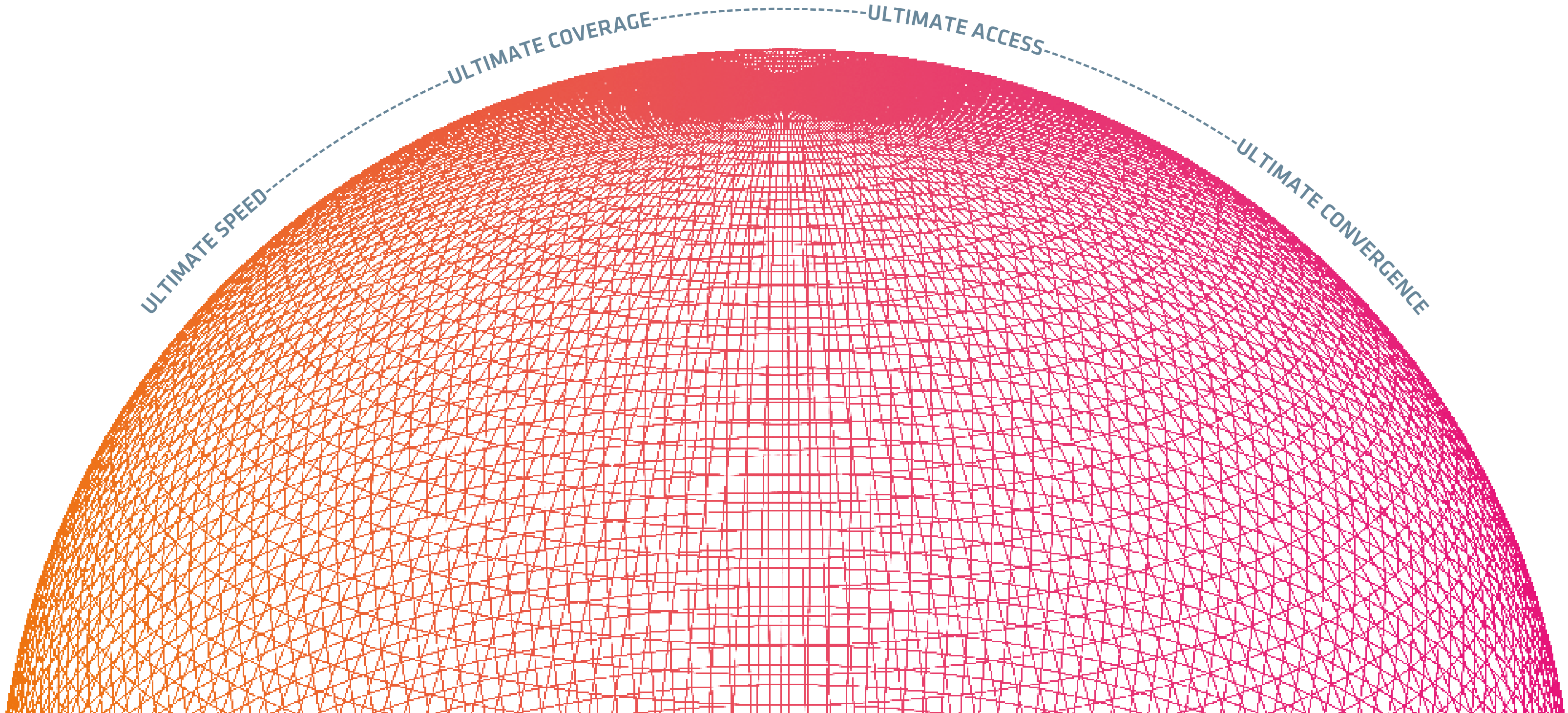
LG U+

ULTIMATE EXPERIENCE

LG U+ Annual Report 2011

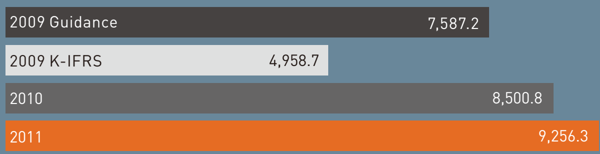


Financial Highlights

Revenues

unit : KRW in billions

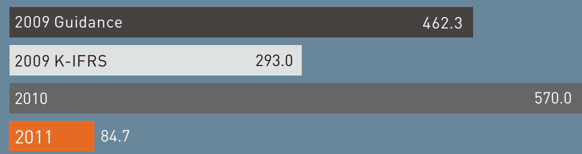
9,256.3



Net Income

unit : KRW in billions

84.7



EBITDA Margin

EBITDA Margin = EBITDA/Service Revenue

23.0%

Net Income Margin

1.3%

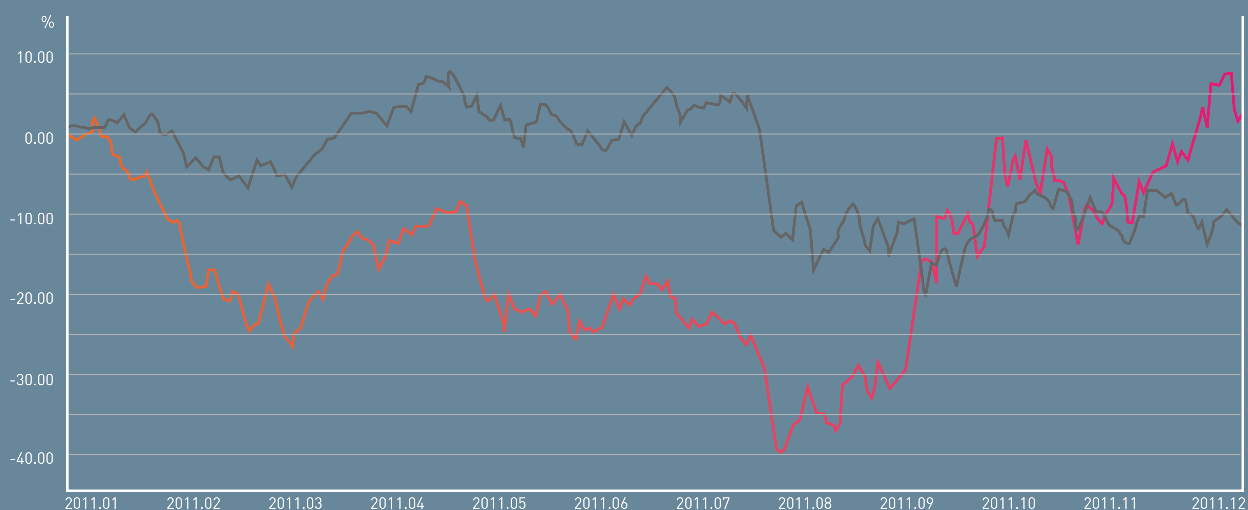
Accumulated No. of Subscribers

unit: subscribers in thousands

16,651

Trend of Stock Performance

LG U+ KOSPI



Summarized Consolidated Statements of Income

unit: KRW in billions

	2011	2010	2009 K-IFRS	2009 Guidance
Revenues	9,256.3	8,500.8	4,958.7	7,587.2
Expenses	8,970.6	7,845.5	4,602.6	6,933.4
Operating Income	285.7	655.3	356.2	653.7
Net Income	84.7	570.0	293.0	462.3
Net Income Margin	1.3%	9.0%	8.2%	7.6%
EBITDA	1,475.3	1,908.8	802.8	1,530.6
EBITDA Margin	23.0%	30.2%	22.5%	25.0%
Operating Margin	4.5%	10.4%	10.0%	10.7%

Summarized Consolidated Statements of Financial Position

unit: KRW in billions

	2011	2010	2009 K-IFRS	2010.1.1 Guidance
Total Assets	11,048.5	8,525.2	4,058.3	8,170.4
Total Liabilities	7,189.2	4,576.7	2,075.0	4,199.4
Total Shareholders' Equity	3,859.4	3,948.5	1,983.3	3,971.0

Major Financial Ratios

	2011	2010	2009 K-IFRS	2010.1.1 Guidance
Current Ratio	66.2%	82.7%	86.8%	67.8%
Debt-to-Equity Ratio	186.3%	115.9%	104.6%	105.8%
Net Income to Shareholders' Equity	2.2%	14.4%	14.8%	11.6%
Return on Assets	0.8%	6.7%	7.2%	5.7%

No. of Subscribers

unit: subscribers in thousands

	2011	2010	2009
Mobile	9,391	9,022	8,658
Telephony	3,588	3,032	2,369
VoIP	3,228	2,750	2,126
PSTN	360	283	243
Broadband	2,810	2,773	2,522
IPTV	862	613	344
Accumulated No. of Subscribers	16,651	15,441	13,893

Shareholder Composition

As of Dec. 31, 2011

	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%
Saudi Arabian Monetary Agency	5,846,410	1.14%
Others	222,093,370	43.14%
Total	514,793,835	100%

Total No. of Shares Outstanding 514,793,835

The Ultimate Experience Starts here at LG U+

LG U+ is equipped with the best network
and infrastructure to provide
the ultimate U Convergence service:
Korea's first 4G LTE (Long-Term Evolution)
nationwide network, the world's
largest Wi-Fi network
Unlimited access to cloud service
and a cross-platform available
anywhere and at any time.
You name it, we have it.

A ubiquitous world beyond your imagination
The ultimate experience starts here.

4G LTE

ULTIMATE SPEED

LTE

LG U+ was the first mobile operator in Korea to commercialize fourth-generation (4G) LTE service. Our nationwide LTE service network covers the entire country, even the rural areas. What's more is that our LTE service offers a transmission speed five times faster than existing 3G services, up to 75 Mbps, enabling the fastest wireless Internet access and mega-sized data processing capacity. These distinctions offer high-quality multimedia services, including the live streaming of HD (high-definition) video clips and real-time network games. By the 2nd half of 2012, we plan on launching an ALL-IP network which will consolidate voice, data and video over IP for the first time in the world, and provide the most complete customer-oriented convergence service.

Wi-Fi

ULTIMATE COVERAGE

LG U+ has completed its ACN (AP-centric network), the world's largest Wi-Fi network, which integrates wireless AP and Wi-Fi zones into a single wireless network. The ACN nationwide network that connects 1.1 million APs and Wi-Fi hotspots, called U+zone, allows unlimited wireless Internet access from anywhere in Korea. Boasting the world's fastest speed at 100 Mbps, it also includes up-to-date wireless security technology to ensure high information security. We also have plans in place to expand the number of AP and Wi-Fi hotspots to more than 1.4 million by the end of 2012, living up to our reputation as the world's largest Wi-Fi network provided by a single mobile operator.

4G LTE

ULTIMATE SPEED

VoLTE

LG U+'s new 4G LTE service provides another element for people's entertainment. The new ALL-IP-based VoLTE (Voice over LTE) service consolidates voice data, which had used 2G and 3G networks as well as data streaming in the past, over IP. It delivers the highest quality voice calls, allowing for a quick change from voice call to video call without dropping calls, and real-time transmission of photos taken with smartphone cameras. In short, it provides the ultimate experience in terms of 4G voice call service.

Wi-Fi

ULTIMATE COVERAGE

4G LTE

ULTIMATE SPEED

mIPTV

Forget a video service with constant freezing of images and buffering. LG U+'s mIPTV service guarantees real-time, high-definition, high-quality broadcasting, new movies and VOD (video on demand) services with LTE and Wi-Fi networks wherever you are. A wide variety of TV channels and thousands of VOD services are now at your disposal, giving you the chance to move among digital devices anywhere and at any time. With mIPTV, that has now become a reality, there has never been as much access to entertainment.

Smarter than ever...

Wi-Fi

ULTIMATE COVERAGE

cloud

ULTIMATE ACCESS

LG U+ is building a cloud infrastructure where individuals and corporations have convenient access to solutions and content on the Internet all the time. Our personal media cloud service, U+BOX, allows sharing of multimedia content on various devices without the freezing of images or buffering. The U+ Smart SME service offers a cloud-based platform to provide optimal solutions customized to SME needs. In addition, our newly launched cloud-based converged service, Cloud N, provides the best solutions for building and operating IT infrastructure, helping reinforce ICT competitiveness.

Cross Platform

ULTIMATE CONVERGENCE

In addition, LG U+ is constructing a cross-platform infrastructure to allow customers unlimited access to the best content and services from any network, multimedia, device or operating system (OS). This infrastructure includes the game platform Game BOX, which provides popular international mobile game services, the VoIP home phone service Galaxy 070, and the wired/wireless e-payment service U+Pay. As we move forward, we will continue our cutting-edge R&D to add more platforms for communication, multimedia, M2M, and a Life Web into one cross-platform.

cloud

ULTIMATE ACCESS

RCS

(Rich Communication Suite)

We also offer a RCS (rich communication suite) to customers. Communication goes one step further with instant, unlimited communication that includes voice calls, instant messaging, video sharing and buddy lists – and all without the inconvenience of downloading apps. Now you can check your buddy's status on a real-time basis and share video clips, photos, files and GPS points during your voice calls on top of a real-time group chatting service. This smart messenger service will let you become closer to your friends no matter where you are.

Closer than ever...

Cross Platform

ULTIMATE CONVERGENCE

Cloud

ULTIMATE
ACCESS

Cloud Computing

LG U+'s cloud service gives you more independence, allowing you to synchronize and access your data and content without interruption no matter where you are and from any device, whether a smartphone, tablet PC, PC, or laptop. Catch the end of an episode you've been watching at home while going to work; finish the report you started during a business trip at your office. You can even take a picture and save it to your personal computer at home right away. Our cloud service provides more freedom with more entertainment.


Freer than ever...
Cross Platform
ULTIMATE
CONVERGENCE
U+Box
10:12
My Media
Docs
App Box
10:56

CEO Message

The global top network and U Convergence service offers you a new experience beyond anything you have experienced with telecommunications.

Respected customers and shareholders,

In 2011, LG U+ took its first step towards realizing its new vision of becoming a global company that will play a leading role in going "Beyond Telecom." We were the first Korean mobile operator to commercialize 4G LTE service, connecting 84 cities in only six months, an unprecedented accomplishment in such a short amount of time. Coupled with the world's largest Wi-Fi network, ACN, this LTE network completed an ALL-IP network that serves as a platform for our innovative U Convergence service. The 100 Mbps "ultimate speed" of this new network has allowed us to offer customers with unrivaled communication. This remarkable achievement can be attributed to all of our employees, each of whom has worked tirelessly to make this happen.

We are reinforcing core competencies based on a leading global network.

In 2011, competition intensified in the telecommunications industry with the inclusion of both third-generation (3G) service and the launch of a 4G LTE service. The number of smartphones and tablet PC users exploded, while the number of smartphone service subscribers surpassed 20 million people in Korea. In response to these changes, mobile operators began to offer wired/wireless convergence services, cloud computing, social networking services (SNS) and social marketing services that came with a wide range of options for wired/wireless converged products and competitive pricing policies.

In our first year of going "Beyond Telecom," LG U+ played a leading role in the revolution of the Korean mobile service industry. Not only did we commercialize 4G LTE service, but we also rolled out a nationwide LTE network, connecting 84 cities by the end of 2011. With remarkable quality of service, a network speed two times faster than our competitors, and better coverage than our competitors, the number of our LTE subscribers surpassed our initial goal by reaching 550,000 people in the first year of service. As a result, we were able to establish a brand image for LG U+ that became synonymous with the best LTE service for customers.

With the addition of 1.1 million 100 Mbps Wi-Fi zones across the nation to our LTE network, we were able to usher in a wired/wireless converged ALL-IP era. Furthermore, with a 2.1 GHz spectrum, we secured a competitive advantage in the future LTE market. In addition, after launching various wired/wireless convergence service packs and cloud-platform corporate solutions, we ensured a springboard for mid- and long-term growth.

As a result of these strong efforts, we realized a year-on-year sales revenue increase of 8.9 percent in 2011, reaching KRW 9,256.3 billion, while operating income and net income reached KRW 285.7 billion and KRW 84.7 billion, respectively. By business area, the mobile business recorded KRW 3,412.0 billion, down 1.9 percent from the previous year due to a change in the pricing system and declined MOU (Minutes of Use). However, the mobile business realized improved ARPU (Average Revenue Per User) over three consecutive quarters thanks to growth in data sales following the increased number of smartphone subscribers and an improved subscriber mix.

LG U+ will not only achieve No. 1 in LTE, but also lead "Beyond Telecom."

TPS revenue for LG U+ recorded a sound 12.2 percent year-on-year growth in 2011, reaching KRW 1,183.5 billion. Among the three TPS services – broadband, VoIP (Voice over Internet Protocol) and IPTV, IPTV sales jumped the most over the previous year by 81 percent. The B2B (Business-to-Business) data service sector realized a modest 4.1 percent growth from 2010, reaching KRW 1,310.2 billion in revenue on the strength of the sales growth in the company's e-Biz and corporate solutions businesses.

We have also been fulfilling our social responsibilities with several new plans and products.
We found it meaningful to help customers cut their telecommunication expenses by cutting basic monthly rates and offering bundled services for smartphones/LTE phones with broadband. We also mounted a campaign encouraging customers to receive their bills via e-mail or mobile phone, donating the saved costs to child patients with heart disease and other hard-to-cure diseases for their operations and hospital bills.

We are playing a leading role in the new telecom world through aggressive investment and hard work.

2012 presents a number of opportunities for LG U+ to rise from the nation's third largest telecom company to the top one, and we will take advantage of every opportunity through our commitment to customer value and creativity. In fact, we have set aside KRW 1.4 trillion to deploy a nationwide LTE network, while increasing the capacity and coverage to have one of the world's best telecommunications infrastructure systems. Along with the nationwide LTE network, we will soon be completing the world's first ACN-based 100 Mbps wired/wireless ALL-IP network, with the aim of providing VoLTE service by the end of the year. In addition, we will be focusing on building cloud and cross-platform infrastructures to provide content and services at a faster speed and with more convenience at a reasonable cost.

Our competitive network and infrastructure will help both personal and business customers enjoy U Convergence service, which is comprised of Converged Home, Social Mobility and Smart Workplace Services, with a focus on video, personalization and convergence. We will soon be able to offer 20 new top smartphones and tablet PCs combined with our LTE service, allowing our customers access to a more personalized, more converged digital world.

Dear Customers and Shareholders

While committed to realize our vision of becoming a top global company that plays a leading role in going "Beyond Telecom," LG U+ is fulfilling its responsibilities to society. Our Jeongdo Management principle – the overarching principle and code of conduct at LG – sets the guidelines for our efforts to maximize shareholder and investor value, while our creative corporate culture and family-friendly management practices help our employees maintain a healthy work-life balance. Throughout the company, we sponsor and support teenagers who have disabled family members as well as multi-cultural families. We also commit ourselves to digital inclusion initiatives through a number of different programs. We also seek solutions and carry out initiatives to practically address current social concerns over bullying at school.

Many people have told me lately how impressed they are at how much LG U+ has changed. Everyone at LG U+ is now committed – and confident – with our capabilities to attain our goals. That is the very driving force of the changes and developments unfolding right now at LG U+. As this year is the perfect timing for transition in the industrial landscape, we are determined to become the industrial leader in LTE service and emerge as a leading global company in the new "Beyond Telecom" era.

I ask for your continued support and encouragement.

Thank you.

CEO
Sang Chul Lee

2011 Revenues
(KRW in billions)
Compared to the 2010

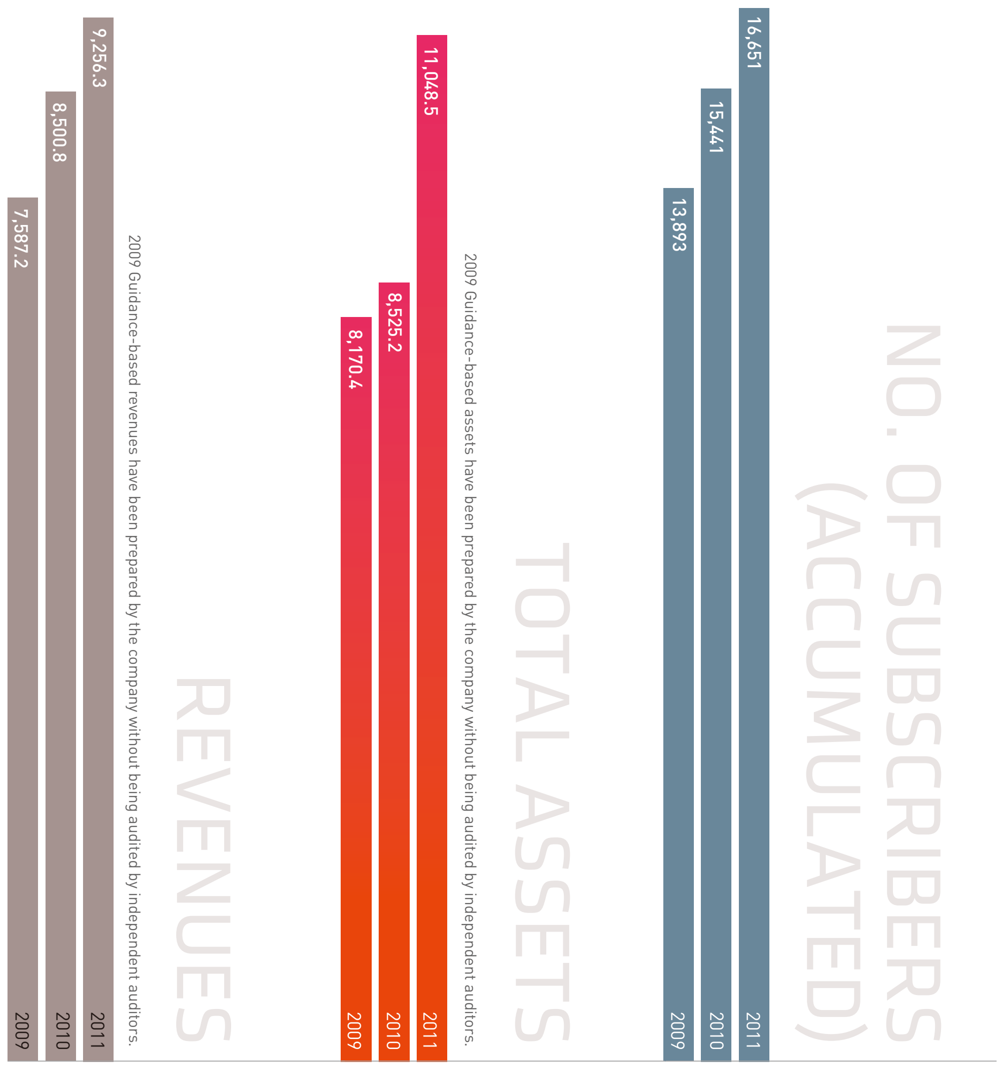
+8.89%

2011 Assets
(KRW in billions)
Compared to the 2010

+29.60%

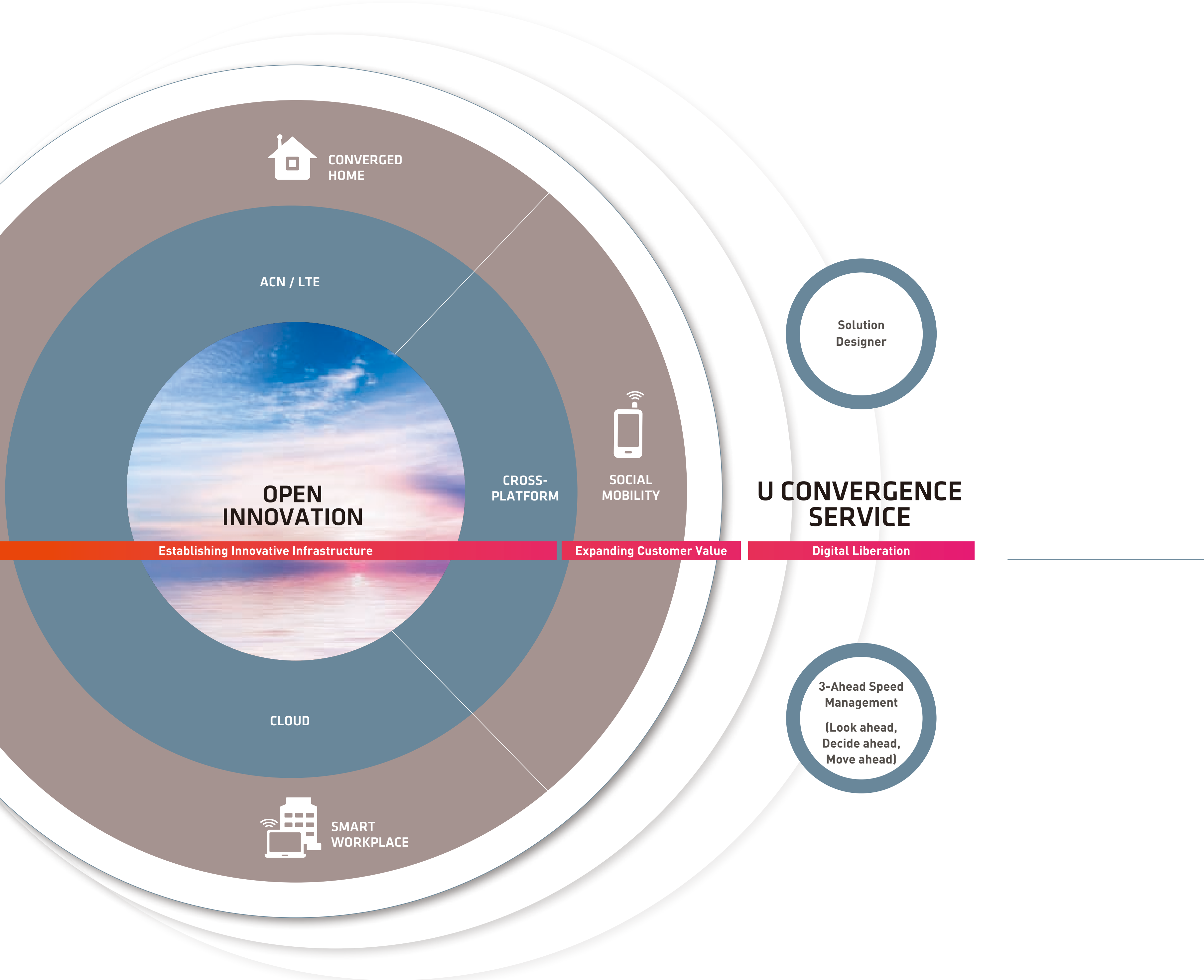
Accumulated
No. of Subscribers
(subscribers in thousands)
Compared to the 2010

+7.84%



We will open up a new world of telecommunications for all our customers with our U convergence service, which is comprised of Converged Home, Social Mobility and Smart Workplace Services, based on our industry-leading network and 4G LTE infrastructure, ACN, cloud and cross-platform services.

Vision & Strategy



A leading global company that leads the "Beyond Telecom" era with innovative U Convergence services

LG U+ set its new vision at becoming a top global company that plays a leading role in going "Beyond Telecom" by offering the highest value to customers as a personal value provider. We will be able to achieve this goal through our U Convergence service that makes a Converged Home, Social Mobility and Smart Workplace Services possible based on our leading infrastructure that consists of 4G LTE, ACN, cloud and cross-platform services.

At the forefront of going "Beyond Telecom"

LG U+ set its vision of becoming a top global company that plays a leading role in going "Beyond Telecom." The catchphrase "Beyond Telecom" means expanding the scope of the telecom business into numerous ubiquitous convergence services. From a technical point of view, we are focused on enhancing customer satisfaction with smart services tailored to the individual needs of customers. As a personal value provider, LG U+'s vision aims at becoming a "Personal Value Provider" and a top company that plays a leading role in going beyond the telecom era.

Innovative U Convergence services

U Convergence services are a powerful means of creating innovative value for customers and consist of three main services: Converged Home Service that offers an integrated home service, enabling customers access to digital appliances in their home no matter where they are; Social Mobility Service to bring complete network service into a customer's hands; and Smart Workplace Service that supports a creative working environment for corporate clients.

An innovative backbone infrastructure

LG U+ is establishing four backbone infrastructures with our 4G LTE, ACN, cross-platform and cloud services to support all U Convergence services. Following 4G LTE service, the nationwide network was deployed, allowing LG U+ to initialize an integrated wired/wireless ALL-IP network with the completion of the world's largest Wi-Fi zone, ACN, in 2012. In addition to the existing cloud services we presently offer to individual and corporate subscribers, we are building a cross-platform that will integrate a means for communication, media, M2M and Life Web services.

→ *your* **Personal Value Provider** → **The leader in the "Beyond telecom" industry**

Corporate Identity & Brand Identity

LG U+'s new corporate identity (CI) symbolizes our commitment to a ubiquitous world for our customers. The letter "U" represents 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.

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

Board of Directors/ Corporate Governance

Sang Chul Lee / CEO
CEO & Vice Chairman, LG Uplus Corp.

Yong Sam Shin / Standing Director
Chief Financial Officer (CFO), LG Uplus Corp.

Jun Ho Cho / Non-standing Director
President & CEO, LG Corp.

Sung Bin Jeon / Independent Director & Chairman of the Audit Committee
Professor in the School of Business Administration, Sogang University
Former member of IFRS International Advisory Committee, Financial Supervisory Service

Se Hyoung Kim / Independent Director & Commissioner of the Audit Committee
Vice Chairman of the Korea Newspaper and Broadcasting Editor's Association

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

Maximizing corporate and shareholder value through Jeongdo Management practices

LG U+ applies global standards to the operation of its corporate governance and internal control system to ensure reasonable and transparent corporate governance through active BOD activities. The company also practices Jeongdo Management principles in order to enhance corporate and shareholder value and to earn even more trust from customers and society.

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

Hyeon Jae Shin / Independent Director
Former independent director of LG Powercom

Enhancing shareholder value through an active Board of Directors

The Board of Directors (BOD) at LG U+ respects shareholder value, making prudent decisions through in-depth discussion and deliberation. The established business review process and report procedures are effective systems to reflect the BOD's opinion in the initial stages of developing business plans.

Jeongdo management

LG U+ has established business ethics practice infrastructure, one which includes a system to report on unethical behavior, a Corporate Audit Committee, and an Executive Office for Business Ethics. The Corporate Audit Office and independent auditors are relentless in their audits and accounting practices.

A comprehensive internal control system and effective risk management

LG U+ has installed an Internal Accounting Control System (IACS) which is a self-audit validation system that guarantees the effective control of risks arising from errors and irregularities with accounting information and business activities, substantiating the reliability of disclosures. The company also abides by all rules and provisions of Korea's Capital Markets and Financial Investment Business Act.

IR Activities and the continued enhancement of corporate governance

LG U+ is adamant about keeping both Korean and international investors and analysts abreast of its business results and business strategies. Through vigorous IR activities, we also provide investors with any information they need upon request, while remaining dedicated to enhancing our corporate governance.

2011.

01.

The first Korean mobile operator to launch SNS services

LG U+ became the first Korean mobile operator to advance into the social network services (SNS) business with the launch of a Korean Twitter-like service called Wagle, which utilizes phone numbers and addresses, and Placebook, a location-based SNS service. Both LG U+ users and users of other cell phone operators can use these services with their smartphones. Through strategic partnerships with leading SNS service providers, LG U+ offers differentiated services customized to the specific needs of Korean customers.

2011.

04.

The world's first wireless N-screen

LG U+ was the first company in the world to launch an N-screen service based on the Digital Living Network Alliance (DLNA) called Shoot & Play. This unique service is different from other mobile carrier cloud-based services in that it can be serviced on various DLNA-equipped mobile devices without uploading to a server or encoding data. Linked to Wi-Fi and a 3G network, it offers high-quality services without any buffering.

Testing of 800 MHz bandwidth for commercial LTE services

In April 2011, LG U+ was the first Korean mobile operator to test the 4G LTE service on an 800 MHz frequency bandwidth. We have been working on providing coverage throughout Korea with an LTE network that has revolutionary, next-generation base stations. This testing is done to check the compatibility of LTE network equipment and facilities on the 800 MHz bandwidth by running on a simulated wireless network equivalent to commercial LTE services.

2011 AT A GLANCE

2011.

08.

Do Dream U+ camp for teenagers with disabled family members

As part of its Do Dream U+ project, LG U+ organized a Do Dream U+ camp at the Jecheon Youth Center for two days, starting from August 18. One hundred mentees (beneficiaries of the project) took part in the second camp program, which followed the one in 2011 that was attended by a matching number of mentors (LG U+ employees) as well as volunteers who carried out programs to lift the spirits of the mentees through rafting, astronomical observations, and pottery lessons.

2011.

10.

LTE smartphone tariff plans introduced

In the lead-up to the launch of LTE smartphones, LG U+ introduced LTE smartphone tariff plans which offer convenient, high-speed data transmission up to 75 Mbps, five times faster than a 3G network, and at a reasonable price. The new plan comes in eight options, so customers can pick and choose exactly what they need. One notable feature is that LG U+ helps customers keep their phone bills down with various discount offers and special options, including data safe option.

LTE smartphone line-ups

Top-of-the-line LTE terminal service has been available since October 2011. The first one was LG's Optimus LTE, then Samsung's Galaxy SII HD LTE, both of which offered more choice with LTE devices.

2011.

05.

LTE optical transport equipment

To prepare for the commercial service of LTE, we have been building a nationwide network of next-generation, large-scale optical transport equipment that will drastically enhance data transmission efficiency. We plan on installing 190 ROADMs which can transmit traffic of up to 3.2 Tbps (terabytes per second) with a Carrier Ethernet (CE) for LTE that can transmit all types of data in packets by the end of December, enabling full service of the ultra-high speed LTE service.

2011.

06.

2.1 GHz frequency bandwidth license

LG U⁺ acquired 2.1 GHz frequency bandwidth on June 22, 2011. The 2.1 GHz bandwidth is one of the most common international frequency bandwidths for global mobile operators. By acquiring this spectrum, LG U⁺ is now capable of carrying out more aggressive investment in 4G telecommunications, with up-to-date services to better serve customers.

2011.

07.

4G Commercial LTE service launch

On July 1, LG U⁺ became Korea's first mobile operator to launch 4G LTE service, a historic moment in the nation's IT industry, with a maximum data processing speed of 75 Mbps that is twice as fast as our competitors. In February 2012, we expanded our coverage to 84 cities, with a number of other high-definition premium services for LTE smartphones slated for 2012.

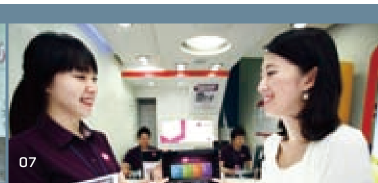
Smart consulting services for reasonable telephone prices

On July 7, LG U⁺ introduced a Smart Consulting program that provides wired/wireless bundled plans and suggestions to lower telecommunications expenses within households. LG U⁺ supports all its sales representatives with tablet PCs, allowing them to better help subscribers find the right wired/wireless service pricing policies which best fit customers' individual call patterns from anywhere and at any time.


05

11


07


07


12

2011.

11.

New plans to lower phone bills

LG U⁺ lowered its monthly basic rates starting on November 20, 2011. In addition to the KRW 1,000 tariff cut to the basic monthly fee, we have provided 50 free text messages since December 2011. We also offer a Silver smartphone plan for senior citizens and a special smartphone plan for the hearing impaired.

Vice Chairman, Sang Chul Lee receives merit award

LG U⁺ Vice Chairman, Sang Chul Lee, was awarded the individual merit award (granted by the Chairman of the Korea Communications Commission) at the 6th annual Korea Internet Awards. The award was conferred in recognition of his contributions to the development of the Korean IT industry, early completion of LTE nationwide coverage, and other contributions that led to activating 4G LTE service and wireless Internet service.

2011.

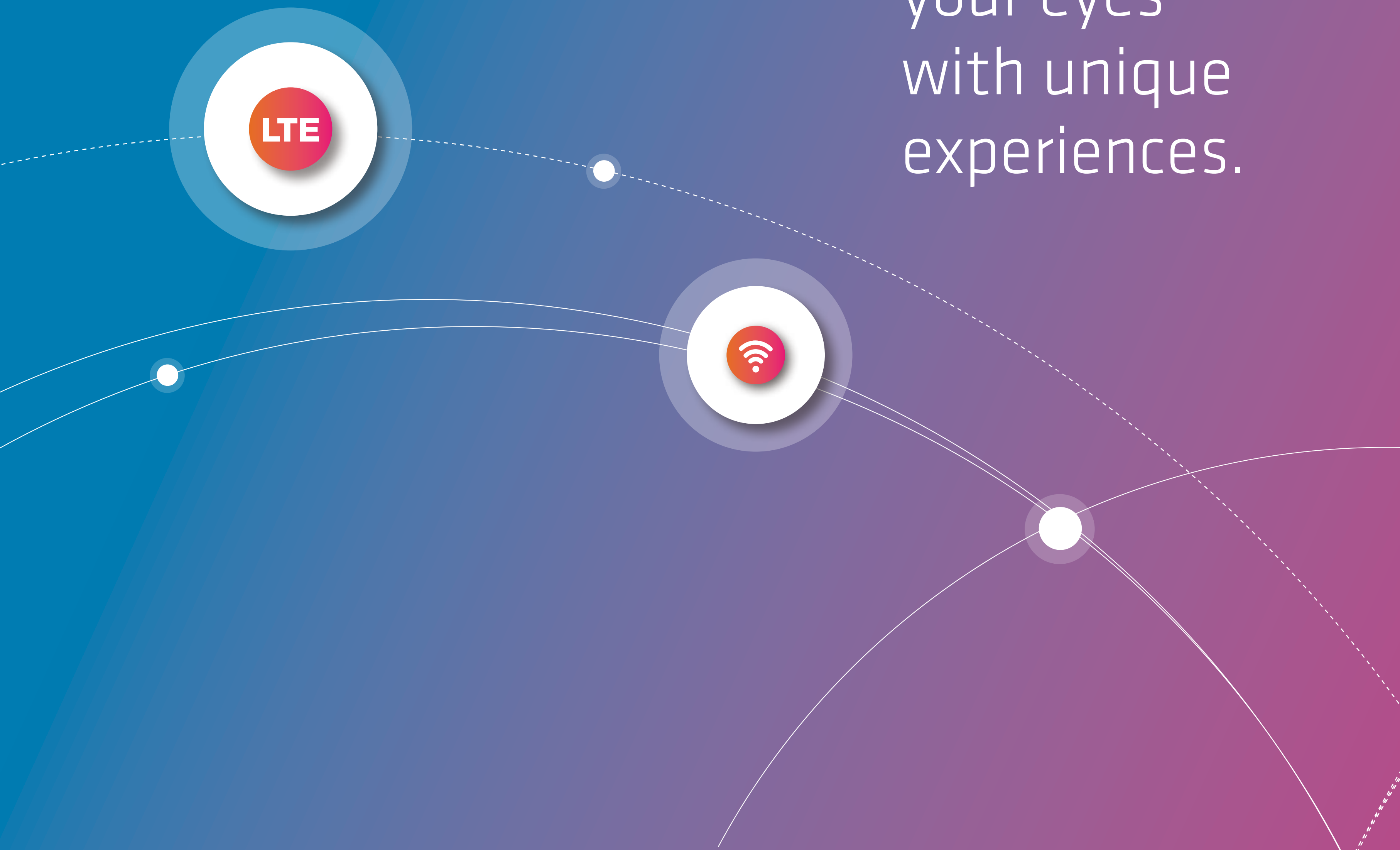
12.

LTE service goes nationwide

Since launch of LTE service, LG U⁺ has done everything possible to expand service coverage. As a result, LTE coverage now connects 84 cities across Korea, making the ultra-high speed, high-quality service available in every corner of the country. Backed by quality service and fast coverage extension, the number of LTE smartphone subscribers with LG U⁺ surpassed 550,000 by the end of 2011.

MOBILE
TPS
B2B DATA
CONVERGENCE

The ultimate LG U+ captures your eyes with unique experiences.

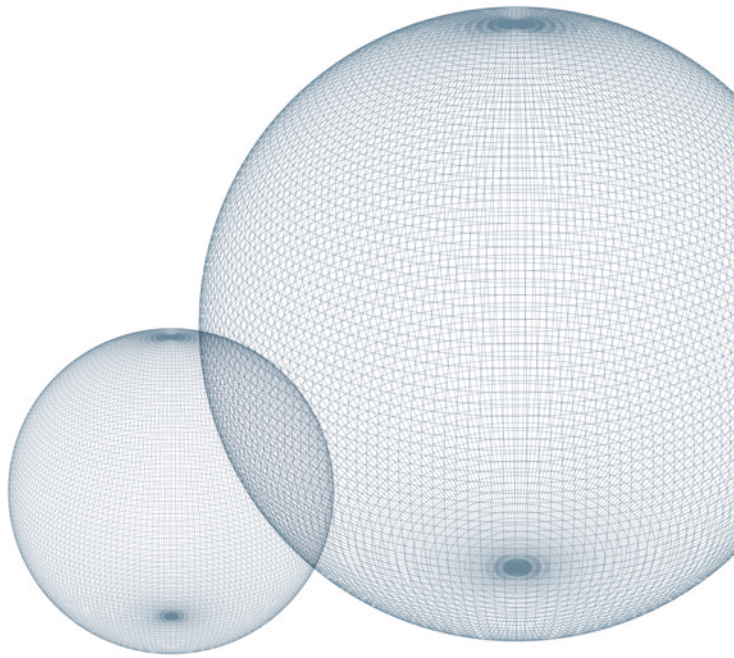


With a leading network and infrastructure, LG U+ is able to provide numerous wired/wireless solutions and other convergence services, including mobile telephone service, TPS and B2B data for individual and corporate customers. Our high quality of service, competitive price plans, other related services and thorough aftercare service guarantee the highest customer satisfaction for individuals, not to mention new growth opportunities for corporate customers.

Changes and innovations are in progress.

2011 MARKET ANALYSIS

In 2011, the mobile phone market witnessed a radical change. An exploding number of smartphone users popularized the 3G network and ushered in the 4G LTE eras. Premium smartphones and tablet PCs came into wide use, leading to further development in related technologies and a massive increase in wireless data traffic. As a result, mobile operators started developing more wired/wireless convergence services. Accordingly, regulatory changes occurred to lower household telecommunications expense and a need for new services in line with current market developments. This ultimately created the opportunity for mobile virtual network operators (MVNO) to emerge in the telecom market.



OUR HIGH-SPEED NATIONWIDE COVERAGE, STABLE CALL QUALITY AND VARIED MULTIMEDIA SERVICES COMPLETE THE WORLD'S LEADING LTE SERVICE.

WE BECAME A PIONEERING LTE LEADER WITH THE COMPLETION OF KOREA'S FIRST 4G LTE SERVICE.

MOBILE

LG U+ took its first step towards becoming a LTE leader with the completion of a 4G LTE network in 2011 – and ahead of schedule.

The nation's first commercial LTE service was launched in July 2011 and we expanded the network nationally, connecting 84 cities in only six months. Moreover, we had 550,000 LTE subscribers by the end of 2011, assuring our position as an LTE leader.

While more smartphones and tablet PCs were being released, we introduced an LTE-specialized premium multimedia service and bundled products, providing customers with new and unprecedented value.

In 2012, we plan on investing even more into our LTE nationwide coverage and LTE phones. By the end of the year, we plan on launching the world's first VoLTE service, securing a competitive edge in becoming the LTE leader.

2011 Performance

INCREASING SMARTPHONE SUBSCRIBERS AND ARPU GROWTH

LG U+'s mobile business recorded KRW 3,412.0 billion in service revenue in 2011, down 1.9 percent from the previous year, which was mainly due to reduced revenue under a recently introduced per-second billing system and a decreased number of MOUs with service providers. Still, revenue from our data service continued to grow due to the increasing number of smartphone users – the main source of data service revenue – and an improved subscriber mix, resulting in ARPU growth for over three consecutive quarters. The accumulated number of smartphone subscribers hit the 3.84 million mark in 2011, accounting for 41 percent of the total number of LG U+ subscribers, which stood at 9.39 million. As we move forward, our ARPU is expected to continue growing as the number of LTE subscribers will increase, bringing in even more high-value customers (HVC).

COMMERCIAL LTE SERVICE AND 84-CITY NATIONWIDE COVERAGE

We have aggressively invested in 4G LTE commercial service to ensure we have a clear market advantage. Thus, we launched commercial LTE service in July 2011, which marked a first in the Korean mobile industry. Later, we completed work on an 84-city coverage system before anyone else. With a high quality of service, high-speed national coverage, LG U+ had 550,000 LTE subscribers by the end of the year, surpassing its initial goal of 500,000 subscribers. And with the timely arrival of the industry's top smartphones, such as the Optimus LTE, the Galaxy SII HD LTE, and the Galaxy Note and tablet PCs, including the Optimus Pad LTE and Galaxy Tab 8.9 LTE, our LTE service became more convenient.

HIGH-QUALITY MULTIMEDIA SERVICE ON AN LTE NETWORK

LG U+'s 4G LTE service is five times faster than 3G service in data transmission, with a larger capacity and lower latency. It also features unprecedented multimedia services such as U+HDTV, I am PD, Video Talk, high-definition, user-created broadcasting programs, and mobile network games that are compatible with PCs while on the move. In addition, there is an HD video call service and a multilateral video conference call service that can handle up to four callers at a time.

2012 Outlook

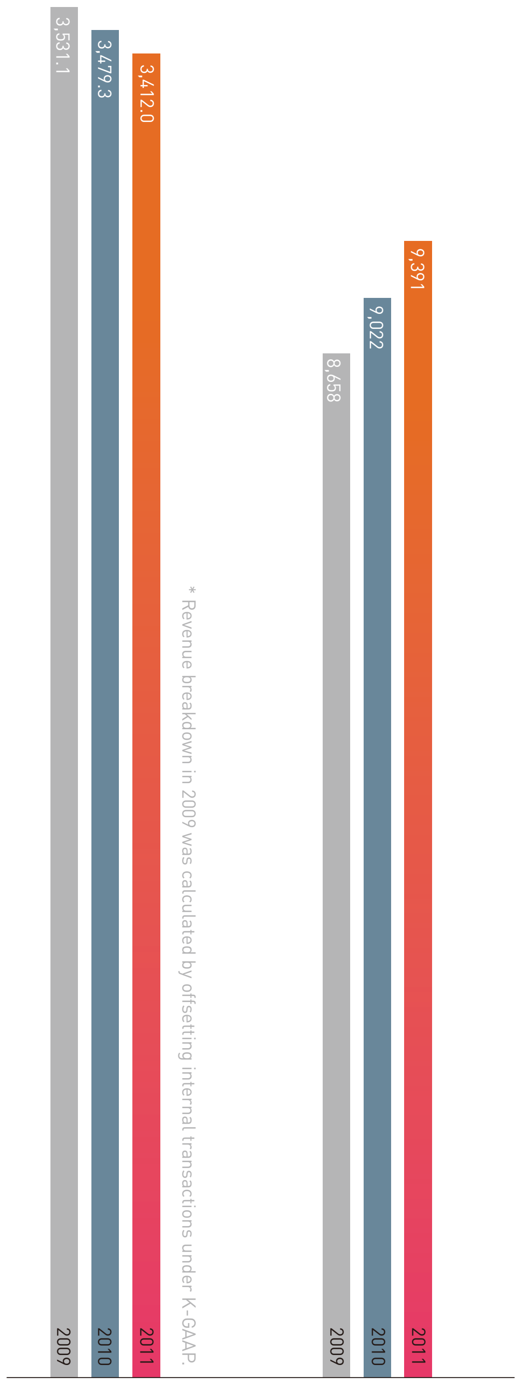
In 2012, an even bigger, more competitive 4G LTE market is forecasted. At LG U+, we are moving forward with plans to expand our LTE nationwide coverage so it encompasses remote areas of Korea. We also secured competitive smartphones and tablet PCs line-ups to support an increasing portion of LTE customers in our subscriber mix. Furthermore, we will continue to introduce a wider range of new multimedia services. By the end of 2012, we plan on providing the world's first VoLTE service, which will bring together voice and data service in one packet.

Number of 4G LTE smartphone subscribers
(Unit: subscribers in millions)

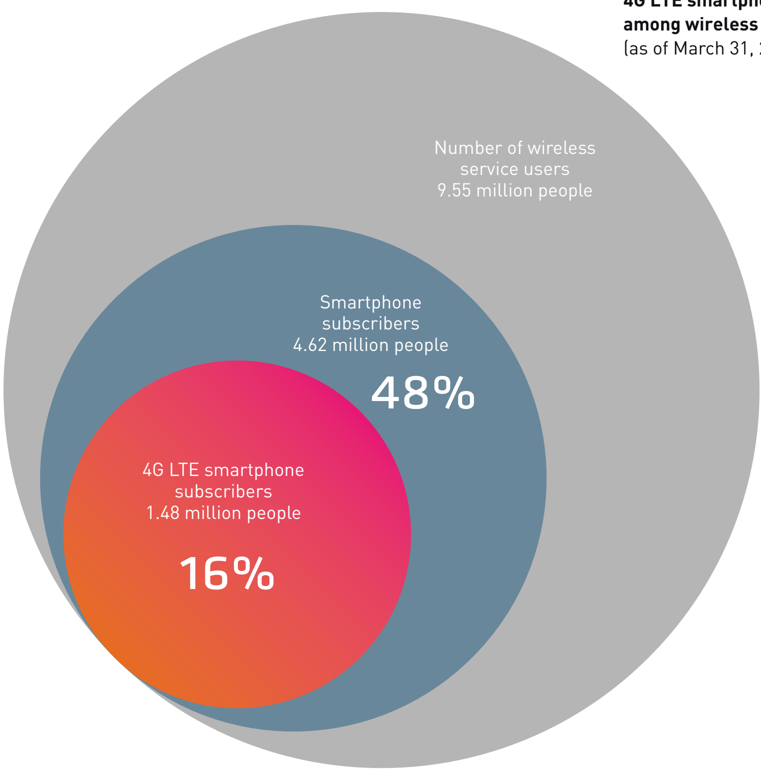
LTE

Service Revenue
(Unit : KRW in billions)

Total No. of Subscribers
(Unit: subscribers in thousands)

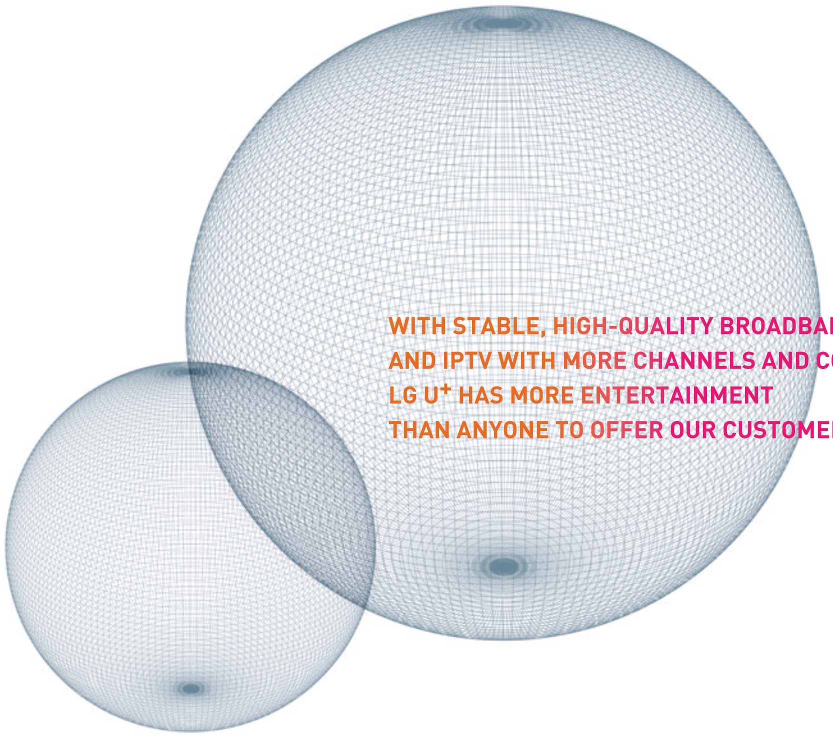


**Percentage of smartphone/
4G LTE smartphone subscribers
among wireless service users**
(as of March 31, 2012)



2011 MARKET ANALYSIS

In 2011, competition eased in the TPS (Triple Play Service) business. While Converged Home Service comes with various wired/wireless bundled products, mobile operators cut down on their marketing expenses in the maturing broadband Internet service market even though they still tried to attract new subscribers. The addition of the newest premium phones to our line-up reinforced our VoIP product competitiveness, allowing us to meet customers' needs for household data services. The launch of new general programming channels and other content providers helped strengthen our content competitiveness, while our IPTV business built up a stronger subscriber base.



WITH STABLE, HIGH-QUALITY BROADBAND, SMARTER VOIP, AND IPTV WITH MORE CHANNELS AND CONTENT TO CHOOSE FROM, LG U⁺ HAS MORE ENTERTAINMENT THAN ANYONE TO OFFER OUR CUSTOMERS.

WE INTRODUCED A NUMBER OF CONVERGED HOME SERVICES WHILE SUSTAINING GROWTH.

TPS

LG U+ realized both qualitative and quantitative growth in the TPS business in 2011. While providing stable high-quality Internet broadband services, we established 1.1 million 100 Mbps Wi-Fi zones, setting the stage for a wired/wireless ALL-IP plan and LTE network.

We also became the world's first mobile operator to introduce android smart home phones, which boosted customer satisfaction. In particular, our IPTV posted significant sales growth from the previous year thanks to the increased number of subscribers and ARPU through sustained efforts to enhance channels, content, and platforms.

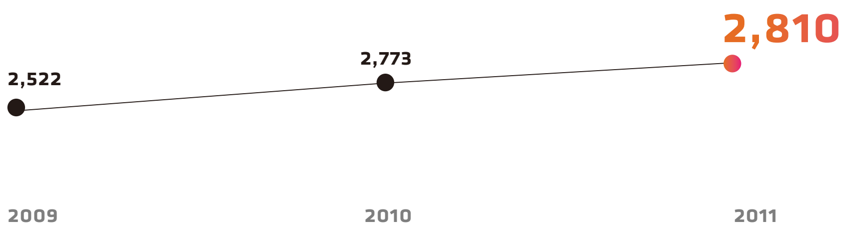
Furthermore, the launch of bundled products contributed in helping individual customers reduce telecommunications expenses. In 2012, we will strive to stabilize the market through clean marketing approach, while maximizing customer value by departing from a zero-sum game of subscriber acquisition competition.

TPS subscriber breakdown by sector
(Unit: subscribers in thousands)

BROADBAND

Contribution to
TPS service revenue

62.1%

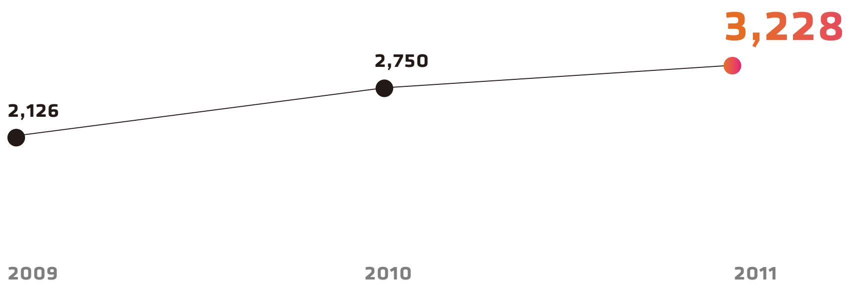


With quality service, swift aftercare service, and numerous benefits, the number of broadband subscribers grew by 1.3 percent year-on-year to reach a total of 2.81 million subscribers.

VoIP

Contribution to
TPS service revenue

25.1%

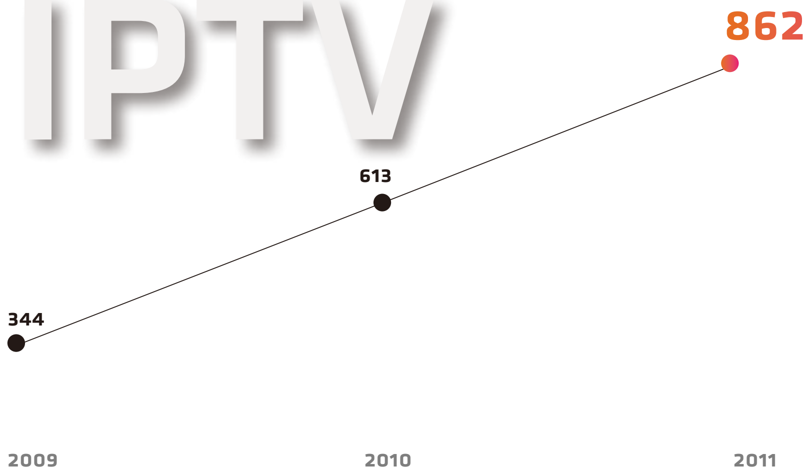


By introducing new services such as smart VoIP and personal VoIP services, there has been a 17.4 percent year-on-year growth in VoIP subscribers, which has now reached 3.23 million.

IPTV

Contribution to
TPS service revenue

12.8%



LG U+ took advantage of the growing IPTV market and added 40.6 percent more subscribers from the previous year, bringing the total to 860,000, through numerous channel options and content.

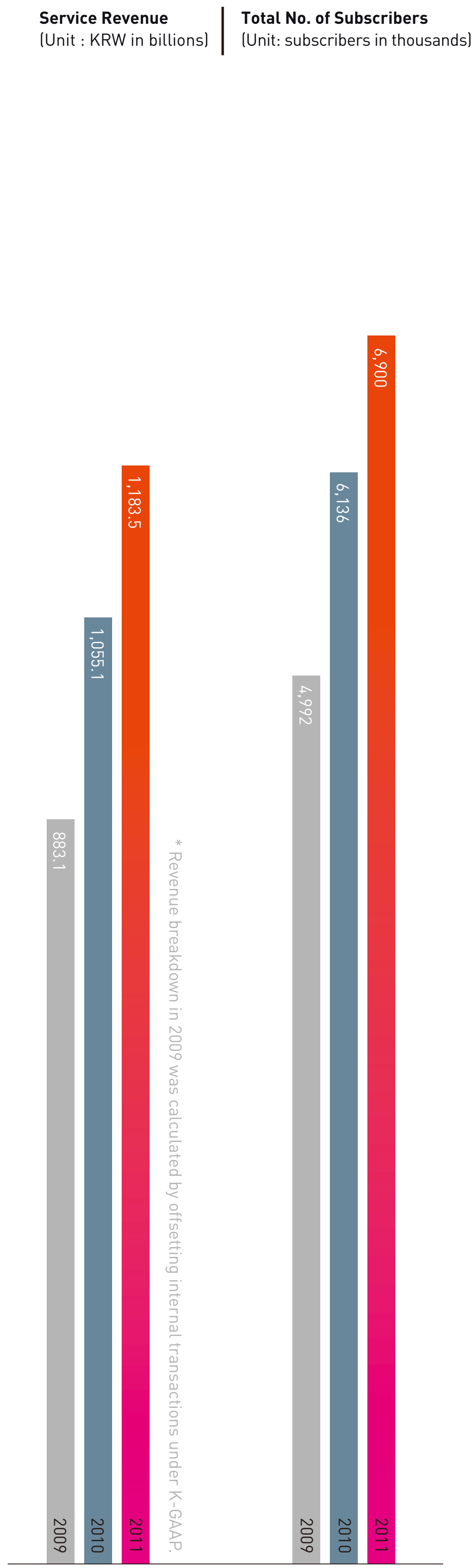
2011 Performance

SUSTAINING 12 PERCENT GROWTH IN ANNUAL SERVICE REVENUE
TPS service revenue grew 12.2 percent from 2010, reaching KRW 1,183.5 billion in 2011, which represents double-digit growth for a second straight year. The IPTV sector saw a huge 81 percent year-on-year growth in sales due to improved ARPU and an increased subscriber base. Broadband service had a net increase of 40,000 subscribers, reaching 2.81 million. The VoIP sector acquired a net of 480,000 subscribers, with its accumulated subscription reaching 3.23 million. IPTV service enjoyed 250,000 additional subscribers, reaching 0.86 million subscribers in total.

EXPANSION OF ACN AND LAUNCH OF WIRED/WIRELESS BUNDLED PRODUCTS
Based on a strategy to use ACN as the core element of a U Convergence service that will provide enormous data capacity at the world's highest speed, we have successfully completed the world's largest Wi-Fi zone – a total of 1.1 million U+zones – by establishing 100 Mbps service areas called U+ Wi-Fi 100 across Korea. In a bid to help our customers reduce telecommunications expenses, we introduced Universal Yo, which combines wired/wireless products, converging smartphones, broadband, VoIP and IPTV services into a single package.

SMARTPHONES FOR THE HOME AND PERSONAL VOIP
With continued growth in the number of subscribers to our VoIP service, U+070, we launched the world's first android-based smart home phone called Galaxy 070. With the integration of a VoIP service into the Galaxy player, the Galaxy 070 offers unlimited multimedia services, including web surfing, photographs, videos and MP3s through an assortment of different apps. Our U+070 Mobile service has also added a personal VoIP service to its feature.

A WIDE ARRANGE OF CHANNELS AND A BURGEONING MOBILE IPTV SERVICE
LG U+ is Korea's first IPTV service provider to broadcast the CJ Media channel and offer 15 other channels, ensuring a competitive advantage. Our IPTV, called U+HDTV, is also available on mobile handsets with the LTE service, commercializing high-definition screen services. By tapping into the open source, web-based IPTV platform we introduced in 2010, we can now offer the map-based location services such as My Neighborhood and Cyworld Photo Album services on an IPTV service.



2012 Outlook

In 2012, competition for new subscribers will continue to intensify for broadband service. Departing from a marketing campaign focused on giveaways, we will concentrate on providing our broadband subscribers with more practical benefits such as lower prices and high-quality network services. At the same time, we plan to increase the number of APs in the home of our customers from 1.02 million to 1.3 million, as well as the number of public Wi-Fi zones from 72,000 to 130,000 points, completing the world's largest Wi-Fi zone. As the IPTV business is projected to further expand with the termination of analog broadcasting services at the end of the year, we will seize the opportunity to offer our customers high-definition services and numerous other benefits from digital broadcasting.

2011 MARKET ANALYSIS

With the advent of cloud services, new market players entered the B2B market in 2011. At the same time, the expanding cloud service market intensified the existing competition. The e-Biz market sustained growth due to expanding web-based online businesses. With corporate solutions, a variety of cloud-based solutions came out, accelerating corporate mobile market growth. Competition intensified in the intranet business as market players tried to create new market demands by developing new service offerings. The IDC market also saw competition intensify, with competition gradually intensifying among operators as a result of the rising service utilization boosted by the increasing use of cloud service and smartphones.

FROM INTRANET AND E-BIZ TO IDC AND SOLUTIONS, OUR COMPREHENSIVE B2B DATA SERVICE WILL ENHANCE PRODUCTIVITY AND COMPETITIVENESS TO REALIZE SMART WORKPLACES FOR OUR CORPORATE CLIENTS.

LG U+ MAKES EFFICIENT AND SMART WORK SOLUTIONS A REALITY WITH OUR NUMEROUS CORPORATE SOLUTIONS CUSTOMIZED TO MEET CLIENT NEEDS.

B2B DATA

In 2011, LG U+ continued to lead technology innovation and make significant market changes with a sustainable growth in the B2B business.

Our e-Biz realized a remarkable performance in expanding online businesses for our corporate clients by offering payment and financial management solutions such as e-payments, one-click settlements and biz messaging.

With the launch of our corporate cloud service, Cloud N, we made a move to penetrate the corporate cloud market.
In 2012, we plan to enhance corporate solutions customized to meet SME needs. At the same time, we will seek new growth opportunities in three businesses: the e-Biz service converged with a Smart Workplace, a corporate mobile business that supports LTE-based wired/wireless converged office platform, and the highly competitive IDC business.

2011 Performance

SUSTAINED GROWTH IN E-BIZ AND SOLUTIONS

Our B2B data business involves intranet, e-Biz, IDC and solutions. B2B data business service revenue grew by 4.1 percent from the previous year to KRW 1,310.2 billion in 2011. This growth can be attributed to the significant increase in service revenue from new business models such as our e-Biz, which offers e-finance, enterprise resource planning (ERP) solutions and messaging services, corporate cloud services, and digital signage services.

REINFORCED COMPETITIVENESS IN THE E-BIZ SECTOR

Our e-Biz essentially provides online financial services tailored to customer needs and ERP solutions, which is integral to efficient management. Our e-finance services include e-payments, financial management, cash receipts, and other services for the efficient financial management of corporate clients. We also introduced a new easy payment service called U+Pay, which processes payments after mobile phone SMS verification. We also provide various corporate messaging services, including SMS, MMS, and smart messaging, giving our corporate clients more effective corporate advertising opportunities at economic prices.

SME-CUSTOMIZED SOLUTIONS

Our U+ Smart SME service customized solutions to SME clients through a cloud computing-based platform. This solution supports SMEs to bring about smart work stations by providing customized plans to bundle a number of solutions, such as SCM, CRM, and mobile office. In addition, our corporate mobile solutions, including U+ Mobile Groupware, are continuing to expand.

NEW BUSINESS OPPORTUNITIES

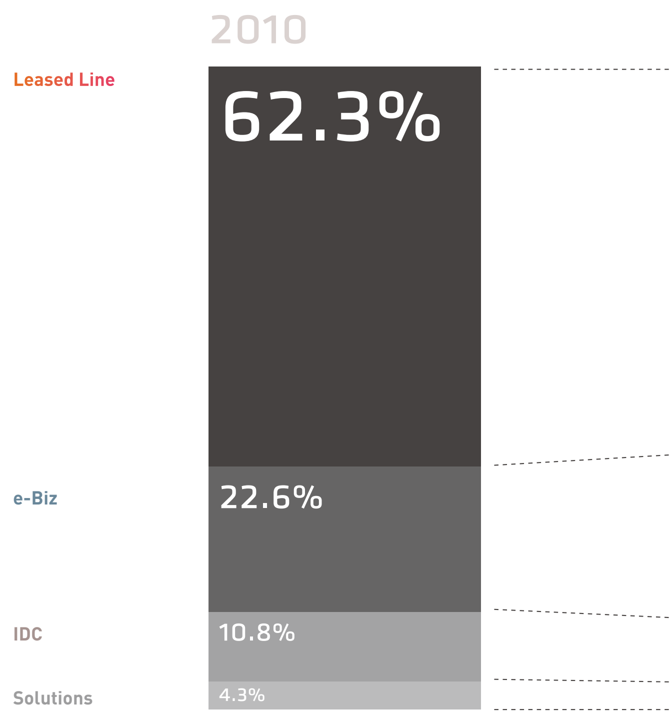
Based on our advanced technologies and experience in the B2B data business, we are aggressively pursuing new opportunities in the digital signage business. Our U+ Media Board also offers a large amount of useful content, such as shopping information on LED monitors planted within the elevators of apartments. At the same time, U+ Media Life is a digital cabinet containing an Automated External Defibrillator (AED) that is equipped with a LED touchscreen monitor and coupon dispenser. These two new services claim high market share in their respective markets and continue to expand.

2012 Outlook

In 2012, we expect growth in the cloud and corporate mobile service markets due to a rapid expansion of LTE services. In particular, a number of other cloud service-based convergence services are coming to the market, integrating a cloud platform with mobility and other services. The technology evolution towards ALL-IP network-based wired/wireless corporate telecommunication solutions will be expedited as well. LG U+ will further strengthen our corporate mobile business competitiveness while aggressively expanding our SaaS-based total solutions, called U+ Smart SME market.

Service Portion Breakdown

B2B DATA



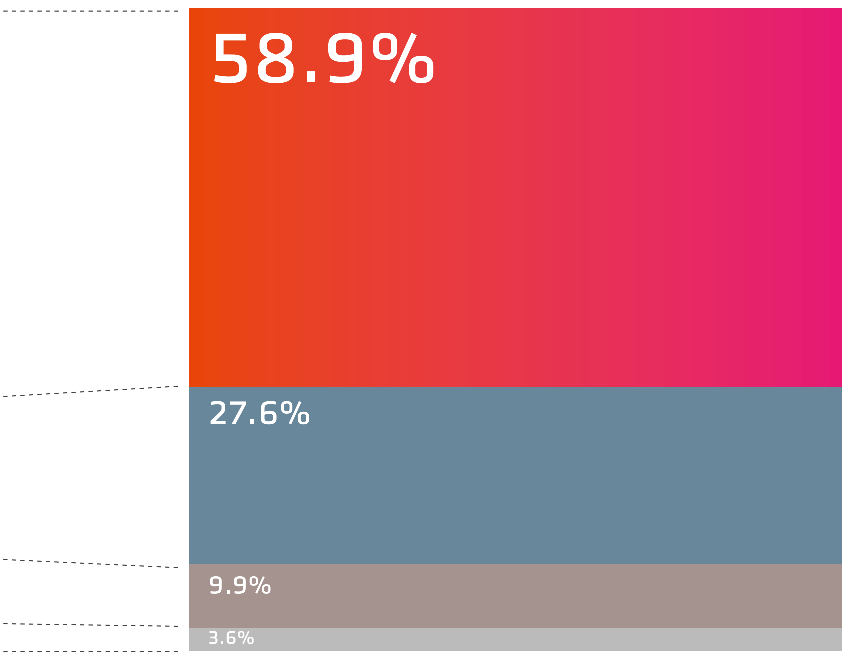
Digital signage business (Unit: No. of services)

DIGITAL SIGNAGE

2011 Media Board	2011 Media Life
11,900	890

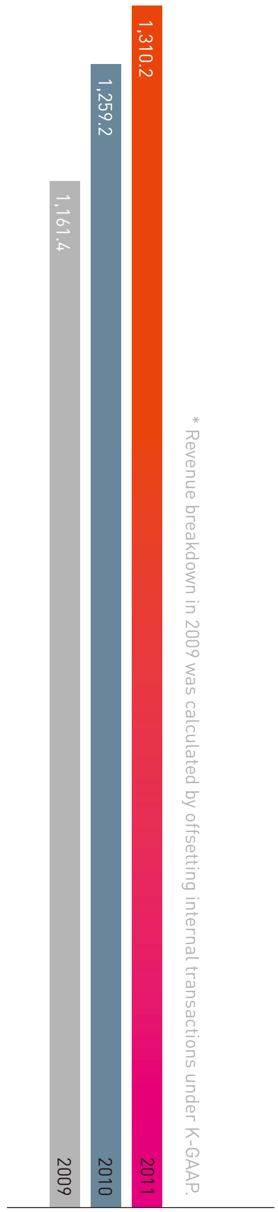
The scope of our U Convergence services expanded into the new digital signage business while launching new services like Media Board (2010) and Media Life (2011), which continued to expand their dominant market shares.

2011



Although leased lines and solutions suffered a slight year-on-year decrease in their contribution to the total service revenue of our B2B data business, e-Biz saw its contribution grow from its improved competitiveness with new features, including e-finance and corporate messaging.

Service Revenue
(Unit: KRW in billions)



* Revenue breakdown in 2009 was calculated by offsetting internal transactions under K-GAAP.

2011 MARKET ANALYSIS

In 2011, our convergence service evolved based on the rapid popularization of smartphones and tablet PCs, with the number of smartphone users surpassing 20 million in Korea. A number of applications, mobile services and digital media flooded the market, while SNS services now reach the world at large. The commercialization of 4G LTE services and expanded coverage of Wi-Fi zones also fueled market growth of the convergence business. Mobile carriers have been scrambling to secure a foundation for future growth by introducing various innovative services converging mobile services with industries such as finance, education, advertising and healthcare, while reinforcing their network infrastructure at the same time.

OUR CREATIVE AND INNOVATIVE CONVERGENCE SERVICES ENRICH LIFE FOR INDIVIDUAL CLIENTS AND HELP CORPORATE CLIENTS GROW.

CONVERGENCE

CONVERGENCE SERVICES INTEGRATING MOBILITY WITH VARIOUS SERVICES THAT ARE LEADING TO A SUCCESSFUL "BEYOND TELECOM" MOVEMENT.

Dedicated to its vision of becoming a leading global company that leads the "Beyond Telecom" era, LG U+ has been building the world's leading network and infrastructure. This includes a 4G LTE network, ACN, cloud and cross-platform. In 2011, we have developed innovative U Convergence services, including SNS, healthcare, personal cloud, social marketing, advertisement, finance, M2M (machine-to-machine) services.

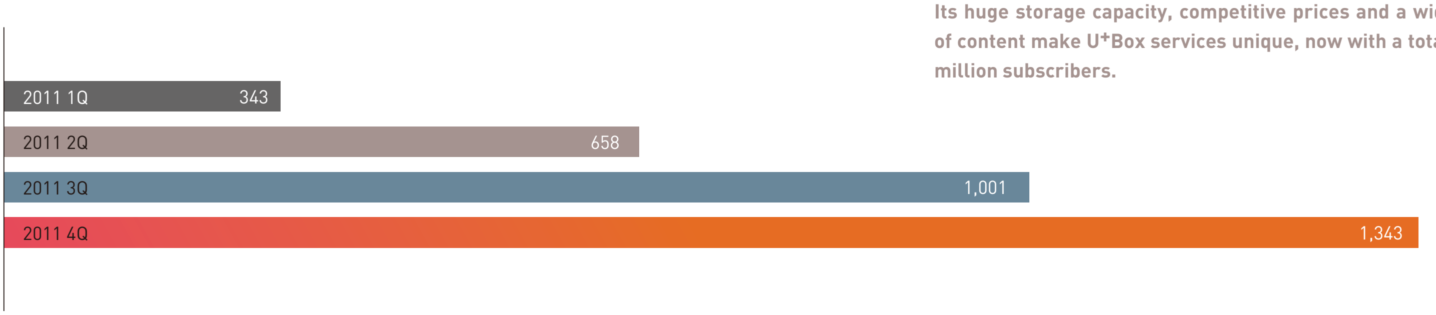
These convergence services will offer our individual clients with an unprecedented new world of IT, while we assist our corporate clients to help improve productivity and efficiency. In 2012, we will continue to lead the convergence trend by providing U Convergence services and creative new services beyond expectations.

U+BOX

No. of U+ Box subscribers (Unit: subscribers in thousands)

1,343

Its huge storage capacity, competitive prices and a wide range of content make U+Box services unique, now with a total of 1.34 million subscribers.



MOBILE AD

U+ Mobile advertisement competitiveness

ALLIANCES WITH 1,000 KOREAN APP PROVIDERS

Partnering up with a thousand popular Korean application developers and servicing all their apps on smartphones and mobile advertising platforms.

KOREA'S FIRST TABLET PC ADVERTISEMENT SERVICE

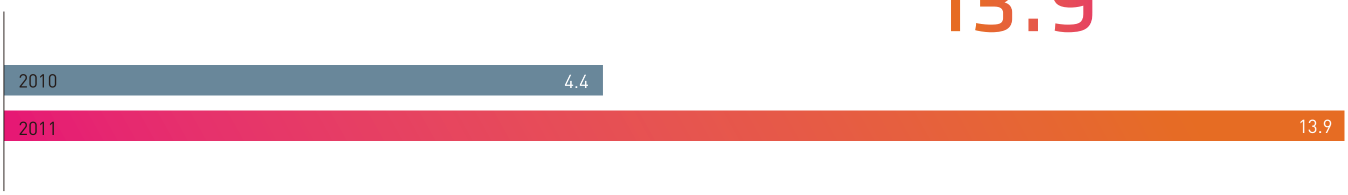
In alliance with 25 app providers, including influential Korean media outlets and popular magazines, we now provide a mobile advertising service optimized for tablet PCs for the first time in the industry to promote more effective advertisement.

KOREA'S FIRST SMART TV-DEDICATED ADS

We were the first Korean mobile operator to provide an ad platform dedicated to smart TV (LG Electronics), increasing the choice of app providers for advertisement with improved diversity and efficiency of advertisement.

Mobile ads service revenue (Unit: KRW in billions)

13.9



No. of subscribers and merchants to the social shopping service Ding Dong
(as of December 31, 2011)

DING
DONG

The location-based social shopping service Ding Dong provides mileage points, discount coupons, and various other benefits to more than 400,000 subscribers from 23,000 merchants across Korea.

2011 Performance

CONNECTING WITH THE WORLD THROUGH SNS

We have formed strategic alliances with leading global SNS providers such as Facebook and Twitter in order to secure an advantageous market position in the business. In 2011, we became the first Korean mobile carrier to develop an in-house SNS called Waggle, a Korean-style Twitter, and Placebook, a location-based SNS. We also launched a more specialized fashion SNS, Cosmostyle, and the pet-oriented SNS, Pet Loves Me.

CONVERGING MOBILE AND MEDICAL SERVICES FOR SMART HEALTHCARE

As of 2010, we got into the smart healthcare service business, which provides state-of-the-art health and medicare services by converging mobile technology with medical services. In the same year, we signed an agreement with Myungji Hospital to establish a next-generation hospital system called Hospital 2.0. Then, in 2011, we joined up with Dongguk University to co-develop a new U-health business model and innovative medical equipment.

CLOUD-BASED N-SCREEN

Our U^{+}Box service is a personal cloud media service converging wired/wireless networks. The U^{+}Box service means that time and location become more irrelevant going forward, allowing unlimited access to photos, music, and video content through PCs and smartphones through the Internet. By the end of 2011, 1.34 million users had subscribed to the service, and that number is expected to increase with the service's competitive storage and pricing policies as well as its other benefits.

LOCATION-BASED SOCIAL SHOPPING

Our customized location-based social shopping service, Ding Dong, was our first move into the social marketing business. Ding Dong taps into mobile networks to offer useful shopping-related information such as nearby store locations, mileage point and other related events. As a result, the number of subscribers and merchants are on the rise.

MOBILE AD PLATFORM

Our U^{+}AD business, which provides ads on smartphone apps through a mobile advertisement platform, has been invigorated. Its advantageous features of efficient ad targeting and real-time measuring of advertising efficiency results have been well appreciated by both advertisers and the app providers. As of the end of 2011, we were offering the ad platform to a total of 1,000 clients.

NFC-BASED E-PAYMENTS

We introduced a U^{+} Smart Wallet service that comes with a membership card organization function with coupons and event information, followed by the USIM Wallet, which employs NFC (Near Field Communication) technology planted in LTE smartphone USIM chips, in an effort to better popularize the service. In the future, we plan to add an ID card service as a substitute to regular government-issued IDs, and a tag service that will provide a detailed description of products.

2012 Outlook

In 2012, the convergence service market is forecasted to expand its scope of service even though market competition is expected to become more intense. We will develop various convergence services for our clients by expanding alliances with operators from different industries while focusing on building the necessary foundation to expand new service areas to blend with existing services. Through these aggressive business activities, LG U^{+} is set to become a leader in the convergence service business.

Social Contribution
Corporate Culture
and
Customer Satisfaction

Supporting society's next generation in the pursuit of its dreams,
Extending a helping hand to those in need,
Helping employees achieve a healthy work-life balance,
Serving our customers with the highest integrity and commitment...
LG U^{+} is doing its utmost to ensure a better future for everyone.

SOCIAL CONTRIBUTION

SHARING THE DREAM OF A HAPPIER AND MORE BEAUTIFUL WORLD FOR ALL

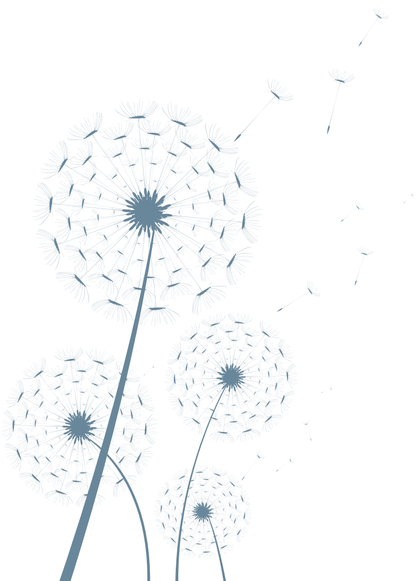
1 - Helping underprivileged teenagers realize their dreams
In 2010, LG U+ launched its Do-Dream U+ project to provide long-term sponsorship of teenagers from low-income families with disabled family members. Later, in August 2011, we hosted a two-day camp for mentees (disadvantaged teens) and mentors (employees), who had a chance to spend quality time with each other.

2 - Building hope through IT
LG U+ is taking advantage of its IT position to relieve information asymmetry and for the cause of social and educational equality. In 2011, we upgraded 320 second-hand office PCs for low-income families with disabled family members, and donated educational tablet PCs called Edu Tab to elementary schools in rural areas. Dedicated to IT and cultural exchanges between disabled teenagers in Korea and Vietnam, LG U+ also hosted a Global IT Challenge competition in Hanoi, Vietnam with 150 disabled teenagers from both countries in attendance.

3 - Getting customers to participate in a good cause
In 2011, LG U+ began a campaign to encourage subscribers to switch to paperless bills. When a customer switches to paperless bills, the saved mailing expenses are donated to finance the operation expenses for child patients with heart diseases and incurable diseases. In its first year, more than two million subscribers signed up, enabling us to finance the operation and hospital bills for 20 child patients.

4 - Volunteer Services Delivering
The LG U+ Volunteer Corps, dubbed the Blue Dream Board, is organized into small groups and plans and implements a number of different activities. The company contributes KRW 10,000 per volunteer an hour to a fund that goes to charity. In 2011, our volunteer groups visited several charities and neighbors to provide daily necessities and a helping hand.

Under the slogan "Love Plus," LG U+ is engaging in five areas of social contribution activities: youth care, multicultural family support, IT Plus, customer-involved sharing services, and volunteer activities.

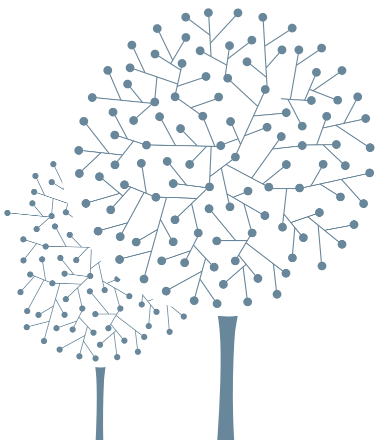


1 - Innovative ideas strengthen our competitiveness
As of 2010, we began promoting an idea bank called Blue I, where employees can make suggestions and offer creative ideas on new business opportunities, new products or improvements through the company's intranet. In 2011, 1,783 new ideas and suggestions were received, with some of the best ones now currently being employed into new business opportunities. In the future, we will continue to motivate employees to actively participate alongside management with their innovative suggestions and creative ideas.

2 - We advocate for communication, change and engagement
In 2010, LG U+ launched Blue Board, a mediating mechanism to maximize competencies and synergies, allowing for open communication within the organization and innovation in the market. The 100 members of the board, divided into two subgroups of a Blue Communication Board and a Blue Value Board, brainstorm in order to facilitate active communication within the company. This is a means for keeping the organization energetic and enhancing the corporate value.

3 - Quality management builds trust
Dedicated to a shared vision of becoming the No. 1 LTE operator that plays a leading role in the "Beyond Telecom" era, everyone at LG U+ is working to ensure the highest level of quality management. In 2011, we provided the opportunity for our own employees and partner company employees to report on any inconveniences for instant solutions through our Quality Report Center, which is operated by a company-wide quality task force and quality innovation task force to further reinforce our quality management capabilities.

4 - Family-friendly management promotes a healthy work-life balance
LG U+ promotes family-friendly management practices under the CEO's firm belief that a happy family constitutes a happy and creative workplace. Employees receive congratulation cards and gifts at every rite of passage, whether the birth of a child or their admission to a school. The company continues to improve the benefit system within the company to maintain a healthy work-life balance and a better quality of life.



A CREATIVE, FRIENDLY CORPORATE CULTURE IS OUR BEST COMPETITIVENESS

LG U+ is known for its creative and open corporate organization, where new ideas are always welcomed and a work-life balance is supported. Everyone at LG U+ is intent on taking an initiating role in bettering corporate culture.

03.

CUSTOMER SATISFACTION

BY OFFERING THE BEST VALUE FOR OUR CUSTOMERS, WE ENSURE THE HIGHEST CUSTOMER SATISFACTION

Creating value for our customers is the ultimate goal of LG U+. While relentlessly thinking about customer needs, LG U+ is also providing value beyond the greatest expectations of customers as a personal value provider.

1 - Service innovation enhances customer convenience

LG U+ continues to improve its customer center service on an ongoing basis. In fact, in 2011, we improved the customer service process at our mobile customer center and launched a Mini U+ Customer Service Center as well as a wired/wireless service convergence mobile website (www.uplus.co.kr) for smartphone users. Other services for better customer service also include a mobile billing application and a website called The Lounge for Replacing New Handsets, where we provide comprehensive pricing information of smartphones.

2 - Reducing bills

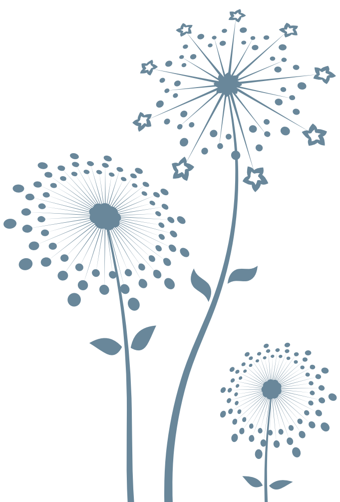
In answer to the government's request to reduce tariffs, we have cut the monthly basic rate by KRW 1,000 and provide 50 free text messages monthly. In addition, we offer a bundled price package for a huge discount on wired/wireless services and various other benefits, such as a reasonable Silver Smartphone Plan for underprivileged seniors, and a special smartphone plan for the hearing impaired.

3 - PIMS strengthens customer information security

LG U+ has been building a system to protect the privacy of our customers. In 2011, we became the first Korean mobile operator to obtain the PIMS (Personal Information Management System) from the Korea Internet Security Agency (KISA). The PIMS certification guarantees service free from any concerns of personal information leakage for our subscribers.

4 - Customized smartphone lectures enhance customer satisfaction

LG U+ runs a series of lectures for housewives who are considering buying a smartphone. The lecture covers not only the basic functions and installation of smartphone apps, but also general information that housewives and mothers might find useful, such as child rearing, education, shopping and financial management. The lectures have been well received by customers, with more sessions planned.



Management's Discussion & Analysis

In 2011, LG U+ strived to recreate the capabilities and results of industry leaders, which led to continuous growth in the company's major areas of business, including TPS and B2B. We also made on-going efforts to secure new growth engines with our advance into new areas of business. Going forward, we aim to increase customer satisfaction and improve stakeholder value by enhancing our network and infrastructure, and by developing more advanced services.

01.
Executive Summary

The year 2011 experienced one of the fierce competitions among telecommunications companies in an effort to secure smartphone subscribers as the popularity of such phones skyrocketed. It was also a year of greater competition in the area of network deployment as the market evolved to accommodate next-generation telecommunication services.

LG U+ first commercialized its LTE service on July 1, 2011, which was a significant step in the company's acquisition of fourth-generation capabilities. Furthermore, as our network evolves from being voice-oriented to data-oriented, the LTE service has set in motion for the development of a new era in communications with the introduction of HD video, high-volume content, real-time streaming, multi-player network games, etc., which were not possible within the existing 3G network. Within seven months from the initiation of its LTE service, the company had established 1.1 million 100Mbps Wi-Fi zones in 84 cities throughout Korea to build a base for ALL-IP era in conjunction with its LTE network.

In 2012, LG U+ aims to secure its leadership with greater expansion of its ALL-IP network while increasing revenue growth through enhanced competitiveness. We seek to do so via improvements in charging, data transfer and other customer services as the company prepares to develop VoLTE services in the latter half of 2012.

Service revenue in 2011 was KRW 9,256.3 billion, an 8.9% year-on-year increase on an accounting basis, and a 15.6% increase on a guidance basis from KRW 8,004.2 billion in 2010, excluding profits from bargain purchases stemming from the revaluation of profits at the time of merger. Operating income for 2011 was up by KRW 285.7 billion, a 56.4% year-on-year increase on an accounting basis and a 1.7% increase on a guidance basis, to reach KRW 501.6 billion for the year. On an accounting basis, net income and EBITDA decreased by 85.1% and 22.7% year-on-year, respectively, whereas, net income decreased by 26.4% and EBITDA increased by 4.5% year-on-year on a guidance basis.

(Unit: KRW in billions)

Accounts	2011	2010	YoY
Revenues	9,256.3	8,500.8	8.9%
Service Revenue	6,418.1	6,314.9	1.6%
Handset Revenue	2,752.5	1,648.4	67.0%
Rental Revenue	14.5	11.4	27.1%
Other Revenue	71.2	526.0	-86.5%
Expenses	8,970.6	7,845.5	14.3%
Operating Expense	8,907.1	7,770.3	14.6%
Other Expense	63.6	75.1	-15.4%
Operating Income	285.7	655.3	-56.4%
Non-Operating Income	72.5	47.5	52.6%
Non-Operating Expense	189.7	134.6	41.0%
Income before Tax	168.5	568.2	-70.3%
Income Tax	83.8	-1.8	-4,790.3%
Net Income	84.7	570.0	-85.1%
EBITDA	1,475.3	1,908.8	-22.7%
EBITDA Margin	23.0%	30.2%	-7.2%p
Operating Margin	4.5%	10.4%	-5.9%p

※ EBITDA Margin and Operating Income Margin are calculated based on the operating revenue
※ EBITDA = Operating Revenue + Tangible/Intangible Assets Depreciation and Amortization

(Unit: KRW in billions)

Guidance	2011	2010	YoY
Revenues	9,256.3	8,004.2	15.6%
Operating Income	501.6	493.3	1.7%
Net Income	300.5	408.1	−26.4%
EBITDA	1,475.3	1,412.3	4.5%

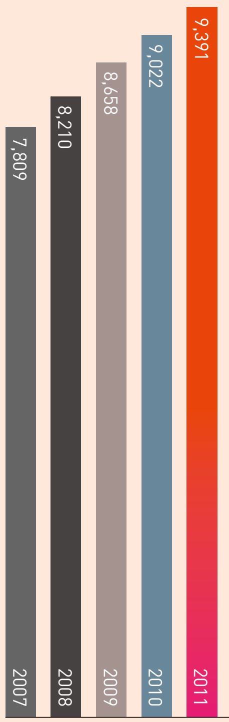
※ Guidance basis earnings is reckoned by excluding bargain purchase gain and the increased D&A from the merger.

02.
Operating Results

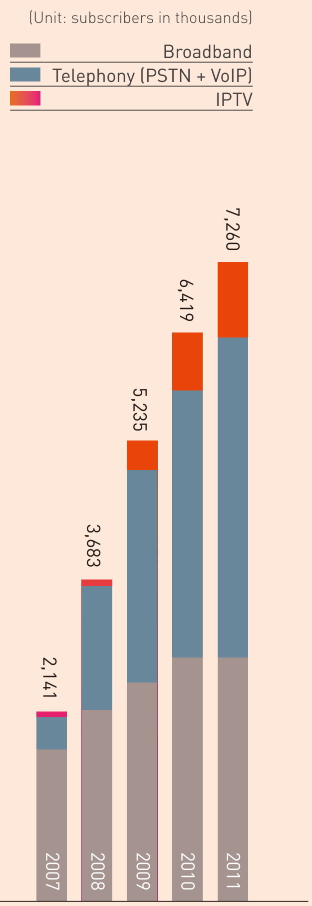
Subscribers & Wireless ARPU
The number of accumulated LG U+ subscribers reached 9.39 million as of the end of 2011 with the securing of an additional 370,000 subscribers in the wireless business. Although ARPU in 2011 dropped by 5% from 2010 due to the introduction of a per-second billing and a decrease in basic fees in the 4th quarter, the ARPU has grown for three consecutive quarters starting in the 2nd quarter due to improvements in the subscriber mix with the securing of new 3G and LTE smartphone subscribers. Meanwhile, the wired business has continued to create stable revenues, supported by a high growth rate for IPTV of 81% year-on-year. The number of high-speed Internet subscribers increased by 1.3% from 2010 to 2.81 million, while the numbers of Telephony and IPTV subscribers increased by 18.3% and 40.6%, respectively.

Revenue
In 2011, revenue from services grew by 8.9% and 15.6% year-on-year to KRW 9,256.3 billion, based on accounting and guidance, respectively. Wireless revenue decreased slightly by 1.9% year-on-year to KRW 3,412.0 billion due to the introduction of a per-second charge system and a decrease in basic fees in the 4th quarter. In the meantime, TPS revenue was KRW 1,183.5 billion, up by 12.2% year-on-year due to increases in the number of high-speed Internet and IPTV subscribers. Data revenue grew by 4.1% to KRW 1,310.2 billion due to increased revenue from e-Biz related to services for new businesses. In addition, revenue from telephone services remained at the same level as the previous year due to greater competition in the international call market and strong exchange rates trend.

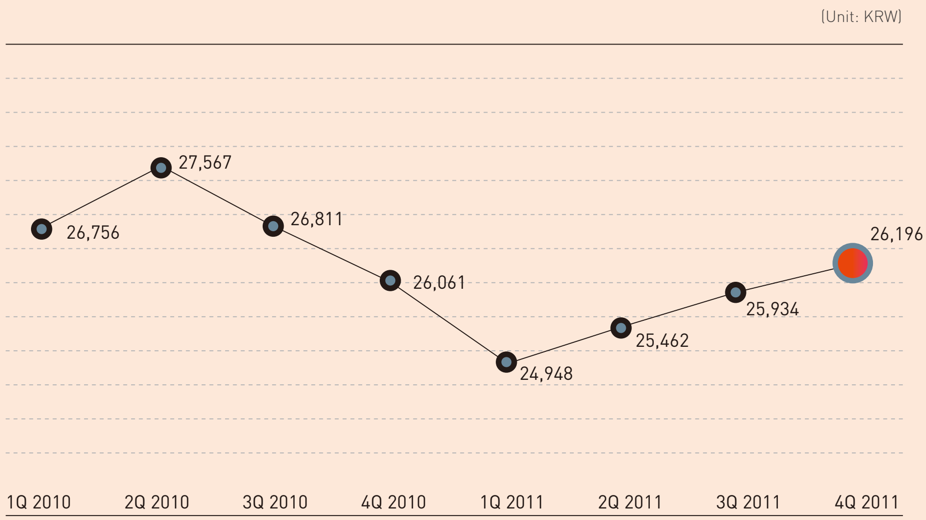
Expenses
Operating expenses rose by 14.6% year-on-year to KRW 8,907.1 billion. Of note, with the growth in sales of high-priced handsets such as smartphones, handset revenue increased by KRW 966.5 billion, while revenue from commissions increased by KRW 183.9 billion year-over-year, initiated by an increase in the number of contracted sales personnel and an increase in e-Biz sales. Meanwhile, marketing expenses decreased by 10.5% year-on-year to KRW 1,513.6 billion due to increased efficiency, resulting in a reduction in expenses as a percentage of profits despite an increase in the number of new handset subscribers.



Mobile Subscribers Trend



Fixed-line Subscribers Trend



ARPU (Average Revenue Per User) Trend

(Unit: KRW in billions)

	2011	2010	YoY
Wireless Revenue	3,412.0	3,479.3	−1.9%
*Mobile Service	2,825.3	2,851.0	−0.9%
Interconnection	510.2	549.2	−7.1%
Sign-up Fee	76.5	79.2	−3.3%

	2011	2010	YoY
TPS Revenue	1,183.5	1,055.1	12.2%
Broadband	734.8	691.3	6.3%
VoIP	296.7	279.7	6.1%
IPTV	152.7	84.0	81.0%

	2011	2010	YoY
Data Revenue	1,310.2	1,259.2	4.1%
Internet Leased Line	247.9	286.5	−13.5%
DLS & IDLS	524.3	498.4	5.2%
e-Biz	362.0	284.7	27.2%
IDC	129.3	135.8	−4.8%
Solution	46.7	53.9	−13.2%

	2011	2010	YoY
Telephony Revenue	513.0	513.0	0.0%
Int'l Telephony	126.5	130.6	−3.2%
Int'l Call Forwarding	108.5	109.4	−0.9%
Domestic Telephony	115.9	122.9	−5.7%
Value-Added Telephony	162.1	150.0	8.1%

* Calling Revenue: Monthly fee + Usage Charge + VAS + Sales Discount + Data

(Unit: KRW in billions)

	2011	2010	YoY
Operating Expenses	8,907.1	7,770.3	14.6%
Wages	532.2	479.4	11.0%
Rental	280.3	264.0	6.2%
Depreciation	934.5	1,008.2	-7.3%
Repair	88.0	85.2	3.4%
Advertising	218.2	181.3	20.3%
Sales Commission	1,828.1	1,874.1	-2.5%
Fees & Charges	828.2	644.3	28.5%
Interconnection	670.7	707.2	-5.2%
Telecom Circuit Rent	272.3	262.0	3.9%
Outsourcing	264.7	243.0	8.9%
Amortization of Intangible Assets	255.1	245.3	4.0%
Settlement	166.9	169.7	-1.7%
Etc	278.2	283.6	-1.9%
Cost of Handsets Sold	2,289.6	1,323.1	73.1%
Other Operating Expenses	63.6	75.1	-15.4%

Non-Operating Income / Expenses
Non-operating revenue rose by 52.6% year-on-year to KRW 72.5 billion mainly due to an increase in interest revenue, while non-operating expenses increased by 41.0% year-on-year to KRW 189.7 billion mainly due to losses on the disposition of accounts receivables from the factoring of handset sales receivables and an increase in interest expenses from LTE investment. Consequently, the increase in non-operating revenue did not exceed the increase in non-operating expenses, resulting in a net non-operating loss of KRW 117.2 billion.

Assets
As of Dec. 31, 2011, total assets stood at KRW 11,048.5 billion, a 29.6% increase from 2010.

Current Assets
As of December, 2011, current assets were KRW 2,623.2 billion, up by 21.4% from the previous year. This was mainly due to the increase in receivables from installment subscribers as a result of increased sales of smartphones despite a reduction in cash & cash equivalents assets.

Non-Current Assets
Non-current assets grew by 32.4% from 2010 mainly due to increases in property, plants and equipment, and intangible assets through LTE investment and the acquisition of new spectrums.

Liabilities
As of Dec. 31, 2011, total liabilities reached KRW 7,189.2 billion, up by 57.1% from 2010. Total borrowings were KRW 3,916.9 billion, up by 40.6% from the previous year. Short-term borrowings including the current-portion of long-term liabilities increased by 41.3% to KRW 1,294.3

(Unit: KRW in billions)

	2011	2010	YoY
Non-Operating Income	72.5	47.5	52.6%
Interest Income	70.8	41.2	72.0%
Others	1.7	6.3	-73.4%
Non-Operating Expense	189.7	134.6	41.0%
Interest Expense	166.1	124.9	33.0%
Others	23.6	9.7	143.6%
Non-Operating Balance	(117.2)	(87.1)	34.6%

(Unit: KRW in billions)

	2011.12	2010.12	YoY
Total Assets	11,048.5	8,525.2	29.6%
Current Assets	2,623.2	2,160.1	21.4%
Non-Current Assets	8,425.3	6,365.1	32.4%
Investment Assets	1,199.6	545.8	119.8%
Property, Plant and Equipment	5,631.5	4,870.1	15.6%
Intangible Assets	1,153.9	517.2	123.1%
Other Non-Current Assets	440.4	432.1	1.9%
Total Liabilities	7,189.2	4,576.7	57.1%
Current Liabilities	3,960.4	2,612.0	51.6%
Non-Current Liabilities	3,228.7	1,964.8	64.3%
Total Shareholders' Equity	3,859.4	3,948.5	-2.3%
Debt-to-Equity Ratio	186.3%	115.9%	70.4%p
Total Debt	3,916.9	2,785.3	40.6%
Cash and Cash Equivalents*	131.6	553.0	-76.2%
Net Debt	3,785.3	2,232.4	69.6%
Net Debt to Equity Ratio	98.1%	56.5%	41.5%p

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

billion, while long-term borrowings including debentures increased by 40.3% to KRW 2,622.6 billion. The long-term borrowing portion of interest-bearing liabilities was 67.0%, while short-term borrowings took up 33.0%. Net borrowings with cash and cash-equivalents deducted were KRW 3,785.3 billion.

Shareholders' Equity

As of Dec. 31, 2011, total shareholders' equity was KRW 3,859.4 billion, which was a 2.3% decrease from 2010. Capital stock and additional paid-in capital were the same as the previous year and retained earnings decreased by 6.3% to KRW 1,161.3 billion year on year, mainly due to a decrease in net income.

(Unit: KRW in billions)

	2011.12	2010.12	YoY
Short-term Borrowings	270.0	224.9	20.0%
Current-Portion of Long-term Debt	1,024.3	690.9	48.2%
Corporate Bond	1,236.3	1,529.9	-19.2%
Long-term Borrowings	1,359.8	302.0	350.2%
Capital Lease	26.5	37.6	-29.6%
Total	3,916.9	2,785.3	40.6%
Short-term Debts %	33.0%	32.9%	0.2%p
Long-term Debts %	67.0%	67.1%	-0.2%p
Cash and Cash Equivalents	131.6	553.0	-76.2%
Net Debt	3,785.3	2,232.4	69.6%

(Unit: KRW in billions)

	2011.12	2010.12	YoY
Capital	3,857.7	3,946.9	-2.3%
Capital Stock	2,574.0	2,574.0	0.0%
Additional Paid-in Capital	836.6	836.6	0.0%
Retained Earnings	1,161.3	1,240.0	-6.3%
Accumulated Other Comprehensive Income	-10.3	0.2	-6,800.9%
Other Shareholder's Equity	-703.9	-703.9	0.0%
Non-controlling Interest	1.6	1.6	2.0%
Total Shareholders' Equity	3,859.4	3,948.5	-2.3%

In 2011, LG U+ launched a 4G LTE service, the next-generation in mobile communications services. Specifically, on July 1, LG U+ began to offer its 4G service through modems and routers in metropolitan areas and in major cities nationwide and in October, the company introduced DBDM(Dual Band Dual Mode) LTE cellular phones. LG U+ executed a total capital expenditure (CAPEX) of KRW 1,715.5 billion in 2011 to expand the company's capacity for such new services while continuing to invest in its existing wired and wireless networks. As such, LG U+ currently provides LTE services, which offer higher speed access and advanced capacity in data coverage as compared to its 3G wireless network, and the company plans to complete the establishment of a nationwide LTE network by 2012.

(Unit: KRW in billions)

	1Q 2011	2Q 2011	3Q 2011	4Q 2011	2011	2010	YoY
CAPEX	170.2	269.6	520.3	755.5	1,715.5	1,148.3	49.4%
Wireless NW	44.1	92.8	285.4	423.6	846.0	400.6	111.2%
Wireline NW	72.2	85.9	103.9	175.6	437.6	476.9	-8.2%
Others (IT, etc.)	53.8	90.9	131.0	156.3	432.0	270.8	59.5%

* CAPEX 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.

We have audited the accompanying consolidated statements of financial position of LG Uplus Corp. (the "Company") and its subsidiaries (collectively the "Group") as of December 31, 2011 and 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.

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, 2011 and 2010, and the results of its operations and its cash flows for the years ended in conformity with Korean International Financial Reporting Standards ("K-IFRS").

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

Deloitte Anjin LLC

March 08, 2012

NOTICE TO READERS

This report is effective as of March 8, 2012, 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. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2011 AND 2010

	Korean Won			
	December 31, 2011		December 31, 2010	
	(In millions)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 5 and 6)	₩	118,821	₩	537,535
Financial institution deposits (Notes 5 and 7)		12,650		15,350
Trade receivables, net (Notes 5 and 8)		1,907,348		1,221,731
Loans and other receivables, net (Notes 5 and 8)		92,785		127,915
Available-for-sale financial assets (Notes 5)		110		71
Inventories, net (Note 9)		372,218		190,097
Other current assets (Note 10)		119,300		67,382
Total current assets		2,623,232		2,160,081
NON-CURRENT ASSETS:				
Non-current financial institution deposits (Notes 5 and 7)		23		323
Non-current available-for-sale financial assets (Notes 5)		71,992		75,477
Non-current trade receivables, net (Notes 5 and 8)		843,937		188,133
Non-current loans and other receivables (Notes 5 and 8)		255,721		234,836
Investments in jointly-controlled entities and associates (Note 14)		12,071		10,963
Deferred income tax assets, net (Note 26)		377,095		394,161
Property, plant and equipment, net (Note 11)		5,631,486		4,870,145
Investment property, net (Notes 12)		27,940		47,005
Intangible assets, net (Note 13)		1,153,859		517,160
Other non-current assets (Note 10)		51,187		26,945
Total non-current assets		8,425,311		6,365,148
TOTAL ASSETS	₩	11,048,543	₩	8,525,229
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Trade payables (Notes 5 and 16)	₩	637,403	₩	315,530
Non-trade and other payables (Notes 5 and 16)		1,795,867		1,101,128
Short-term borrowings (Notes 5 and 15)		270,000		224,910
Current portion of debentures and long-term borrowings (Notes 5 and 15)		993,696		653,767
Derivative liabilities (Notes 5 and 30)		-		699
Other current financial liabilities (Note 5, 16 and 20)		115,848		160,877
Income tax payable (Notes 26)		16,343		37,229
Other current liabilities (Notes 19)		131,261		117,841
Total current liabilities		3,960,418		2,611,981

(Continued)

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

AS OF DECEMBER 31, 2011 AND 2010

	Korean Won	
	December 31, 2011	December 31, 2010
	(In millions)	
NON-CURRENT LIABILITIES:		
Debentures and long-term borrowings (Notes 5 and 15)	₩ 2,596,114	₩ 1,831,899
Non-current derivative liabilities (Notes 5 and 30)	61	-
Other non-current financial liabilities (Notes 5, 16 and 20)	539,568	52,086
Retirement benefit obligation (Note 18)	37,961	28,554
Provisions (Note 17)	40,049	32,592
Other non-current liabilities (Note 19)	14,980	19,635
Total non-current liabilities	3,228,733	1,964,766
TOTAL LIABILITIES	7,189,151	4,576,747
SHAREHOLDERS' EQUITY:		
Capital stock (Note 21)	2,573,969	2,573,969
Capital surplus (Note 21)	836,561	836,593
Other capital items (Note 21)	(703,879)	(703,879)
Accumulated other comprehensive income(loss) (Note 23)	(10,253)	153
Retained earnings (Note 22)	1,161,348	1,240,033
NON-CONTROLLING INTERESTS	1,646	1,613
TOTAL SHAREHOLDERS' EQUITY	3,859,392	3,948,482
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	₩ 11,048,543	₩ 8,525,229
(Concluded)		

See accompanying notes to the consolidated financial statements.

LG UPLUS CORP. CONSOLIDATED STATEMENTS OF INCOME / COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Korean Won			
		2011		2010
	(In millions, except for net income per share)			
Operating revenues: (Notes 4 and 24)				
Sales	₩	9,185,166	₩	7,974,743
Other gains		71,172		526,008
		9,256,338		8,500,751
Operating expenses:				
Cost of merchandise purchased		2,289,579		1,323,071
Employee benefits (Note 18)		448,317		400,096
Depreciation and amortization (Notes 11, 12 and 13)		1,189,605		1,253,495
Other expenses (Note 24)		5,043,135		4,868,793
		8,970,636		7,845,455
Operating income		285,702		655,296
Financial revenues (Note 25)		71,301		45,501
Financial expenses (Note 25)		184,687		128,938
Share of profits (losses) of joint ventures and associates (Note 14)		1,205		2,019
Other non-operating expenses		5,026		5,644
Income before income tax		168,495		568,234
Income tax expense (income) (Note 26)		83,832		(1,787)
Net income	₩	84,663	₩	570,021
Net income attributable to:				
Owners of the Company	₩	84,634	₩	569,905
Non-controlling interests	₩	29	₩	116
Net income per share (In Korean Won) (Note 27)				
Basic income per share	₩	196	₩	1,318
Diluted income per share	₩	196	₩	1,297
NET INCOME	₩	84,663	₩	570,021
OTHER COMPREHENSIVE INCOME(LOSS):				
Gain on valuation of available-for-sale financial assets		(166)		198
Loss on valuation of available-for-sale financial assets		(10,619)		3,442
Gain on valuation of cash-flow-hedging derivatives		-		(59)
Loss on valuation of cash-flow-hedging derivatives		484		1,243
Gain on foreign currency translation for foreign operations		(8)		11
Share of other comprehensive income of joint ventures and associates		(97)		223
Actuarial gains and losses on defined benefit plans		(11,939)		(7,584)
		(22,345)		(2,526)
TOTAL COMPREHENSIVE INCOME	₩	62,318	₩	567,495
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	₩	62,285	₩	567,379
Non-controlling interests	₩	33	₩	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, 2011 AND 2010

	Korean Won							
	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Owners of the Company	Non-controlling interests	Total
	(In millions)							
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)
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, 2010	2,573,969	836,593	(703,879)	153	1,240,033	3,946,869	1,613	3,948,482
Balance at January 1, 2011	2,573,969	836,593	(703,879)	153	1,240,033	3,946,869	1,613	3,948,482
Annual dividends	-	-	-	-	(151,376)	(151,376)		(151,376)
Net income					84,634	84,634	29	84,663
Gain on valuation of available-for-sale financial assets	-	-	-	(166)	-	(166)	-	(166)
Loss on valuation of available-for-sale financial assets	-	-	-	(10,619)	-	(10,619)	-	(10,619)
Loss on valuation of cash-flow-hedging derivatives	-	-	-	484	-	484	-	484
Gain(Loss) on foreign currency translation	-	-	-	(8)	-	(8)	-	(8)
Share of other comprehensive income of joint ventures and associates	-	-	-	(97)	-	(97)	-	(97)
Actuarial losses	-	-	-	-	(11,943)	(11,943)	4	(11,939)
Others	-	(32)	-	-	-	(32)	-	(32)
Balance at December 31, 2011	₩2,573,969	₩ 836,561	₩ (703,879)	₩ (10,253)	₩1,161,348	₩3,857,746	₩ 1,646	₩3,859,392

See accompanying notes to the consolidated financial statements.

LG UPLUS CORP. CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Korean Won	
	2011	2010
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	₩ 84,663	₩ 570,021
Additions of expenses not involving cash outflows:		
Retirement benefits	32,448	29,138
Depreciation	934,514	1,008,184
Amortization of intangible assets	255,091	245,311
Bad debt expenses	19,708	46,979
Interest expenses	166,130	124,902
Adjustments for loss on disposal of trade receivables	18,557	-
Loss on foreign currency translation	6,127	1,743
Loss on valuation of inventories	47,994	1,493
Loss on inventories impairment	534	-
Income tax expense	83,832	-
Loss on disposal of property, plant and equipment	6,171	43,061
Impairment loss on property, plant and equipment	20,609	9,535
Loss on disposal of intangible assets	8	60
Impairment loss on intangible assets	439	9,417
Loss on transactions of derivatives	-	3,383
	1,592,162	1,523,206
Deduction of items not involving cash inflows:		
Income tax income	-	1,787
Interest income	70,822	41,184
Dividend income	384	416
Gain on foreign currency translation	5,555	1,859
Gain on disposal of property, plant and equipment	388	954
Gain on transactions of derivatives	-	566
Share of profits of associates	1,205	2,019
Other revenue	-	46
Bargain purchase gain	-	496,514
	(78,354)	(545,345)
Changes in operating assets and liabilities related to operating activities:		
Increase in trade receivables	(517,000)	(5,619)
Decrease(increase) in other receivables	9,348	(6,358)
Increase in inventories	(230,648)	(23,210)
Decrease(increase) in other current assets	(88,286)	9,773
(Concluded)		

LG UPLUS CORP. CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Korean Won			
		2011		2010
		(In millions)		
Increase in non-current trade receivables	₩	(822,597)	₩	(138,043)
Decrease(increase) in other non-current assets		17,977		(357)
Increase in trade payables		321,873		71,489
Increase in non-trade and other payables		284,190		49,665
Increase(decrease) in other current financial liabilities		(14,512)		27,194
Increase(decrease) in other current liabilities		13,420		(10,161)
Decrease in other non-current financial liabilities		(1,614)		(5,433)
Decrease in retirement benefit obligation		(38,782)		(48,204)
Decrease in provisions		(1,791)		(1,056)
Decrease in other non-current liabilities		(4,655)		(1,664)
Increase(increase) in loss on foreign currency translation of foreign operations		(8)		11
		(1,073,085)		(81,973)
Interest income received		11,733		8,947
Dividend income received		384		416
Interest expense paid		(159,254)		(126,554)
Income taxes paid		(80,614)		(65,149)
Net cash provided by operating activities		297,635		1,283,569
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash inflows from investing activities:				
Decrease in financial institution deposits		9,000		18
Disposal of available-for-sale financial assets		71		640
Decrease in guarantee deposits		9,182		15,121
Decrease in leasehold deposits		88,449		21,126
Decrease in loans		35,787		30,648
Disposal of property, plant and equipment		29,274		20,698
Disposal of intangible assets		3,935		1,864
Increase due to merger		-		122,109
		175,698		212,224
Cash outflows from investing activities:				
Acquisition of available-for-sale financial assets		10,836		20,372
Acquisition of property, plant and equipment		1,356,536		1,183,097
Acquisition of intangible assets		360,427		25,700
Increase in loans		25,511		31,961
Increase in leasehold deposits		106,462		40,240
Increase in guarantee deposits		3,670		-
Increase of financial institution deposits		6,000		4,000
		(1,869,442)		(1,305,370)
Net cash used in investing activities	₩	(1,693,744)	₩	(1,093,146)
(Continued)				

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

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Korean Won	
	2011	2010
	(In millions)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	₩ 414,110	₩ 574,910
Issuance of debentures	650,000	841,427
Proceeds from long-term borrowings	1,110,251	255,304
Increase in finance lease liabilities	21,117	52,998
Increase in government subsidy	-	397
	2,195,478	1,725,036
Cash outflows from financing activities:		
Redemption of short-term borrowings	369,019	925,976
Redemption of current portion of long-term debt	697,690	453,743
Payment of dividends	151,376	119,537
Payment of stock issuance costs	-	5,796
Acquisition of treasury stock	-	120
Settlement of derivatives	-	21,094
	(1,218,085)	(1,526,266)
Net cash provided by financing activities	977,393	198,770
EXCHANGE RATE FLUCTUATION EFFECT OF CASH AND CASH EQUIVALENTS	2	(8)
Net (decrease)increase in cash and cash equivalents	(418,714)	389,185
Cash and cash equivalents:		
Beginning of the year	537,535	148,350
End of the year(Note 33)	₩ 118,821	₩ 537,535
(Concluded)		

See accompanying notes to the consolidated financial statements.

1. GENERAL:

LG Uplus Corp. 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. Subsequently, the Company listed its shares on the Korea Stock Exchange ("KRX") on April 21, 2008.

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, 2011, 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

2. 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 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.
A parts of statements of cash flows are reclassified in the consolidated financial statements for the comparative period because of the comparability with consolidated financial statements for the current period. As a results, cash flows from operating activities increases amounts of ₩21,725 and cash flows from investing activities decreases amounts of ₩21,725 for the year of 2010. The outcome of these reclassification will not have a effect on the financial incomes or assets of the Group reported for the year of 2010.

The accompanying financial statements were approved by the board of directors on January 27, 2012

(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, 2011 are as follows:

Unit: Korean Won in millions

Consolidated subsidiaries	Place of incorporation and operation	Percentage of ownership (%)	Closing month	Classification of the business	Key financial highlights			
					Assets	Liabilities	Operating income	Net income
Ain Teleservice	South Korea	100.00	December	Service of telemarketing	₩ 7,175	₩ 6,250	₩ 47,448	₩ 583
CS Leader	South Korea	100.00	December	Service of telemarketing	5,204	4,271	33,904	698
DACOM Multi-media Internet Corporation	South Korea	88.06	December	Service of internet	28,887	15,106	59,386	242
DACOM America Inc.	USA	100.00	December	Service of communication	412	3,619	1,474	21
CS ONE Partner	South Korea	100.00	December	Service of telemarketing	6,675	3,869	41,703	1,064

(2) Enacted or amended standards

1) K- IFRS 1107 *Financial Instruments: Disclosures – Transfers of Financial Assets*
The amendments to K-IFRS 1107 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. K-IFRS 1107 is effective for annual periods beginning on or after July 1, 2011.

2) Amendments to K-IFRS 1012 *Deferred Tax – Recovery of Underlying Assets*
The amendments to K-IFRS 1012 provide an exception to the general principles in K-IFRS 1012 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Investment property or a non-depreciable asset measured using the revaluation model in K-IFRS 1016 Property, Plant and Equipment, are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments to K-IFRS 1012 are effective for annual periods beginning on or after January 1, 2012.

3) K-IFRS 1019 (as revised in 2011) *Employee Benefits*
The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to K-IFRS 1019 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions.

4) K-IFRS 1113 *Fair Value Measurement*
K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. K-IFRS 1113 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The Company does not anticipate that these amendments and new accounting pronouncements referred above will have a significant effect on the Company's financial statements and disclosures.

(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 net income as incurred (issuance costs of debt or equity instruments are excluded).

The Company 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 Company'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 Company 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 net income as a bargain purchase gain (loss).

Non-controlling interest in the acquiree is measured with the proportionated non-controlling 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 of operation from associates 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 net income.

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 net income 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 net income 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 as 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 net income. Transaction costs attributable to acquisition upon initial recognition are immediately recognized in net income 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 at 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 net income. 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 net income. Dividends on AFS equity instruments are recognized in net income 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 and 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 net income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to net income 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 net income 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 net income 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 cash-generating units ("CGU"s). 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 net income.

(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
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 net income and interest expenses paid in financial liabilities are recognized in net income, 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) Financial guarantee liabilities
Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, cumulative amortization recognized in accordance with the K-IFRS 1018 Revenue

5) Derecognition of financial liabilities
The Group derecognizes financial liabilities only when, the Group's obligations are discharged, cancelled or expired.
Difference between paid charges and derecognition of financial liabilities is recognized immediately in net income.

(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 net income 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 net income 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 and effective as a hedging 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 net income. The associated gains or losses that are recognized in other comprehensive income are reclassified from equity to net income as a reclassification adjustment in the same period or periods, during which the asset acquired or liability assumed affects net income. 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 net income 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 net income.

(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 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 net income 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 embodying 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.

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 net income, 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 is 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 consolidated statements of financial position. In addition, profits or losses from purchase, sale, or retirement of treasury stocks are directly recognized in shareholders' equity.

3. 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 AFS 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

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.
The 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, 2011 and 2010 are ₩37,961 million and ₩28,554 million, respectively,) and details are described in Note 18.

(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 revenue and expenses for the period by taking all the related circumstances at the end of reporting period into account.

4. 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, 2011 and 2010 are as follows:

Unit: Korean Won in millions

Reporting segment	Major goods and service		2011		2010
The Group	Telecommunication and related services	₩	6,432,648	₩	6,321,404
	Handset sales		2,752,518		1,653,339
	Other		71,172		526,008
		₩	9,256,338	₩	8,500,751

(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.

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

(1) The carrying amount and fair value of financial assets and liabilities as of December 31, 2011 , and 2010 are as follows:

1) Financial assets

Unit: Korean Won in millions

Financial assets	Account	December 31, 2011		December 31, 2010	
		Book value	Fair value	Book value	Fair value
Cash and cash equivalents	Cash and cash equivalents	₩ 118,821	₩ 118,821	₩ 537,535	₩ 537,535
AFS financial assets	Marketable equity securities	26,149	26,149	40,361	40,361
	Unmarketable equity securities	45,843	45,843	35,043	35,043
	Debt securities	110	110	144	144
	Sub-total	72,102	72,102	75,548	75,548
Loans and receivables	Financial institution deposits	12,673	12,673	15,673	15,673
	Trade receivables	2,751,285	2,751,285	1,409,864	1,409,864
	Loans	32,928	32,928	42,962	42,962
	Other receivables	71,136	71,136	91,093	91,093
	Accrued income	355	355	561	561
	Deposits	244,088	244,088	228,135	228,135
	Sub-total	3,112,465	3,112,465	1,788,288	1,788,288
	Total	₩ 3,303,388	₩ 3,303,388	₩ 2,401,371	₩ 2,401,371

2) Financial liabilities

Unit: Korean Won in millions

Financial assets	Account	December 31, 2011		December 31, 2010	
		Book value	Fair value	Book value	Fair value
Derivative liabilities designated as a hedging instrument	Derivative liabilities designated as a hedging instrument	₩ 61	₩ 61	₩ 699	₩ 699
Financial liabilities measured at amortized cost	Trade payables	637,403	637,403	315,530	315,530
	Borrowings	1,679,332	1,679,332	679,899	679,899
	Debentures	2,180,478	2,146,745	2,030,677	2,030,677
	Other payables	1,268,939	1,268,939	678,205	678,205
	Accrued expenses	526,928	526,928	422,946	422,946
	Withholdings	85,266	85,266	123,855	123,855
	Finance lease liabilities	57,059	57,059	74,628	74,628
	Rental deposits	11,762	11,762	14,457	14,457
	Sub-total	6,447,167	6,413,434	4,340,197	4,340,197
	Total	₩ 6,447,228	₩ 6,413,495	₩ 4,340,896	₩ 4,340,896

The carrying values of certain financial assets such as loans and receivables, and liabilities recognized at amortized cost are considered to approximate their fair values. In addition, an equity instrument, classified as AFS 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.

6. CASH AND CASH EQUIVALENTS:

The Group's cash and cash equivalents in the consolidated statements of financial position are equivalent to those in the statements of cash flows. Details of cash and cash equivalents as of December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	December 31, 2011	December 31, 2010
Cash on hand	₩ 1	₩ 1
Financial institution deposits	117,373	535,215
Other cash equivalents	1,447	2,319
	₩ 118,821	₩ 537,535

7. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

Reporting segment	Financial institution		December 31, 2011		December 31, 2010
Guarantee deposits for checking accounts	Woori Bank and others	₩	24	₩	24
Term deposits	NongHyup Bank (*1)		350		350
	Hana Bank (*2)		300		300
	Sub-total		650		650
	Total	₩	674	₩	674

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

8. TRADE AND OTHER RECEIVABLES:

(1) Details of current portion of trade and other receivables as of December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

		December 31, 2011		December 31, 2010
Trade receivables	₩	2,118,844	₩	1,448,124
Allowances for doubtful accounts		(211,496)		(226,393)
Trade receivables, net		1,907,348		1,221,731
Short-term loans		21,972		37,180
Allowances for doubtful accounts		(678)		(919)
Short-term loans, net		21,294		36,261
Other accounts receivable		97,633		110,831
Allowances for doubtful accounts		(26,497)		(19,738)
Other accounts receivable, net		71,136		91,093
Accrued income		355		561
	₩	2,000,133	₩	1,349,646

(2) Details of non-current portion of trade and other receivables as of December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

		December 31, 2011		December 31, 2010
Trade receivables	₩	844,623	₩	190,234
Allowances for doubtful accounts		(686)		(2,101)
Trade receivables, net		843,937		188,133
Long-term loans		11,634		6,701
Leasehold deposits		228,591		207,127
Guarantee deposits		15,497		21,008
	₩	1,099,659	₩	422,969

(3) Aging of trade and other receivables as of December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	December 31, 2011	December 31, 2010
Less than 6 months	₩ 3,123,164	₩ 1,791,043
7–12 months	49,189	42,096
1–3 years	162,394	182,439
More than 3 years	4,402	6,188
	₩ 3,339,149	₩ 2,021,766

(4) Changes in allowance for trade and other receivables for the years ended December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	December 31, 2011	December 31, 2010
Beginning balance	₩ 249,151	₩ 174,021
Increase due to merger	-	68,833
Impairment loss	19,708	46,979
Write-off of accounts receivable	(60,104)	(49,606)
Reversal of impairment loss	30,602	8,924
Ending balance	₩ 239,357	₩ 249,151

9. 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, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	December 31, 2011			December 31, 2010		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	₩ 426,609	₩ (56,722)	₩ 369,887	₩ 196,638	₩ (8,728)	₩ 187,910
Supplies	8,124	(5,793)	2,331	7,146	(4,959)	2,187
	₩ 434,733	₩ (62,515)	₩ 372,218	₩ 203,784	₩ (13,687)	₩ 190,097

(2) Inventory costs recognized in operating expenses for the year ended December 31, 2011 are ₩2,289,579 million, which include ₩47,993 million of losses on valuation of inventories.

10. OTHER ASSETS:

(1) Details of other current assets as of December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	December 31, 2011	December 31, 2010
Advanced payments	₩ 31,183	₩ 9,622
Prepaid expenses	87,729	57,376
Income tax refund receivables	388	384
Total	₩ 119,300	₩ 67,382

(2) Details of other non-current assets as of December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	December 31, 2011	December 31, 2010
Non-current prepaid expenses	₩ 51,187	₩ 26,945

11.PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts Changes in property, plant and equipment for the years ended December 31, 2011 and 2010 are as follows:

1) For the year ended December 31, 2011

Unit: Korean Won in millions

	Land	Buildings	Telecommunication facilities	Other assets	Construction in progress	Total
Beginning 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)
Beginning balance	552,149	421,734	3,550,449	220,858	124,955	4,870,145
Acquisition	182	806	333,076	52,523	1,348,728	1,735,315
Transfers	16,199	3,928	922,779	45,750	(973,031)	15,625
Disposals	-	(98)	(16,794)	(1,436)	(17,483)	(35,811)
Depreciation	-	(18,306)	(845,223)	(69,650)	-	(933,179)
Impairment loss	-	(16,864)	-	(3,019)	(726)	(20,609)
Ending balance	568,530	391,200	3,944,287	245,026	482,443	5,631,486
Ending acquisition cost	568,530	484,214	8,605,458	545,450	483,392	10,687,044
Accumulated depreciation	-	(76,150)	(4,660,090)	(297,346)	(223)	(5,033,809)
Accumulated impairment loss	-	(16,864)	(522)	(3,019)	(726)	(21,131)
Government subsidies	-	-	(559)	(59)	-	(618)
Ending balance	₩ 568,530	₩ 391,200	₩ 3,944,287	₩ 245,026	₩ 482,443	₩ 5,631,486

2) For the year ended December 31, 2010

Unit: Korean Won in millions

	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

(2) Assets pledged as collateral

The Group has pledged a portion of land, buildings and telecommunication facilities , in the amount of ₩33,648 million worth, as collateral related to its borrowings from Korea Development Bank (KDB).

12. INVESTMENT PROPERTY:

(1) Changes in investment property for the years ended December 31, 2011 and 2010 are as follows:

1) For the year ended December 31, 2011

Unit: Korean Won in millions

	Land	Buildings	Total
Beginning acquisition cost	₩ 24,418	₩ 27,278	₩ 51,696
Accumulated depreciation	-	(4,691)	(4,691)
Beginning balance	24,418	22,587	47,005
Transfers	(13,803)	(3,928)	(17,731)
Depreciation	-	(1,335)	(1,335)
Ending balance	10,615	17,325	27,940
Ending acquisition cost	10,615	21,424	32,039
Accumulated depreciation	-	(4,099)	(4,099)
Ending balance	₩ 10,615	₩ 17,325	₩ 27,940

2) For the year ended December 31, 2010

Unit: Korean Won in millions

	Land	Buildings	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

(2) The Group recognized rental revenue related to investment property, in the amount of ₩3,638 million and ₩3,586million, for the years ended December 31, 2011 and 2010, respectively.

13. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the years ended December 31, 2011 and 2010 are as follows:

1) For the year ended December 31, 2011

Unit: Korean Won in millions

	Intellectual property rights	Computer software	Membership	Goodwill	Customer relationship	Frequency usage rights	Other intangible assets	Total
Beginning 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)
Impairment loss	-	-	-	-	-	-	(9,417)	(9,417)
Beginning balance	1,666	1,701	39,032	932	431,733	-	42,096	517,160
Acquisition	478	391	117	-	-	867,913	25,188	894,087
Transfer	-	-	-	-	-	-	2,085	2,085
Disposals	-	-	(876)	-	-	-	(3,067)	(3,943)
Impairment loss	-	-	-	-	-	-	(439)	(439)
Amortization	(327)	(934)	-	-	(215,866)	(22,068)	(15,895)	(255,090)
Ending balance	1,817	1,158	38,273	932	215,867	845,845	49,967	1,153,860
Ending acquisition cost	3,577	11,311	38,273	932	647,600	867,913	108,469	1,678,075
Accumulated amortization	(1,760)	(10,153)	-	-	(431,733)	(22,068)	(48,647)	(514,361)
Accumulated impairment loss	-	-	-	-	-	-	(9,855)	(9,855)
Ending balance	₩ 1,817	₩ 1,158	₩ 38,273	₩ 932	₩ 215,867	₩ 845,845	₩ 49,967	₩ 1,153,859

2) For the year ended December 31, 2010

Unit: Korean Won in millions

	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.

(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, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	2011	2010
Research costs	₩ 63,577	₩ 48,844

(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.

And frequency usage rights are acquired , in the amount of ₩867,913 million for the year ended December 31, 2011, and amortized on a straight-line method for 10 years of useful lives.

14. 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, 2011 and 2010 are as follows:

Unit: Korean Won in millions

Companies	Class	Place of incorporation and operation	Percentage of ownership (%)	December 31, 2011	December 31, 2010
Dacom Crossing	Jointly controlled entities	South Korea	51.00	₩ 7,905	₩ 7,361
True Internet Data Center Company	Associates	Thailand	30.00	4,166	3,602
				₩ 12,071	₩ 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, 2011 and 2010 are as follows:

1) For the year ended December 31, 2011

Unit: Korean Won in millions

	January 1, 2011	Share of profits of associates under the equity method	Share of profits of associates in other comprehensive income under the equity method	December 31, 2011
Dacom Crossing	₩ 7,361	₩ 544	₩ -	₩ 7,905
True Internet Data Center Company	3,602	661	(97)	4,166
	₩ 10,963	₩ 1,205	₩ (97)	₩ 12,071

2) For the year ended December 31, 2010

Unit: Korean Won in millions

	January 1, 2010	Acquisition due to the merger	Share of profits of associates under the equity method	Share of profits of associates in other comprehensive income under the equity method	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, 2011 is as follows:

Unit: Korean Won in millions

Companies	Assets	Liabilities	Sales	Net income
Dacom Crossing	₩ 69,811	₩ 54,310	₩ 28,648	₩ 1,067
True Internet Data Center Company	17,129	3,243	11,454	2,203

15. DEBENTURES AND BORROWINGS:

(1) The Group's short-term borrowings as of December 31, 2011 and 2010 consist of the following:

Unit: Korean Won in millions

Type of borrowings	Creditor	Annual interest rate (%)	December 31, 2011	December 31, 2010
Bank overdraft	Woori Bank and others	-	-	₩ 4,910
General loans	Shinhan Bank and others	3.64 ~ 4.98	270,000	170,000
Facilities financing	Korea Development Bank	CD(91days)+0.85	-	50,000
			₩ 270,000	₩ 224,910

(2) The Group's long-term borrowings as of December 31, 2011 and 2010 consist of the following:

Unit: Korean Won in millions

Type of borrowings	Creditor	Annual interest rate (%)	December 31, 2011	December 31, 2010
General loans	Korea Exchange Bank	CD(91days)+1.00	₩ 50,000	₩ 50,000
Facilities financing	Shinhan Bank	finance bond (6months)+1.1~1.26	195,000	175,000
	Korea Development Bank	4.45 ~ 5.32	697,074	60,000
	Korea Finance Corporation	4.43 ~ 5.57	330,000	130,000
	Kookmin Bank	4.86	100,000	-
IT promotion funds	Hana Bank	Variable interest rate (3.75~3.80)	37,259	39,989
Before current maturities	Face value		1,412,259	454,989
	Discount on long-term borrowings		(2,926)	-
Current maturities	Face value of long-term borrowings		49,562	152,981
	Discount on long-term borrowings		-	-
After current maturities	Face value		1,362,697	302,008
	Discount on long-term borrowings		(2,926)	-

(3) The Group's debentures as of December 31, 2011 and 2010 consist of the following:

Unit: Korean Won in millions

		Annual interest rate (%)	December 31, 2011	December 31, 2010
Debentures issued under public offering		3.86–6.70	₩ 1,740,000	₩ 1,490,000
Debentures issued privately		4.34	100,000	200,000
Foreign exchangeable bonds		5.00	348,225	348,225
Before current maturities	Face value		2,188,225	2,038,225
	Discount on debentures		(7,050)	(9,301)
	Premium on debentures		460	4,214
	CB adjustment		(1,157)	(2,461)
Current maturities	Current portion of debentures		948,225	500,000
	Current portion of discount on debentures		(3,393)	(46)
	Current portion of premium on debentures		460	832
	CB adjustment		(1,157)	-
After current maturities	Face value		1,240,000	1,538,225
	Discount on debentures		(3,657)	(9,255)
	Premium on debentures		-	3,382
	CB adjustment		-	(2,461)
	Book value		₩ 1,236,343	₩ 1,529,891

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, and as of December 31, 2011, the conversion price is ₩8,812.80 per share of treasury stock according to be adjusted to conversion price due to cash dividends during the year of 2011. 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 39,513,569 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, 2011 is as follows:

Unit: Korean Won in millions

Period	Debentures	Long-term borrowings	Total
Jan. 1, 2013 ~ Dec. 31, 2013	₩ 490,000	₩ 299,654	₩ 789,654
Jan. 1, 2014 ~ Dec. 31, 2014	700,000	422,000	1,122,000
Jan. 1, 2015 and thereafter	50,000	641,043	691,043
	₩ 1,240,000	₩ 1,362,697	₩ 2,602,697

16. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	December 31, 2011		December 31, 2010	
	Current	Non-current	Current	Non-current
Trade payables	₩ 637,403	₩ -	₩ 315,530	₩ -
Other accounts payable	1,268,939	501,329	678,182	23
Accrued expenses	526,928	-	422,946	-
Withholdings	85,266	-	123,855	-
Rental deposits	-	11,762	-	14,457
Finance lease liabilities	30,582	26,477	37,022	37,606
	₩ 2,549,118	₩ 539,568	₩ 1,577,535	₩ 52,086

17. PROVISIONS:

Changes in restoration liabilities for the years ended 2011 and 2010 are as follows:

1) For the year ended December 31, 2011

Unit: Korean Won in millions

	Beginning balance	Increase	Decrease	Ending balance
Restoration liabilities	₩ 32,592	₩ 9,247	₩ (1,790)	₩ 40,049

2) For the year ended December 31, 2010

Unit: Korean Won in millions

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

18. 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 ₩2,461 million and ₩1,125 of service cost relating to its defined contribution plan in the statement of income for the years ended December 31, 2011 and 2010 respectively.

(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, 2011 and 2010, amounts recognized in the consolidated statements of financial position related to retirement benefit obligation are as follows:

Unit: Korean Won in millions

	December 31, 2011	December 31, 2010
Present value of defined benefit obligation	₩ 138,545	₩ 109,127
Fair value of plan assets	(100,584)	(80,573)
Retirement benefit obligation	₩ 37,961	₩ 28,554

2) Changes in defined benefit obligation for the years ended December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	2011	2010
Beginning balance	₩ 109,127	₩ 47,109
Increase due to merger	-	56,493
Actuarial losses(gains)	16,091	9,587
Current service cost	30,542	29,214
Interest cost	5,502	5,645
Benefits paid	(22,117)	(37,317)
Other (*1)	(600)	(1,604)
Ending balance	₩ 138,545	₩ 109,127

(*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, 2011 and 2010 are as follows:

Unit: Korean Won in millions

		2011		2010
Beginning balance	₩	80,573	₩	34,526
Increase due to merger		-		35,027
Expected return on plan assets		3,596		3,765
Actuarial gains(losses)		16		(136)
Contributions from the employer		32,742		44,850
Benefits paid		(16,343)		(37,317)
Other (*1)		-		(142)
Ending balance	₩	100,584	₩	80,573

(*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, 2011 and 2010 are as follows:

Unit: Korean Won in millions

		2011		2010
Current service cost	₩	30,542	₩	29,214
Interest cost		5,502		5,645
Expected return on plan assets		(3,596)		(3,765)
	₩	32,448	₩	31,094

5) The principal assumptions used for the actuarial valuations as of December 31, 2011 and 2010 are as follows:

	2011	2010
Discount rate (%)	4.18% - 5.90%	4.18% - 5.50%
Expected return on plan assets (%)	4.28% - 5.70%	4.28% - 5.70%
Expected rate of salary increase (%)	4.50% - 5.15%	4.50% - 5.10%

19. OTHER LIABILITIES:

Other liabilities as of December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	December 31, 2011				December 31, 2010			
		Current		Non-current		Current		Non-current
Advances received	₩	70,553	₩	-	₩	51,388	₩	-
Unearned revenue		60,708		14,980		66,453		19,635
	₩	131,261	₩	14,980	₩	117,841	₩	19,635

20. FINANCE LEASE LIABILITIES:

Finance lease liabilities as of December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	Creditor	Lease term	Annual interest rate (%)	Minimum lease payment(*1)	December 31, 2011	December 31, 2010
Finance lease	Hewlett Packard	Oct. 31, 2008–Oct. 31, 2011	6.60	₩ 739	₩ -	₩ 7,174
	Korea Financial Service, Ltd.	Dec. 31, 2008–Dec. 31, 2011	6.97	335	-	3,868
		Jul. 29, 2009–Jul. 29, 2012	4.78	649	4,473	11,858
		Apr. 30, 2010–Apr. 29, 2013	3.94	3,058	17,731	28,983
		Oct. 29, 2010–Oct.31, 2013	3.17	1,995	15,402	22,745
		Jul. 29, 2011–Jul. 29, 2014	4.04	1,878	19,453	-
Sub-total					57,059	74,628
Less current maturities					(30,582)	(37,022)
Book value of financial lease liabilities					₩ 26,477	₩ 37,606

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

21. EQUITY:

(1) Capital stock

Details of capital stock as of December 31, 2011 are as follows:

Unit: Korean Won in millions

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 January 1, 2010, additional 237,515,405 shares were issued as part of the merger process of LG Dacom and LG Powercom. As of December 31, 2011 and 2010, the number of issued common stocks is 514,793,835 shares.

(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 during the year of 2010, the Group acquired LG Dacom and LG Powercom, increasing the capital surplus by ₩823,133 million. As result, as of December 31, 2011, capital surplus amounted to ₩834,712 million. In addition, On 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, 2011, earned surplus reserve in form of legal reserve of ₩37,998 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 30, 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 exchangeable bonds for which the Group deposited 37,549,534 shares of treasury stock with the Korea Securities Depository. During the year ended December 31, 2011, the Group additionally deposited 1,964,035 shares of treasury stock adjusted to convertible price of convertible bonds due to cash dividends, as of the year ended December 31, 2011, the Group deposited 39,513,569 shares of treasury stock with the Korea Securities Depository totally. The Group cannot transfer its rights, such that it cannot provide such treasury stock as collateral or dispose of them.

22. DIVIDENDS:

(1) The details of dividend paid for the years ended December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

		2011		2010
Number of shares issued and outstanding	₩	514,793,835 shares	₩	514,793,835 shares
Number of treasury stocks		82,291,883 shares		82,291,883 shares
Number of shares eligible for dividends		432,501,952 shares		432,501,952 shares
Par value per share		5,000	₩	5,000
Dividend rate		3%		7%
Dividends per share	₩	150	₩	350
Total dividends	₩	64,875 million	₩	151,376 million

(2) Dividend payout ratio for the years ended December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

		2011		2010
Total dividends	₩	64,875	₩	151,376
Net income attributable to the owners of the company		84,634		569,905
Dividend payout ratio		76.65%		26.56%

23. ACCUMULATED OTHER COMPREHENSIVE INCOME(LOSS):

(1) Composition of accumulated other comprehensive income or loss for the years ended December 31, 2011 and 2010, is as follows:

Unit: Korean Won in millions

	Gain on valuation of AFS financial assets	Loss on valuation of AFS 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
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 for foreign operations	-	-	-	-	-	11	11
December 31,2010	₩ 448	₩ -	₩ -	₩ (529)	₩ 223	₩ 11	₩ 153
January 1, 2011	₩ 448	₩ -	₩ -	₩ (529)	₩ 223	₩ 11	₩ 153
Fair value assessment	(166)	(10,619)	-	-	-	-	(10,785)
Hedge accounting	-	-	-	484	-	-	484
Equity method	-	-	-	-	(97)	-	(97)
Foreign currency translation for foreign operations	-	-	-	-	-	(8)	(8)
December 31,2011	₩ 282	₩ (10,619)	₩ -	₩ (45)	₩ 126	₩ 3	₩ (10,253)

24. OTHER OPERATING INCOME AND EXPENSES:

(1) Other operating income for the years ended December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	2011	2010
Gain on disposal of tangible assets	₩ 388	₩ 955
Gain on foreign currency transactions (operating)	5,517	3,880
Gain on foreign currency translation (operating)	5,552	1,859
Miscellaneous income	59,715	22,800
Bargain purchase gain from the merger (*1)	-	496,514
	₩ 71,172	₩ 526,008

(*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, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	2011	2010
Operating lease payment	₩ 280,349	₩ 263,943
Sales commissions	1,828,149	1,874,030
Commission charge	828,221	644,393
Interconnection charge	670,733	707,171
Telecommunication equipment rental fees	272,333	261,986
Outsourcing expense	264,692	242,970
Bad debt expenses	19,708	46,979
International interconnection charge	166,870	169,708
Advertising expenses	218,175	181,343
Other	493,905	476,270
	₩ 5,043,135	₩ 4,868,793

25. FINANCIAL REVENUES AND FINANCIAL EXPENSES:

(1) Financial revenues for the years ended December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	2011	2010
Interest income	₩ 70,821	₩ 41,184
Gain on foreign currency transactions (non-operating)	93	3,118
Gain on foreign currency translation (non-operating)	3	-
Dividend income	384	416
Gain on trading of derivative instruments	-	566
Other	-	217
	₩ 71,301	₩ 45,501

(2) Interest income included in financial revenues for the years ended December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	2011	2010
Cash and cash equivalents and financial institution deposits	₩ 9,982	₩ 7,649
Installment receivables interest and others	60,839	33,535
	₩ 70,821	₩ 41,184

(3) Financial expenses for the years ended December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	2011	2010
Interest expense	₩ 166,130	₩ 124,901
Loss on foreign currency transactions (non-operating)	-	646
Loss on foreign currency translation (non-operating)	-	8
Loss on trading of derivative instruments	-	3,383
Trade receivables	18,557	-
	₩ 184,687	₩ 128,938

(4) Interest expenses included in financial expenses for the years ended December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	2011	2010
Bank overdrafts and loan interest	₩ 51,119	₩ 26,473
Finance lease liabilities interest	2,621	2,879
Debentures interest	104,489	93,905
Other interest expense	7,901	1,644
Less: capitalized interest expense	-	-
	₩ 166,130	₩ 124,901

26. INCOME TAX

(1) Composition of income tax expense for the years ended December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	2011	2010
Current income tax payable	₩ 60,165	₩ 64,170
Changes in deferred tax assets:		
Income tax payable due to the merger	-	(17,618)
Changes in deferred tax assets due to temporary differences	17,026	(170,283)
Succession of deferred tax assets due to the merger	-	121,654
Income tax expenses reflected directly in equity	6,641	290
Income tax expense	₩ 83,832	₩ (1,787)

(2) Reconciliation between income before income tax and income tax expense of the Group for the years ended December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	2011	2010
Income before income tax expense	₩ 168,495	₩ 568,234
Tax expense calculated on book income (tax rate: 24.2%)	40,776	137,486
Adjustments:		
Non-taxable income	(10)	(120,324)
Non-deductible expense	7,355	2,198
Changes in the assets or liabilities relating to deferred taxes and tax rate	(13,033)	10,686
Tax credits	48,744	(31,640)
Others	-	(193)
Income tax expense	₩ 83,832	₩ (1,787)
Effective tax rate (income tax expense/income before income tax expense)	49.75%	-

(3) Income taxes directly reflected in equity for the years ended December 31, 2011 and 2010 is as follows:

Unit: Korean Won in millions

	December 31, 2011	December 31, 2010
Revenues and expense related to the change in other comprehensive income (loss)		
Gain on valuation of cash-flow-hedging derivatives	₩ -	₩ 18
Loss on valuation of cash-flow-hedging derivatives	(154)	(376)
Gain from valuation of available-for-sale financial assets	36	(56)
Loss from valuation of available-for-sale financial assets	3,390	(971)
Other capital surplus	(31)	(559)
Actuarial gain(loss)	3,400	2,234
Income tax expense related to the change in other comprehensive income (loss)	₩ 6,641	₩ 290

(4) Changes in deferred tax assets (liabilities) for the year ended December 31, 2011 are as follows:

Unit: Korean Won in millions

	Beginning balance	Increase	Decrease	Ending balance
TEMPORARY DIFFERENCES TO BE DEDUCTED				
Provision for severance benefits	₩ 72,998	₩ 30,697	₩ 5,130	₩ 98,565
Allowance for doubtful accounts	208,482	149,763	211,627	146,618
Loss on valuation of inventories	8,548	60,789	10,628	58,709
Unsettled expenses	104,597	55,008	85,677	73,928
Property, plant and equipment	370,161	85,202	52,490	402,873
Provisions	40,763	50,033	42,383	48,413
Impairment losses on investment securities	26,870	-	-	26,870
Loss on valuation of investment securities	(574)	14,212	-	13,638
Derivatives	699	-	638	61
Intangible assets	112,495	92,371	8,497	196,369
Deemed dividends	160	-	-	160
Government subsidies	980	2,142	1,820	1,302
Share of profits (losses) of associates under the equity method	2,740	-	-	2,740
Loss on foreign currency translation	1,743	6,162	1,743	6,162
Adjustment on revenues	76,809	230,060	202,359	104,510
Present value discount	-	63,810	26,854	36,956
Others	4,216	1,206	243	5,179
Subtotal of temporary differences to be deducted	1,031,687	841,455	650,089	1,223,053
TEMPORARY DIFFERENCES TO BE ADDED				
Accrued interest income	(516)	(145)	(516)	(145)
Deposits for severance benefits	(67,414)	5,130	23,014	(85,298)
Interest expenses (capitalized interest expense)	(22,578)	4,340	-	(18,238)
Gain on foreign currency translation	(1,858)	1,859	5,555	(5,554)
Estimated assets for restoration	(18,239)	18,239	22,515	(22,515)
Tax reserves	(25,200)	-	-	(25,200)
Conversion feature on convertible bonds	(2,461)	-	(1,303)	(1,158)
Subtotal of temporary differences to be added	(138,266)	₩ 29,423	₩ 49,265	(158,108)
Realizable temporary differences	890,521			1,062,045
Unrealizable temporary differences	2,900			2,900
Tax rate	24.2%, 22.0%			24.2%, 22%
Income tax effect due to temporary differences	204,429			256,922
Income tax effect due to tax credit carryforwards	189,732			120,173
Deferred income tax assets	₩ 394,161			₩ 377,095

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

Unit: Korean Won in millions

	Beginning balance	Merger succession	Increase	Decrease	Ending balance
TEMPORARY DIFFERENCES TO BE DEDUCTED					
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	160	-	-	-	160
Government subsidies	1,027	-	1,419	1,466	980
Share of profits (losses) of associates under the equity method	3,411	-	-	671	2,740
Loss on foreign currency translation	1	-	1,743	1	1,743
Share of profits (losses) of associates in other comprehensive income (loss) under the equity method	25	-	-	25	-
Adjustment on revenues	76,312	31,476	497	31,476	76,809
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
TEMPORARY DIFFERENCES TO BE ADDED					
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 comprehensive income (loss) under the equity method	(1,111)	-	-	(1,111)	-
Gain on foreign currency translation	(16,427)	-	(1,859)	(16,428)	(1,858)
Property, plant and equipment	(12,804)	-	(18,239)	(12,804)	(18,239)
Legal reserves	-	(25,200)	-	-	(25,200)
Conversion rights adjustment	-	-	(2,461)	-	(2,461)
Subtotal of temporary differences to be added	₩ (75,058)	₩ (60,059)	₩ (45,381)	₩ (42,232)	₩ (138,266)
Realizable temporary differences	506,839				890,521
Unrealizable temporary differences	2,485				2,900
Tax rate	24.2%, 22.0%				24.2%, 22.0%
Income tax effect due to temporary differences	117,421				204,429
Income tax effect due to tax credit carryforwards	105,856				183,732
Deferred income tax assets	₩ 223,277				₩ 394,161

(6) As of December 31, 2011 and 2010, temporary differences not recognized as deferred tax assets (liabilities) related to investment asset and equity interest are as follows:

Unit: Korean Won in millions

		December 31, 2011		December 31, 2010
Investments in associates	₩	2,900	₩	2,900

27. EARNINGS PER SHARE:

(1) Basic Net Income per Share

Basic earnings per share is the net income attributable to one share of common stock of the Group. 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, 2011 and 2010 are calculated as follows:

Unit: Korean Won in millions, except for earnings per share

		2011		2010
Net income	₩	84,634	₩	569,905
Weighted average number of common shares outstanding (*1)		432,501,952 shares		432,501,952 shares
Earnings per share (in Korean Won)	₩	196 per share	₩	1,318 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) Diluted income per share

Diluted earnings per share is computed based on adjusted weighted average number of common shares by assuming that all dilutive potential ordinary shares are transferred to common shares.
Dilutive potential ordinary shares the Company owns are exchangeable bonds and the diluted net income per share for the year ended December 31, 2011 and 2010 is as follows:

Unit: In millions except per share amounts

		2011		2010
Net income belongs to controlling company's common stock	₩	84,634	₩	569,905
Interest of exchangeable bonds (after tax effect)		13,491		3,487
Net income for computing diluted income per share		98,125		573,392
Weighted-average number of common shares outstanding (*1)		472,015,523 shares		442,172,243shares
Diluted earnings per share (in Korean won)		(*2)	₩	1,297 /share

(*1) Sum of potential ordinary shares of exchangeable bonds and the weighted average number of common shares shares, which are used to compute basic net income per share.
(*2) As of December 31, 2011, Diluted income per share is not computed because there are no dilutive effects.

As of December 31, 2011, the potential dilutive shares are as follows.

	Conversion period	Number of treasury shares to be issued in exchange for convertible bonds	Conversion price
Convertible bonds	Nov. 9, 2010 - Sep. 22, 2012	39,513,569	₩ 8,812.80 per share

28. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2011, there are 34 lawsuits ongoing where the Group is a defendant in the Republic of Korea; total claim amount the Company is being sued for is ₩10,664 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 ₩260,000 million. Among these agreements includes a bank overdraft agreement with Woori Bank and others up to ₩40,000 million.

(3) As of December 31, 2011, the Group has entered into agreements with Woori Bank for a B2B limit of ₩1,000,000 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 ₩100,000 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 ₩18,000 million.

(4) The Group has a telecommunication equipment and facility purchase agreement with LG Ericsson Co., Ltd.
amounting to ₩127,839 million.

(5) The Group entered into agreements (syndicated loan) with six financial institutions including Korea Development Bank (KDB) up to ₩1,000,000 million and as of December 31, 2011, the Group borrowed ₩400,000 million.

29. RELATED PARTY TRANSACTIONS:

(1) Major related parties

	Company
Investor with significant influence over the Group	LG Corporation
Jointly controlled entity	Dacom Crossing
Associate	True Internet Data Center Company
Others	Serveone and 4 others, LG Siltron and 2 others, LG CNS and 22 others, LG Sports, LG Management Development Institute, LG Solar Energy, Lusem

As of December 31, 2011, 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, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	2011		2010	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Investor with significant influence over the Group:				
LG Corporation	₩ 361	₩ 25,177	₩ 412	₩ 22,006
Jointly controlled entity:				
Dacom Crossing	1,447	14,560	2,055	11,798
Associate:				-
True Internet Data Center Company	-	-	828	-
Others:				
Serveone and others	77,364	321,161	50,356	199,763
	₩ 79,172	₩ 360,898	₩ 53,651	₩ 233,567

(3) Outstanding receivables and payables from transactions with related parties as of December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	December 31, 2011		December 31, 2010	
	Receivables	Payables	Receivables	Payables
Investor with significant influence over the Group:				
LG Corporation	₩ 5,325	₩ 2,350	₩ 4,801	₩ 790
Jointly controlled entity:				
Dacom Crossing	-	1,643	30	1,076
Others:				
Serveone and others	38,189	101,638	23,814	112,066
	₩ 43,514	₩ 105,631	₩ 28,645	₩ 113,932

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.

(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, 2011 and 2010 are summarized as follows:

Unit: Korean Won in millions

	2011	2010
Short-term employee benefits	₩ 8,283	₩ 18,737
Post-employment benefits (*1)	3,926	3,977
	₩ 12,209	₩ 22,714

(*1) The above balances refer to retirement benefits incurred for key management for the years ended December 31, 2011 and 2010. In addition, the present values of defined benefit obligations for key management are ₩18,207 million and ₩17,317 million as of December 31, 2011 and 2010, respectively

30. 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, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	December 31, 2011	December 31, 2010
Total borrowings	₩ 3,916,869	₩ 2,785,204
Less: Cash and cash equivalents	(118,821)	(537,535)
Borrowings, net	3,798,048	2,247,669
Total shareholder's equity	₩ 3,859,392	₩ 3,948,482
Net borrowings to equity ratio	98.41%	56.92%

(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, 2011 are as follows:

Unit: Korean Won in millions

Currency	Assets	Liabilities
EUR	₩ 120	₩ 1,043
HKD	160	-
JPY	10	523
SDR	77	256
AUD	-	2
USD	131,134	154,081
Other	5	2
	₩ 131,506	155,907

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, 2011 is as follows:

Unit: Korean Won in millions

Currency	Gain(loss) from 10% increase against foreign currency	Gain(loss) from 10% decrease against foreign currency
EUR	₩ (70)	₩ 70
HKD	12	(12)
JPY	(39)	39
SDR	(14)	14
USD	(1,739)	1,739
	₩ (1,850)	₩ 1,850

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than functional currency as of December 31, 2011.

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, 2011 is as follows:

Unit: Korean Won in millions

	December 31, 2011
Debentures	₩ 502,259
Borrowings	100,000

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, 2011 is as follows:

Unit: Korean Won in millions

	1% increase		1% decrease	
	Gain(Loss)	Net Asset	Gain(Loss)	Net Asset
Borrowings	₩ (3,807)	₩ (3,807)	₩ 3,807	₩ 3,807
Debentures	(758)	(758)	758	758
	₩ (4,565)	₩ (4,565)	₩ 4,565	₩ 4,565

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, 2011 is as follows:

Unit: Korean Won in millions

		Valuation gain and loss			Fair value	
	Notional principal value	Gain	Loss	Accumulated other comprehensive income	Assets	Liabilities
Interest rate swap	50,000	₩ -	₩ 61	₩ (46)	₩ -	₩ 61

3) Price risk

The Group is exposed to price risks arising from available-for-sale equity instruments. As of December 31, 2011, fair value of available for sale equity instruments is ₩26,149 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 ₩1,982 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 Group's exposure to credit risk related to the transactions with these institution are 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 Group'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 aging of trade and other receivables are described in Note 8.

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, 2011 is as follows:

Unit: Korean Won in millions

	Within a year	1 - 5 years	Total
Variable interest instruments	₩ 407,561	₩ 26,155	₩ 433,716
Fixed interest rate instruments	917,702	2,598,170	3,515,872
Non-interest bearing instruments	2,518,536	513,091	3,031,627
	₩ 3,843,799	₩ 3,137,416	₩ 6,981,215

(*) 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, 2011 is as follows:

Unit: Korean Won in millions

	1 - 5 years
Derivative financial liabilities:	
Interest Rate Swap	₩ 61

(3) Fair value hierarchy

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 held for trading, AFS securities and others). The Company' financial instruments are disclosed at the closing price of the market prices.

The fair values of other financial assets and financial liabilities (e.g. over the counter derivatives) are determined by fair value assessment method. The Group performs several valuation methods and makes assumptions based on market circumstance at the end of the reporting period. Financial liabilities such as long-term liabilities are evaluated their fair value by prices from observable current market transactions or dealer quotes for similar instruments and the other financial instruments by various techniques such as discounted estimated cash flow.
Fair value of trade receivables and trade payables is impairment deducted book value and fair value of financial liabilities is discounted cash flow using current market rate which is applied similar financial instruments the Company held.

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).

Financial instruments that are measured subsequent to initial recognition at fair value by fair value hierarchy levels as of December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

	December 31, 2011				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Marketable equity securities	₩ 26,149	₩ 26,149	₩ -	₩ -	₩ 26,149
	26,149	26,149	-	-	26,149
Financial liabilities:					
Derivative liabilities designated as a hedging instrument	61	-	61	-	61
Ending balance	₩ 61	₩ -	₩ 61	₩ -	₩ 61

Unit: Korean Won in millions

	December 31, 2010				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Marketable equity securities	₩ 40,361	₩ 40,361	₩ -	₩ -	₩ 40,361
	40,361	40,361	-	-	40,361
Financial liabilities:					
Derivative liabilities designated as a hedging instrument	699	-	699	-	699
Ending balance	₩ 699	₩ -	₩ 699	₩ -	₩ 699

31. MERGER (BUSINESS COMBINATION):

(1) 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	Wire 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 consolidated statement of comprehensive 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 consolidated 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: Korean Won 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
CURRENT ASSETS	₩ 369,617	₩ 370,144	₩ 276,204	₩ 278,745
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)	₩ 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(*2)	₩ 1,071,712	₩ 1,067,976	₩ 1,139,653	₩ 1,166,499

(*1) Carrying amounts are obtained from unaudited or unreviewed 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: Korean Won in millions

	LG Dacom			LG Powercom		
	Fair value	Gross contratual amount	Amount deemed uncollectable	Fair value	Gross contratual 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

32. EVENTS AFTER THE REPORTING PERIOD

On February 9, 2012, under the resolution of the Board of Directors held on January 27, 2012, the Company transferred ₩889,857 million of trade receivables to U plus LET 2nd SPC for ₩837,000 million.

33. STATEMENTS OF CASH FLOWS

The major transactions not involving cash outflows and cash inflows for the years ended December 31, 2011 and 2010 are as follows:

Unit: Korean Won in millions

		2011		2010
Mutual reclassification between trade receivables and long-term trade receivables	₩	199,811	₩	93,868
Abandonment of trade receivables		49,586		47,467
Account reclassification between prepaid expenses and Non-current prepaid expenses		36,372		8,758
Valuation of available-for-sale security		14,212		4,667
Reclassification of Assets under- construction		862,370		709,108
Addition of long-term accrued expenses relating to acquiring intangible assets		500,226		-
Current maturities of debentures and long-term borrowings	₩	993,697	₩	653,767

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

---

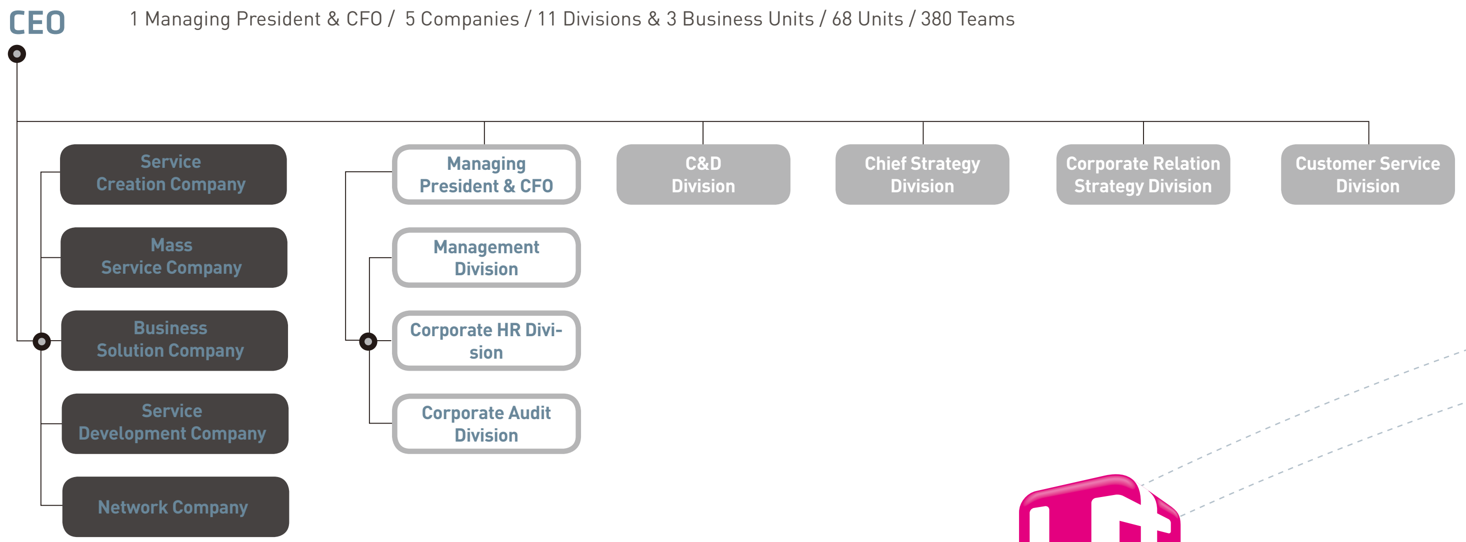
2000s

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
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

2011

Jan. 2011 Entered the SNS market
Apr. 2011 Launch of the world's first wireless N-screen service
Apr. 2011 800 MHz LTE test run
May 2011 Completion of LTE optical transmission equipment
Jun. 2011 Acquisition of 2.1 GHz frequency
Jul. 2011 Launch of 4G commercial LTE service
Aug. 2011 2nd Do Dream U+ camp held
Oct. 2011 Release of LTE smartphone plan
Oct. 2011 Launch of LTE network service
Nov. 2011 Vice president Sang Chul Lee receives a merit award at the 6th annual Korea Internet Awards
Dec. 2011 Commencement of 84-city LTE service

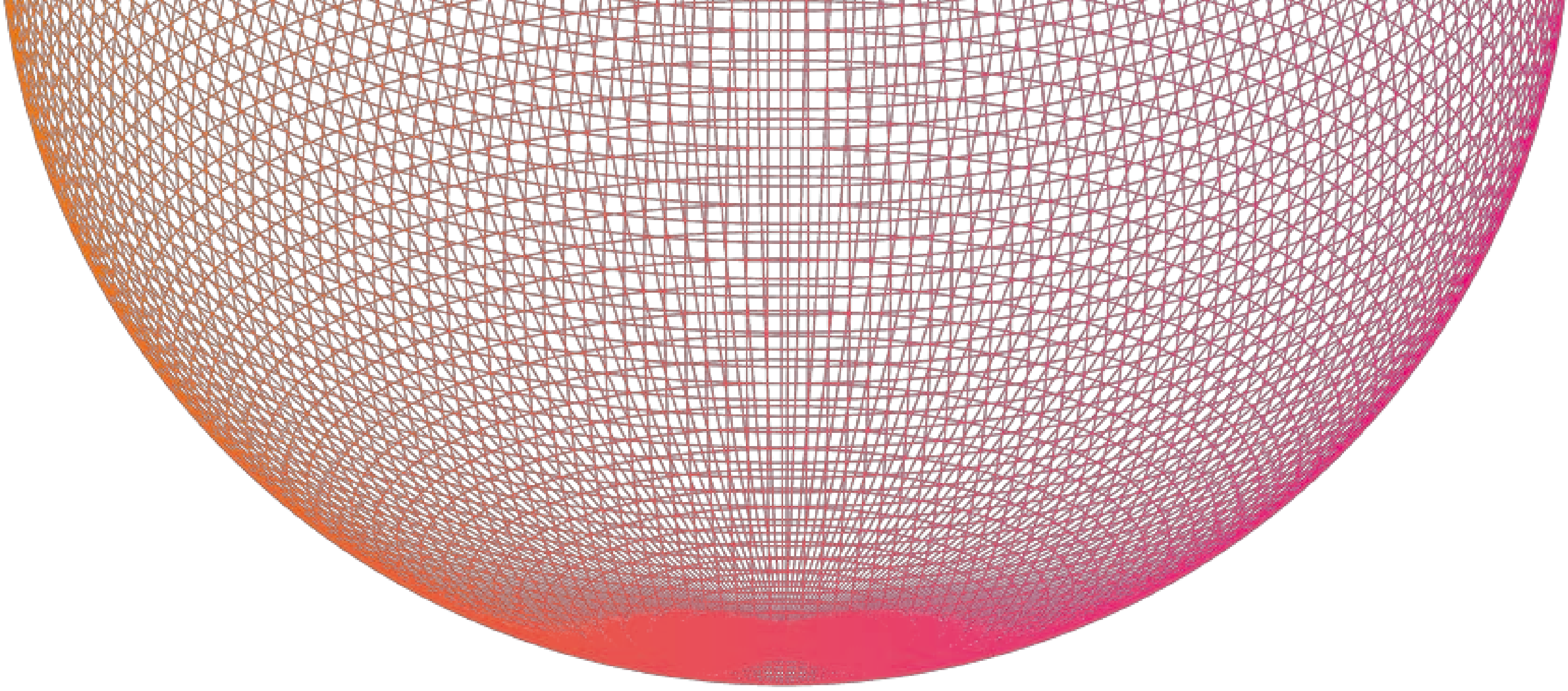
ORGANIZATION CHART



**Taking each new challenge head on,
implementing innovation,
an unbridled passion
a will stronger than ever...
LG U+ will move forward as it realizes
its vision of offering customers
a one-of-a-kind experience in the new IT world.**

Company Information	As of December 31, 2011
Establishment	July 11, 1996
Headquarters	LG Uplus Tower, 30, Sowol-ro 2-gil, Jung-gu, Seoul, Korea
Paid-in Capital	KRW 2.57 trillion
Employees	6,190 persons
Total Shares Outstanding	514,793,835 shares
Last General Shareholders' Meeting	March 16, 2012

Status of Subsidiaries	Capital
CSLEADER Ltd.	KRW 400 million
A-in Teleservice Corp.	KRW 400 million
DACOM MULTIMEDIA INTERNET Corp.	KRW 4,742 million
CSONE PARTNER	KRW 200 million
DACOM America Inc.	$48,400



LG Uplus Tower,

30, Sowol-ro 2-gil, Jung-gu,

Seoul, Korea

www.uplus.co.kr

Beyond Telecom