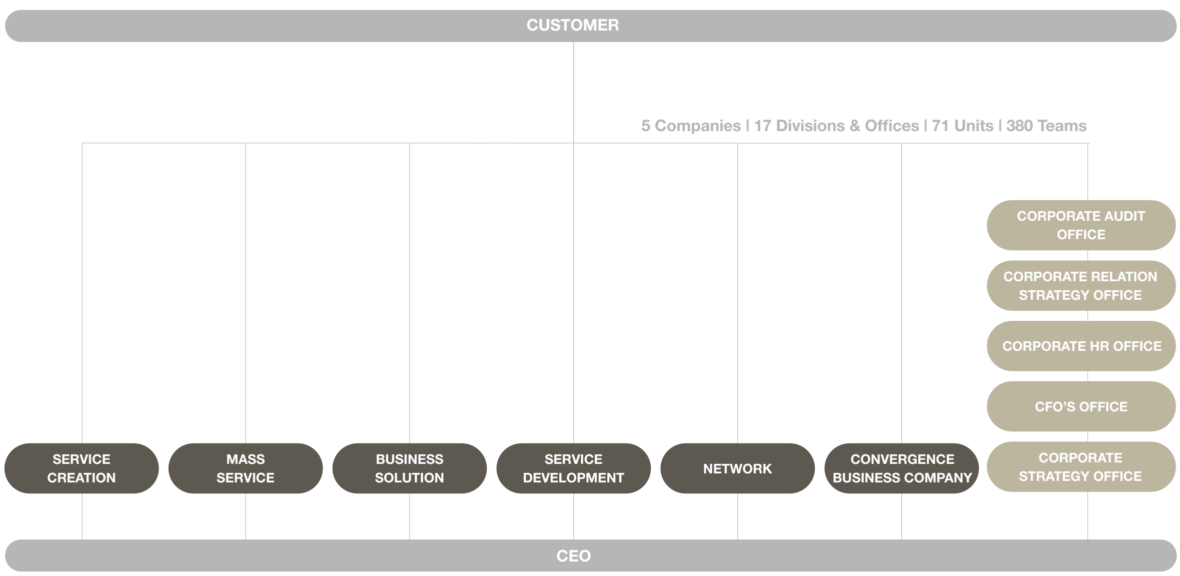
2010

Jan. 2010 All-new LG Telecom begun
Mar. 2010 'OZ 2.0' service launched
Apr. 2010 myEdutv service, an IPTV customized to school needs, launched
May. 2010 KRW 15 billion "Beyond Telecom" fund financed
Jun. 2010 Headquarters relocated to newly built LG Uplus Tower
Jun. 2010 'Universal Yo' plan launched
Jun. 2010 Company name changed to LG U+
Jul. 2010 New corporate vision announced
Jul. 2010 Business partnership signed with Microsoft on SaaS
Aug. 2010 'U+BOX' service launched
Aug. 2010 'Do Dream U+' service launched
Sep. 2010 Unlimited data plan launched
Sep. 2010 'U+AD' service launched
Oct. 2010 Smart SME launched
Nov. 2010 Comprehensive agreement for cooperation on SNS services with Facebook concluded 'Smart7' launched
Nov. 2010 "Smart" healthcare agreement with Myongji Hospital concluded
Dec. 2010 LTE equipment supplier chosen
Dec. 2010 Korea's first education-oriented tablet PC, Edu Tab, launched
Dec. 2010 Winter internship program initiated

A world leader in “Beyond Telecom” innovation and a personalized value provider, LG U+ has come one step closer to achieving its vision.

Organization Chart

As of March, 2010



Company Information	As of December 31, 2010
Establishment	July 11, 1996
Headquarters	LG Uplus Tower, 827, Namdaemunro 5-ga, Jung-gu, Seoul, Korea
Paid-in Capital	KRW 2.57 trillion
Employees	5,485 persons
Total Shares Outstanding	514,793,835 shares
Last General Shareholders' Meeting	March 18, 2011

Status of Subsidiaries	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

Beyond Telecom

LG U+

LG Uplus Tower, 827, Namdaemunro 5-ga, Jung-gu, Seoul, Korea