LG Uplus Corp. (formerly LG Telecom, Ltd.)

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
AND INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying statement of financial position of LG Uplus Corp. (the "Company") as of December 31, 2010, the related statements 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 have also audited the financial statements of the Company as of and for the year ended December 31, 2009, dated February 18, 2010. However, those statements did not incorporate the transitions to Korean International Financial Reporting Standards ("K-IFRS") adjustments as discussed in Note 3 of the accompanying financial statements. While, the accompanying financial statements as of and for the year ended December 31, 2009, presented for comparative purposes in the accompanying financial statements are inclusive of such transition to K-IFRS adjustments.

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 Company as of December 31, 2010, and the results of its operations, comprehensive income, changes in its stockholder's equity, and its cash flows for the year then ended, in conformity with K-IFRS.

March 10, 2011

Notice to Readers

This report is effective as of March 10, 2011, the auditors' report date. Certain subsequent events or circumstances may have occurred between this auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

LG UPLUS CORP. (FORMERLY LG TELECOM, LTD.)
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 AND 2009, AND JANUARY 1, 2009

	Korean Won		
	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
		(In millions)	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Notes 6 and 7)	₩ 517,101	₩ 138,351	₩ 50,127
Financial institution deposits (Notes 6 and 8)	15,350	10,000	101,000
Trade receivables, net (Notes 6 and 9)	1,220,963	798,077	829,439
Loans and other receivables, net (Notes 6 and 9)	127,797	81,787	56,359
Available-for-sale financial assets (Note 6)	71	186	251
Derivative assets (Notes 6 and 33)	-	-	21,921
Inventories, net (Note 10)	190,097	155,053	101,266
Other current assets (Note 11)	66,647	48,981	56,528
Total current assets	2,138,026	1,232,435	1,216,891
NON-CURRENT ASSETS:			
Non-current financial institution deposits (Notes 6 and 8)	320	5	5
Non-current available-for-sale financial assets (Note 6)	75,441	26,000	27,895
Non-current trade receivables, net (Notes 6 and 9)	188,134	101,871	119,644
Non-current loans and other receivables (Notes 6 and 9)	234,380	176,951	173,302
Non-current derivative assets (Notes 6 and 33)	-	-	99
Investments in subsidiaries (Note 15)	14,425	707	707
Investments in jointly-controlled entities and associates (Note 16)	8,721	-	-
Deferred income tax assets, net (Note 29)	393,255	222,962	210,136
Property, plant and equipment, net (Note 12)	4,867,533	2,216,851	2,187,005
Investment property, net (Notes 13)	47,005	10,465	11,093
Intangible assets, net (Note 14)	515,268	35,730	34,056
Other non-current assets (Note 11)	26,885	22,701	30,367
Total non-current assets	6,371,367	2,814,243	2,794,309
TOTAL ASSETS	₩ 8,509,393	₩ 4,046,678	₩ 4,011,200
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade payables (Notes 6 and 18)	₩ 314,343	₩ 246,444	₩ 249,837
Non-trade and other payables (Notes 6 and 18)	1,096,656	586,996	622,644
Short-term borrowings (Notes 6 and 17)	224,910	186,045	196,624
Current portion of debentures and long-term borrowings (Notes 6 and 17)	653,767	184,963	566,500
Derivative liabilities (Notes 6 and 33)	699	19,844	-
Other current financial liabilities (Note 6, 18, and 22)	159,132	68,206	50,548
Income tax payable (Note 29)	37,173	30,912	36,412
Other current liabilities (Notes 21)	117,337	103,669	110,689
Total current liabilities	2,604,016	1,427,079	1,833,254

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LG UPLUS CORP. (FORMERLY LG TELECOM, LTD.)
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2010 AND 2009, AND JANUARY 1, 2009

	Korean Won		
	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
		(In millions)	
NON-CURRENT LIABILITIES:			
Debentures and long-term borrowings (Notes 6 and 17)	₩ 1,831,899	₩ 558,939	₩ 178,728
Non-current derivative liabilities (Notes 6 and 33)	-	675	219
Other non-current financial liabilities (Notes 6, 18 and 22)	55,721	25,503	26,591
Retirement benefit obligation (Note 20)	23,366	6,625	1,162
Provisions (Note 19)	32,592	24,845	23,064
Other non-current liabilities (Note 21)	19,635	20,984	20,048
Total non-current liabilities	1,963,213	637,571	249,812
TOTAL LIABILITIES	4,567,229	2,064,650	2,083,066
SHAREHOLDERS' EQUITY:			
Capital stock (Note 23)	2,573,969	1,386,392	1,386,392
Capital surplus (Note 23)	836,593	11,579	11,579
Other capital items (Note 23)	(703,879)	(176,948)	-
Accumulated other comprehensive income(loss) (Note 26)	(81)	(4,905)	(1,912)
Retained earnings (Note 23 and 24)	1,235,562	765,910	532,075
TOTAL SHAREHOLDERS' EQUITY	3,942,164	1,982,028	1,928,134
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	₩ 8,509,393	₩ 4,046,678	₩ 4,011,200

See accompanying notes to the financial statements.

LG UPLUS CORP. (FORMERLY LG TELECOM, LTD.)
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Korean Won			
	2010		2009	
	(In millions, except for net income per share)			
Operating revenues (Notes 5 and 27)	₩	8,498,507	₩	4,958,373
Operating expenses:				
Cost of merchandise purchased		1,323,841		998,861
Employee benefits (Note 20)		294,907		136,935
Depreciation and amortization (Notes 12, 13 and 14)		1,253,254		446,576
Other expenses (Note 27)		4,973,986		3,020,033
		7,845,988		4,602,405
Operating income		652,519		355,968
Financial revenues (Note 28)		44,664		74,274
Financial expenses (Note 28)		128,938		89,761
Other non-operating expenses		5,642		2,818
Income before income tax		562,603		337,663
Income tax expense (Note 29)		(1,865)		45,349
Net income		564,468		292,314
Net income per share (In Korean Won) (Note 30)				
Basic income per share	₩	1,305	₩	1,054
Diluted income per share	₩	1,284	₩	1,054

See accompanying notes to the financial statements.

LG UPLUS CORP. (FORMERLY LG TELECOM, LTD.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Korean Won			
		2010		Unaudited 2009
		(In millions)		
NET INCOME	₩	564,468	₩	292,314
OTHER COMPREHENSIVE INCOME(LOSS):				
Gain on valuation of available-for-sale financial assets		254		318
Loss on valuation of available-for-sale financial assets		4,413		(2,088)
Gain on valuation of cash-flow-hedging derivatives		(77)		(22)
Loss on valuation of cash-flow-hedging derivatives		1,619		(1,609)
Actuarial gains on defined benefit plans		(7,068)		(3,021)
Income tax effect relating to components of other comprehensive income		835		407
		(24)		(6,015)
TOTAL COMPREHENSIVE INCOME	₩	564,444	₩	286,299

See accompanying notes to the financial statements.

LG UPLUS CORP. (FORMERLY LG TELECOM, LTD.)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Korean Won					
	Capital stock	Capital surplus	Other capital items	Accumulated other comprehen-sive income (loss)	Retained earnings	Total
	(In millions)					
Unaudited						
Balance at January 1, 2009	₩ 1,386,392	₩ 11,579	₩ -	₩ (1,912)	₩ 532,075	₩ 1,928,134
Annual dividends	-	-	-	-	(55,458)	(55,458)
Balance after appropriations	1,386,392	11,579	-	(1,912)	476,617	1,872,676
Net income	-	-	-	-	292,314	292,314
Acquisition of treasury stock	-	-	(176,948)	-	-	(176,948)
Gain on valuation of available-for-sale financial assets	-	-	-	248	-	248
Loss on valuation of available-for-sale financial assets	-	-	-	(1,629)	-	(1,629)
Gain on valuation of cash-flow-hedging derivatives	-	-	-	(19)	-	(19)
Loss on valuation of cash-flow-hedging derivatives	-	-	-	(1,593)	-	(1,593)
Actuarial gains(loss) on defined benefit plans	-	-	-	-	(3,021)	(3,021)
Unaudited						
Balance at December 31, 2009	1,386,392	11,579	(176,948)	(4,905)	765,910	1,982,028
Balance at January 1, 2010,	1,386,392	11,579	(176,948)	(4,905)	765,910	1,982,028
Annual dividends	-	-	-	-	(89,968)	(89,968)
Balance after appropriations	1,386,392	11,579	(176,948)	(4,905)	675,942	1,892,060
Net income	-	-	-	-	564,468	564,468
Capital stock issued in merger	1,187,577	823,133	-	-	-	2,010,710
Treasury stock acquired in merger	-	-	(526,931)	-	-	(526,931)
Conversion premium received	-	1,881	-	-	-	1,881
Gain on valuation of available-for-sale financial assets	-	-	-	198	-	198
Loss on valuation of available-for-sale financial assets	-	-	-	3,442	-	3,442
Gain on valuation of cash-flow-hedging derivatives	-	-	-	(59)	-	(59)
Loss on valuation of cash-flow-hedging derivatives	-	-	-	1,243	-	1,243
Actuarial gains(loss) on defined benefit plans	-	-	-	-	(4,848)	(4,848)
Balance at December 31, 2010	₩ 2,573,969	₩ 836,593	₩ (703,879)	₩ (81)	₩ 1,235,562	₩ 3,942,164

See accompanying notes to the financial statements.

LG UPLUS CORP. (FORMERLY LG TELECOM, LTD.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Korean Won	
	2010	Unaudited 2009
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	₩ 564,468	₩ 292,314
Additions of expenses not involving cash outflows:		
Retirement benefits	22,585	8,501
Depreciation	1,008,187	437,238
Amortization of intangible assets	245,068	9,338
Bad debt expenses	46,929	62,060
Other bad debt expenses	-	258
Interest expenses	124,901	59,442
Loss on foreign currency translation	1,743	-
Loss on valuation of inventories	677	42
Income tax expense	-	45,349
Impairment loss on property, plant and equipment	9,536	-
Loss on disposal of property, plant and equipment	43,012	14,331
Loss on disposal of intangible assets	60	-
Impairment loss on intangible assets	9,417	-
Loss on valuation of derivatives	-	18,278
Loss on transactions of derivatives	3,383	4,319
Loss on redemption of debentures	-	19
Impairment loss on available-for-sale financial assets	-	124
	1,515,498	659,299
Deduction of items not involving cash inflows:		
Income tax expense	1,865	-
Interest income	40,348	43,106
Gain on foreign currency translation	1,859	16,427
Gain on disposal of property, plant and equipment	954	29
Gain on transactions of derivatives	566	8,612
Other revenue	44	-
Bargain purchase gain	497,010	-
	(542,646)	(68,174)
Changes in operating assets and liabilities related to operating activities:		
Increase in trade receivables	(6,378)	(11,179)
Increase in loans and other receivables	(6,543)	(27,261)
Increase in inventories	(22,394)	(53,828)
Decrease in other current assets	9,232	18,225

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LG UPLUS CORP. (FORMERLY LG TELECOM, LTD.)
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Korean Won	
	2010	Unaudited 2009
	(In millions)	
Increase in non-current trade receivables	₩ (138,043)	₩ (73,380)
Decrease(increase) in other non-current assets	(364)	404
Increase(decrease) in trade accounts receivables	67,900	(3,392)
Increase(decrease) in non-trade and other payables	29,635	(29,667)
Increase in other current financial liabilities	26,909	8,589
Decrease in other current liabilities	(9,283)	(7,936)
Decrease in other non-current financial liabilities	(2,071)	-
Decrease in retirement benefit obligation	(35,023)	(6,062)
Decrease in provisions	(1,056)	(11,428)
Increase(decrease) in other non-current liabilities	(1,665)	1,853
	(89,144)	(195,062)
Interest income received	8,126	7,216
Interest expense paid	(126,554)	(48,131)
Income taxes paid	(65,576)	(62,758)
Net cash provided by operating activities	1,264,172	584,704
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows from investing activities:		
Decrease in financial institution deposits	18	201,000
Disposal of available-for-sale financial assets	640	66
Disposal of property, plant and equipment	20,698	1,176
Disposal of intangible assets	1,864	1,723
Decrease in loans	30,648	8,634
Decrease in guarantee deposits	15,121	-
Decrease in leasehold deposits	16,519	25,881
Increase due to merger	113,424	-
	198,932	238,480
Cash outflows from investing activities:		
Increase of financial institution deposits	4,000	110,000
Acquisition of available-for-sale financial assets	20,372	-
Acquisition of property, plant and equipment	1,160,386	479,888
Acquisition of intangible assets	25,569	12,735
Increase in loans	32,549	6,966
Increase in leasehold deposits	40,240	25,983
	(1,283,116)	(635,572)
Net cash used in investing activities	₩ (1,084,184)	₩ (397,092)

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LG UPLUS CORP. (FORMERLY LG TELECOM, LTD.)
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Korean Won	
	2010	Unaudited 2009
	(In millions)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	574,910	186,589
Issuance of debentures	841,427	399,982
Proceeds from long-term borrowings	255,304	170,000
Increase in finance lease liabilities	52,998	21,733
Increase in government subsidy	397	-
Increase in leasehold deposits received	-	95
Settlement of derivatives	-	26,195
	1,725,036	804,594
Cash outflows from financing activities:		
Redemption of short-term borrowings	925,976	188,812
Redemption of current portion of long-term debt	453,743	479,445
Payment of dividends	119,537	55,456
Payment of stock issuance costs	5,796	-
Acquisition of treasury stock	120	176,948
Settlement of derivatives	21,094	-
Decrease in non-current other payables	-	3,246
Decrease in leasehold deposits received	-	74
	(1,526,266)	(903,981)
Net cash provided(used) by financing activities	198,770	(99,387)
EXCHANGE RATE FLUCTUATION EFFECT OF CASH AND CASH EQUIVALENTS	(8)	(1)
Net increase in cash and cash equivalents	378,750	88,224
Cash and cash equivalents:		
Beginning of the year	138,351	50,127
End of the year	₩ 517,101	₩ 138,351

See accompanying notes to the financial statements.

LG UPLUS CORP. (FORMERLY LG TELECOM, LTD.)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. GENERAL:

LG Uplus Corp. (formerly LG Telecom, Ltd., the “Company”) was incorporated on July 11, 1996, under the Commercial Code of the Republic of Korea to provide personal communication services including voice, data and value-added communication. The Company commenced its commercial operation on October 1, 1997. The Company listed its shares on the Korea Securities Dealers Automated Quotation (“KOSDAQ”) stock market on September 21, 2000. In accordance with the resolution from the shareholders’ meeting on March 18, 2008, the Company cancelled its listing on the KOSDAQ and on April 21, 2008 listed its’ shares on the Korea Stock Exchange (“KRX”).

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

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

The Company is headquartered in Seoul, Korea, and has set up telecommunication networks all over the country to provide landline and wireless services.

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

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

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

The accompanying financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”).

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

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

(1) Basis of preparing financial statements

1) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments.

2) Functional and reporting currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The Company's functional currency and the reporting currency for the financial statements is Korean Won ("KRW").

(2) Enacted or amended standards

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

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

The 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 acquiree, 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 reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognizes the difference after that review in profit or loss as a bargain purchase gain (loss).

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

(4) Foreign currencies

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

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

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks

(5) 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 overdraft is accounted for as short-term borrowings.

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

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

2) Held-to-maturity investments

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

3) AFS financial assets

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

4) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized 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 Company's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

6) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(7) Investment in subsidiaries and associates

In accordance with K-IFRS 1027, the Company's separate financial statements are prepared to explain investments of controlled entities' and associates' investors on the direct interest investment basis, not the investee's reported performance and net assets basis; the Company chose the cost method based on K-IFRS 1027 to report investments in subsidiaries and associates. Dividends obtained from subsidiaries and associates are recognized in profit or loss when the right to receive dividends is confirmed.

(8) 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.

(9) 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 to the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land and some tangible assets, and depreciation 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 Company 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.

(10) 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 Company 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.

(11) Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets comprised 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.

(12) Impairment of non-financial assets

At the end of the reporting period, the Company 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). Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

(13) Financial liabilities and equity instruments

1) Equity instruments

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

2) Financial liabilities at FVTPL (Fair Value Through Profit or Loss)

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

3) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

4) Derecognition of financial liabilities

The Company derecognizes financial liabilities only when, the Company’s obligations are discharged, cancelled or expired.

(14) 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 Company as lessee

Assets held under finance leases are initially recognized as assets of the Company 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 Company'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 Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect an effective interest rate on the Company'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.

(15) Borrowing costs

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

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

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

(16) Derivative financial instruments

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

Derivatives are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is immediately recognized in profit or loss unless the derivative is designated 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 profit or loss. The associated gains or losses that are recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods, during which the asset acquired or liability assumed affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses are removed from other comprehensive income (loss) and included in the initial cost or other carrying amount of the asset or liability.

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

(17) Retirement benefit costs

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

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

(18) Provisions

A provision is recognized when the Company 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 Company reviews provision balance at the end of reporting period and adjusts the amount reflecting the best estimate.

1) Restoration liabilities

The Company 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

Company 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.

(19) 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 Company's normal course of business, net of discounts, customer returns, rebates and related taxes. The Company recognizes revenue 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 Company.

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.

(20) 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 Company'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 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 Company 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 Company intends to settle its current tax assets and liabilities on a net basis.

3) Recognition of current tax payable and deferred tax

Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income (loss) or directly in equity, in which case, the deferred tax is also recognized in other comprehensive income (loss) or directly in equity, respectively. In case of a 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 business combination costs.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax law) that have been enacted or substantively enacted by the end of the reporting period in a country where a subsidiary or an associate manages its operation and generates taxable profits. Management regularly assesses the Company's 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.

(21) Treasury stock

When the Company repurchase 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 statements of financial position. In addition, profits or losses from purchase, sale or retirement of treasury stocks are directly recognized in shareholders' equity.

3. <u>TRANSITION TO K-IFRS:</u>

The Company's previous financial statements were prepared in accordance with generally accepted accounting standards in the Republic of Korea ("K-GAAP"). However, the Company's financial statements for the year ended December 31, 2010, are prepared in accordance with K-IFRS. Therefore, previous financial statements, which are comparatively presented, are restated based on K-IFRS 1101 *First-time adoption of International Financial Reporting Standard*, and January 1, 2009 as the Company's K-IFRS transition date. In connection with the opening K-IFRS statements of financial position, the effects on the Company's financial position, management performance and cash flows due to the adoption of K-IFRS are as follows:

(1) Application of exemption on retrospective application of K-IFRS 1101

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

1) Business combination

The Company elected not to retroactively adjust for business combinations that have occurred before the date of transition to K-IFRS.

2) Investments in subsidiary, associates and jointly-controlled entities

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

3) Changes of restoration liabilities included in costs of tangible assets

For restoration liabilities of leased land and construction sites, the Company elected not to retroactively apply K-IFRS 2101, *Changes in Existing Decommissioning and Restoration Similar Liabilities*.

(2) Material adjustments of adoption of K-IFRS are as follows:

① Revenue recognition for subscription fees

Under K-GAAP, subscription fees for PCS services are recognized as revenue when customers subscribe for PCS services. Under K-IFRS, subscription fees are deferred and recognized as revenue over the expected terms of customer relationship.

② Accounting of customer loyalty program

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

③ Impairment and allowance of financial assets

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

④ Derecognition of financial assets

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

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⑤ Assessment of present value of financial instruments

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

⑥ Reclassification of memberships and other facility use rights

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

⑦ Reclassification of investment property

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

⑧ Actuarial assessment of defined benefit obligation

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

⑨ Changes from subsequent assessment of restoration liabilities

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

⑩ Presentation of deferred tax and conversion adjustments due to tax effects

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

(3) Effects of K-IFRS adoption in equity

1) Effects of K-IFRS adoption in equity as of January 1, 2009, date of transition, are as follows (Unit: Korean Won in millions):

	Balance at January 1, 2009 K-GAAP non-consolidated (individual) basis	Subscription fee	Customer loyalty program	Impairment & bad debt allowance for financial assets	Derecognition of financial assets	Present value of financial instruments	Reclassification of memberships	Reclassification of investment property	Provision for defined benefit	Restoration liabilities	Deferred tax	Other adjustment	Balance at January 1, 2009 K-IFRS separate basis
ASSETS													
CURRENT ASSETS:													
Cash and cash equivalents	50,127	₩	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 50,127
Financial institution deposits	101,000	-	-	-	-	-	-	-	-	-	-	-	101,000
Trade receivables, net	700,985	-	-	28,454	100,000	-	-	-	-	-	-	-	829,439
Loan and other receivables, net	56,359	-	-	-	-	-	-	-	-	-	-	-	56,359
Available-for-sale financial assets	251	-	-	-	-	-	-	-	-	-	-	-	251
Hedging derivative assets	21,921	-	-	-	-	-	-	-	-	-	-	-	21,921
Inventories, net	101,266	-	-	-	-	-	-	-	-	-	-	-	101,266
Other current assets	152,390	-	-	-	-	-	-	-	-	-	(95,862)	-	56,528
Total current assets	1,184,299	-	-	28,454	100,000	-	-	-	-	-	(95,862)	-	1,216,891
NON-CURRENT ASSETS													
Non-current financial institution deposits	5	-	-	-	-	-	-	-	-	-	-	-	5
Non-current available-for-sale financial assets	26,112	-	-	-	-	-	-	-	-	-	-	1,783	27,894
Non-current trade receivables	119,644	-	-	-	-	-	-	-	-	-	-	-	119,644
Non-current loans and other receivables	190,214	-	-	-	-	(16,912)	-	-	-	-	-	-	173,302
Investments in subsidiaries	2,399	-	-	-	-	-	-	-	-	-	-	(1,692)	707
Deferred tax assets	102,496	-	-	-	-	-	-	-	-	-	107,640	-	210,136
Property, plant and equipment	2,185,683	-	-	-	-	-	-	(11,093)	-	12,415	-	-	2,187,005
Intangible assets	15,257	-	-	-	-	-	18,799	-	-	-	-	-	34,056
Investment property	-	-	-	-	-	-	-	11,093	-	-	-	-	11,093
Hedging derivative assets	99	-	-	-	-	-	-	-	-	-	-	-	99
Other non-current assets	32,254	-	-	-	-	16,912	(18,799)	-	-	-	-	-	30,367
Total non-current assets	2,674,163	-	-	-	-	-	-	-	-	12,415	107,640	91	2,794,309
TOTAL ASSETS	₩ 3,858,462	₩	₩ -	₩ 28,454	₩ 100,000	₩ -	₩ -	₩ -	₩ -	₩ 12,415	₩11,778	₩ 91	₩4,011,200

	Balance at January 1, 2009 K-GAAP non-consolidated (individual) basis	Subscription fee	Customer loyalty program	Impairment & bad debt allowance for financial assets	Derecognition of financial assets	Present value of financial instruments	Reclassi-fication of memberships	Reclassi-fication of investment property	Provision for defined benefit	Restora-tion liabilities	Deferred tax	Other adjust-ment	Balance at January 1, 2009 K-IFRS separate basis
LIABILITIES													
CURRENT LIABILITIES:													
Hedging derivative liabilities	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Trade payables	249,837	-	-	-	-	-	-	-	-	-	-	-	249,837
Non-trade and other payables	622,644	-	-	-	-	-	-	-	-	-	-	-	622,644
Short term borrowings	196,624	-	-	-	-	-	-	-	-	-	-	-	196,624
Current portion of debentures and long-term borrowings	466,500	-	-	-	-	-	-	-	-	-	-	-	466,500
Current portion of long-term financial liabilities	472,455	-	-	-	100,000	-	-	-	-	-	-	-	572,455
Income tax payable	36,412	-	-	-	-	-	-	-	-	-	-	-	36,412
Current portion of provisions	22,267	-	(22,267)	-	-	-	-	-	-	-	-	-	-
Other current liabilities	31,870	56,552	22,267	-	-	-	-	-	-	-	-	-	110,689
Total current liabilities	1,676,702	56,552	-	-	100,000	-	-	-	-	-	-	-	1,833,254
NON-CURRENT LIABILITIES:													
Non-current derivatives liabilities	219	-	-	-	-	-	-	-	-	-	-	-	219
Long-term borrowings & Debentures	178,728	-	-	-	-	-	-	-	-	-	-	-	178,728
Other non-current financial liabilities	26,625	-	-	-	-	(34)	-	-	-	-	-	-	26,591
Provision for retirement benefits	5,671	-	-	-	-	-	-	-	(4,509)	-	-	-	1,162
Provisions	-	-	-	-	-	-	-	-	-	23,064	-	-	23,064
Other non-current liabilities	3,439	16,575	-	-	-	34	-	-	-	-	-	-	20,048
Total long-term liabilities	214,682	16,575	-	-	-	-	-	-	(4,509)	23,064	-	-	249,812
TOTAL LIABILITIES	1,891,384	73,127	-	-	100,000	-	-	-	(4,509)	23,064	-	-	2,083,066
SHAREHOLDERS' EQUITY	₩ 1,967,078	₩ (73,127)	₩ -	₩ 28,454	₩ -	₩ -	₩ -	₩ -	₩ 4,509	₩ (10,649)	₩ 11,778	₩ 91	₩ 1,928,134

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

	Balance at December 31, 2009 K-GAAP non-consolidated (individual) basis	Subscrip-tion fee	Customer loyalty program	Impairment & bad debt allowance for financial assets	Derecogni-tion of financial assets	Present value of financial instruments	Reclassi-fication of memberships	Reclassi-fication of investment property	Provision for defined benefit	Restora-tion liabilities	Deferred tax	Other adjustment	Balance at December 31, 2009 K-IFRS separate basis
ASSETS													
CURRENT ASSETS:													
Cash and cash equivalents	₩ 138,351	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 138,351
Financial institution Deposits	10,000	-	-	-	-	-	-	-	-	-	-	-	10,000
Trade receivables, net	795,902	-	-	2,175	-	-	-	-	-	-	-	-	798,077
Loans and other receivables, net	81,787	-	-	-	-	-	-	-	-	-	-	-	81,787
Available-for-sale financial assets	186	-	-	-	-	-	-	-	-	-	-	-	186
Inventories, net	155,053	-	-	-	-	-	-	-	-	-	-	-	155,053
Other current assets	129,200	-	-	-	-	-	-	-	-	-	(80,219)	-	48,981
Total current assets	1,310,479	-	-	2,175	-	-	-	-	-	-	(80,219)	-	1,232,435
NON-CURRENT ASSETS:													
Non-current financial institution deposits	5	-	-	-	-	-	-	-	-	-	-	-	5
Non-current available-for-sale financial assets	24,218	-	-	-	-	-	-	-	-	-	-	1,782	26,000
Non-current trade receivables	101,871	-	-	-	-	-	-	-	-	-	-	-	101,871
Non-current loans and other receivables	190,070	-	-	-	-	(13,119)	-	-	-	-	-	-	176,951
Investments in subsidiaries	2,903	-	-	-	-	-	-	-	-	-	-	(2, 196)	707
Deferred tax assets	125,435	-	-	-	-	-	-	-	-	-	97,527	-	222,962
Property, plant and equipment	2,227,501	-	-	-	-	-	-	(10,465)	-	2,122	-	(2,307)	2,216,851
Intangible assets	16,931	-	-	-	-	-	18,799	-	-	-	-	-	35,730
Investment property	-	-	-	-	-	-	-	10,465	-	-	-	-	10,465
Other non-current assets	28,381	-	-	-	-	13,119	(18,799)	-	-	-	-	-	22,701
Total non-current assets	2,717,315	-	-	-	-	-	-	-	-	2,122	97,527	(2,721)	2,814,243
TOTAL ASSETS	₩4,027,794	₩ -	₩ −	₩ 2,175	₩ −	₩ −	₩ −	₩ -	₩ −	₩ 2,122	₩ 17,308	₩ (2,721)	₩4,046,678

	Balance at December 31, 2009 K-GAAP non-consolidated (individual) basis	Subscription fee	Customer loyalty program	Impairment & bad debt allowance for financial assets	Derecognition of financial assets	Present value of financial instruments	Reclassification of memberships	Reclassification of investment property	Provision for defined benefit	Restoration liabilities	Deferred tax	Other adjustment	Balance at December 31, 2009 K-IFRS separate basis
LIABILITIES													
CURRENT LIABILITIES:													
Hedging derivative liabilities	₩ 19,844	₩ -	₩ −	₩ −	₩ −	₩ −	₩ −	₩ -	₩ −	₩ −	₩ -	₩ -	₩ 19,844
Trade payables	246,444	-	-	-	-	-	-	-	-	-	-	-	246,444
Non-trade and other Payables.	586,996	-	-	-	-	-	-	-	-	-	-	-	586,996
Short term borrowings	186,045	-	-	-	-	-	-	-	-	-	-	-	186,045
Current portion of long-term borrowings	184,963	-	-	-	-	-	-	-	-	-	-	-	184,963
Other current financial liabilities	68,206	-	-	-	-	-	-	-	-	-	-	-	68,206
Income tax payable	30,912	-	-	-	-	-	-	-	-	-	-	-	30,912
Current portion of provisions	18,551	-	(18,551)	-	-	-	-	-	-	-	-	-	-
Other current liabilities	27,251	57,867	18,551	-	-	-	-	-	-	-	-	-	103,669
Total current liabilities	1,369,212	57,867	-	-	-	-	-	-	-	-	-	-	1,427,079
NON-CURRENT LIABILITIES:													
Hedging derivative liabilities	675	-	-	-	-	-	-	-	-	-	-	-	675
Long-term borrowings and debentures	558,939	-	-	-	-	-	-	-	-	-	-	-	558,939
Other non-current financial liabilities	25,519	-	-	-	-	(16)	-	-	-	-	-	-	25,503
Provision for retirement benefits	8,592	-	-						(1,967)				6,625
Provisions	22,551	-	-	-	-	-	-	-	-	2,294	-	-	24,845
Other non-current liabilities	2,523	18,445	-	-	-	16	-	-	-	-	-	-	20,984
Total long-term liabilities	618,799	18,445	-	-	-	-	-	-	(1,967)	2,294	-	-	637,571
TOTAL LIABILITIES	1,988,011	76,312	-	-	-	-	-	-	(1,967)	2,294	-	-	2,064,650
SHAREHOLDERS' EQUITY	₩2,039,783	₩(76,312)	₩ -	₩ 2,175	₩ -	₩ -	₩ -	₩ -	₩ 1,967	₩ (172)	₩ 17,308	₩ (2,721)	₩1,982,028

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

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

	Year ended December 31, 2009 K-GAAP non-consolidated (individual) basis	Subscription fee	Customer loyalty program	Impairment & bad debt allowance for financial assets	Present value of financial instruments	Provision for defined benefit	Restoration liabilities	Deferred tax	Other adjustment	Year ended December 31, 2009 K-IFRS separate basis
Operating revenues	₩4,962,834	₩ (3,186)	₩(1,304)	₩ -	₩ 29	₩ -	₩ -	₩ -	₩ -	₩4,958,373
Operating expenses:										
Cost of merchandise purchased	998,861	-	-	-	-	-	-	-	-	998,861
Employee benefits	138,907	-	-	-	-	(1,972)	-	-	-	136,935
Depreciation and amortization	449,042	-	-	-	-	-	(4,775)	-	2,309	446,576
Other expenses	2,990,695	-	(1,304)	26,279	5,644	(143)	(1,135)	-	(2)	3,020,033
	4,577,504	-	(1,304)	26,279	5,644	(2,115)	(5,910)	-	2,307	4,602,405
Operating income	385,330	(3,186)	-	(26,279)	(5,615)	2,115	5,910	-	(2,307)	355,968
Non-operating income and expenses:										
Financial revenues	70,264	-	-	-	5,644	(1,634)	-	-	-	74,274
Financial expenses	94,300	-	-	-	29	-	(4,568)	-	-	89,761
Gain from equity method investments	529								(529)	
Other non-operating expenses	2,818	-	-	-	-	-	-	-	-	2,818
Income before income tax	359,005	(3,186)	-	(26,279)	-	481	10,478	-	(2,836)	337,663
Income tax expense	50,880	-	-	-	-	-	-	(5,531)	-	45,349
Net income	308,125	(3,186)	-	(26,279)	-	481	10,478	5,531	(2,836)	292,314
Other comprehensive income (loss)	(3,018)	-	-	-	-	(3,022)	-	-	25	(6,015)
Comprehensive income	₩ 305,107	₩ (3,186)	₩ -	₩(26,279)	₩ -	₩ (2,541)	₩ 10,478	₩ 5,531	₩ (2,811)	₩ 286,299

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

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

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

In the application of the Company's accounting policies, management are 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 available-for-sale financial assets 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 an valuation technique requiring management's assumption on the expected future cash flows and discount rate.

(2) Bad debt allowance for loans and receivables

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

(5) Impairment of non-financial assets

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

(6) Defined benefit pension plan

For the defined benefit pension plan, the service cost is determined using actuarial valuations. In order to apply actuarial valuations, it is necessary to assume a discount rate, an expected rate of return on plan assets, and wage increase rate, etc. The retirement benefit plan contains significant uncertainties on the estimation due to its long-term nature. The defined benefit obligations as of December 31, 2010 are ₩23,366 million (₩6,625 million as of

December 31, 2009) and details are described in Note 20.

(7) Deferred tax

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

(8) Revenue and expense recognition

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

5. SEGMENT INFORMATION:

(1) The Company determined that it operates under only one business segment based on the characteristics of goods and services provided and nature of network assets held. As a result, no separate segment information is disclosed in this report.

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

Reporting segment	Major goods and service	2010	Unaudited 2009
LG Uplus Corp. (formerly, LG Telecom, Ltd)	Telecommunication and related services	₩ 6,319,016	₩ 3,575,019
	Handset sales	1,653,425	1,371,938
	Other	526,066	11,416
		₩ 8,498,507	₩ 4,958,373

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

6. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

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

1) Financial assets

		December 31, 2010		Unaudited December 31, 2009		Unaudited January 1, 2009	
Financial assets	Account	Book value	Fair value	Book value	Fair value	Book value	Fair value
Cash and cash equivalents	Cash and cash equivalents	₩ 517,101	₩ 517,101	₩ 138,351	₩ 138,351	₩ 50,127	₩ 50,127
Derivative assets designated as a hedging instrument	Derivative assets designated as a hedging instrument	-	-	-	-	22,020	22,020
Available-for-sale Financial assets	Marketable equity securities	40,361	40,361	14,188	14,188	15,958	15,958
	Unmarketable equity securities	35,007	35,007	11,812	11,812	11,937	11,937
	Debt securities	144	144	186	186	251	251
		75,512	75,512	26,186	26,186	28,146	28,146
Loans and receivables	Financial institution deposits	15,670	15,670	10,005	10,005	101,005	101,005
	Trade receivables	1,409,097	1,409,097	899,948	899,948	949,083	949,083
	Loans	42,916	42,916	6,989	6,989	8,716	8,716
	Other receivables	91,029	91,029	77,577	77,577	50,514	50,514
	Accrued income	516	516	7	7	162	162
	Deposits	227,716	227,716	174,165	174,165	170,269	170,269
		1,786,944	1,786,944	1,168,691	1,168,691	1,279,749	1,279,749
		₩2,379,557	₩2,379,557	₩1,333,228	₩1,333,228	₩1,380,042	₩1,380,042

2) Financial liabilities

Financial liabilities	Account	December 31, 2010 Book value	December 31, 2010 Fair value	Unaudited December 31, 2009 Book value	Unaudited December 31, 2009 Fair Value	Unaudited January 1, 2009 Book value	Unaudited January 1, 2009 Fair value
Derivative liabilities designated as a hedging instrument	Derivative liabilities designated as a hedging instrument	₩ 699	₩ 699	₩ 20,519	₩ 20,519	₩ 219	₩ 219
		699	699	20,519	20,519	219	219
Financial liabilities measured at amortized cost	Trade payables	314,343	314,343	246,444	246,444	249,837	249,837
	Borrowings	679,899	679,899	396,045	396,045	241,624	241,624
	Debentures	2,030,677	2,030,677	533,902	533,902	700,228	700,228
	Other payables	674,904	674,904	400,643	400,643	367,747	367,747
	Accrued expenses	421,775	421,775	186,353	186,353	254,897	254,897
	Withholdings	122,109	122,109	48,183	48,183	39,593	39,593
	Finance lease liabilities	74,628	74,628	41,653	41,653	33,711	33,711
	Rental deposits	18,092	18,092	3,873	3,873	3,835	3,835
		4,336,427	4,336,427	1,857,096	1,857,096	1,891,472	1,891,472
		₩4,337,126	₩4,337,126	₩1,877,615	₩1,877,615	₩1,891,691	₩1,891,691

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

(2) Fair value hierarchy

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

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

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

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

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

1) Financial instruments that are measured subsequent to initial recognition at fair value by fair-value hierarchy levels as of December 31, 2010 and 2009, and January 1, 2009 are as follows (Unit: 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
Unmarketable equity securities	35,007	-	-	35,007	35,007
Debt securities	144	-	-	144	144
	75,512	40,361	₩ -	35,151	75,512
Financial liabilities:					
Derivative liabilities designated as a hedging instrument	699	-	699	-	699
	₩ 699	₩ -	₩ 699	₩ -	₩ 699

	Unaudited December 31, 2009				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Marketable equity securities	₩ 14,188	₩ 14,188	₩ -	₩ -	₩ 14,188
Unmarketable equity securities	11,813	-	-	11,813	11,813
Debt securities	186	-	-	186	186
	26,187	14,188	-	11,999	26,187
Financial liabilities:					
Derivative liabilities designated as a hedging instrument	20,519	-	20,519	-	20,519
	₩ 20,519	₩ -	₩ 20,519	₩ -	₩ 20,519

	Unaudited January 1, 2009				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Derivatives asset designated as a hedging instrument	₩ 22,020	₩ -	₩ 22,020	₩ -	₩ 22,020
Marketable equity securities	15,958	15,958	-	-	15,958
Unmarketable equity securities	11,937	-	-	11,937	11,937
Debt securities	251	-	-	251	251
	50,166	15,958	22,020	12,188	50,166
Financial liabilities:					
Derivative liabilities designated as a hedging instrument	219	-	219	-	219
Ending balance	₩ 219	₩ -	₩ 219	₩ -	₩ 219

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

	2010				
	Beginning balance	Acquisition from merger	Purchases	Disposals	Ending balance
Financial assets:					
Unmarketable equity securities	₩ 11,812	₩ 3,421	₩ 20,299	₩ (525)	₩ 35,007
Debt securities	186	73	-	(115)	144
	₩ 11,998	₩ 3,494	₩ 20,299	₩ (640)	₩ 35,151

	Unaudited 2009				
	Beginning balance	Acquisition from merger	Purchases	Disposals	Ending balance
Financial assets:					
Unmarketable equity securities	₩ 11,937	₩ -	₩ -	₩ (125)	₩ 11,812
Debt securities	251	-	-	(65)	186
	₩ 12,188	₩ -	₩ -	₩ (190)	₩ 11,998

7. <u>CASH AND CASH EQUIVALENTS:</u>

The Company's cash and cash equivalents in the statements of financial position are equivalent to those in the statements of cash flows. Details of cash and cash equivalents as of December 31, 2010 and 2009, and January 1, 2009 are as follows (Unit: Korean Won in millions):

	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
Financial institution deposits	₩ 514,782	₩ 138,347	₩ 50,122
Other cash equivalents	2,319	4	5
	₩ 517,101	₩ 138,351	₩ 50,127

8. <u>RESTRICTED FINANCIAL ASSETS:</u>

Restricted financial assets as of December 31, 2010 and 2009, and January 1, 2009 are as follows (Unit: Korean Won in millions):

	Financial institution	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
Guarantee deposits for checking accounts	Woori Bank and others	₩ 21	₩ 5	₩ 5
Term deposits	NongHyup Bank(*1)	350	-	-
	Hana Bank (*2)	300	-	-
		650	-	-
		₩ 671	₩ 5	₩ 5

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

9. TRADE AND OTHER RECEIVABLES:

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

	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
Trade receivables	₩ 1,446,037	₩ 953,305	₩ 965,244
Allowances for doubtful accounts	(225,074)	(155,228)	(135,805)
Trade receivables, net	1,220,963	798,077	829,439
Short-term loans	37,171	4,842	6,262
Allowances for doubtful accounts	(919)	(639)	(579)
Short-term loans, net	36,252	4,203	5,683
Other accounts receivable	110,532	94,624	72,692
Allowances for doubtful accounts	(19,503)	(17,047)	(22,178)
Other accounts receivable, net	91,029	77,577	50,514
Accrued income	516	7	162
	₩ 1,348,760	₩ 879,864	₩ 885,798

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

	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
Trade receivables	₩ 190,235	₩ 102,977	₩ 120,982
Allowances for doubtful accounts	(2,101)	(1,106)	(1,338)
Trade receivables, net	188,134	101,871	119,644
Long-term loans	6,664	2,786	3,033
Leasehold deposits	206,723	160,102	157,941
Guarantee deposits	20,993	14,063	12,328
	₩ 422,514	₩ 278,822	₩ 292,946

(3) Aging of trade and other receivables as of December 31, 2010 and 2009, and January 1, 2009 ares as follows (Unit: Korean Won in millions):

	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
Less than 7 months	₩ 1,788,148	₩ 1,170,213	₩ 1,197,303
7-12 months	42,096	44,544	22,960
1-3 years	182,439	116,372	116,860
More than 3 years	6,188	1,577	1,521
	₩ 2,018,871	₩ 1,332,706	₩ 1,338,644

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

	2010	Unaudited 2009
Beginning balance	₩ 174,020	₩ 159,900

Increase due to merger		68,833		-
Impairment loss		46,929		62,318
Write-off of accounts receivable		(49,606)		(48,198)
Reversal of impairment loss		7,421		-
Ending balance	₩	247,597	₩	174,020

10. INVENTORIES:

(1) If the net realizable value of inventories is less than its acquisition cost, the carrying amount is reduced to the net realizable value. Inventories as of December 31, 2010 and 2009, and January 1, 2009 consist of the following (Unit: Korean Won in millions):

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

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

11. OTHER ASSETS:

(1) Details of other current assets as of December 31, 2010 and 2009, and January 1, 2009 are as follows (Unit: Korean Won in millions):

	December 31, 2010		Unaudited December 31, 2009		Unaudited January 1, 2009	
Advanced payments	₩	9,368	₩	3,068	₩	1,335
Prepaid expenses		57,279		45,913		55,193
	₩	66,647	₩	48,981	₩	56,528

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

	December 31, 2010		Unaudited December 31, 2009		Unaudited January 1, 2009	
Non-current prepaid expenses	₩	26,885	₩	22,701	₩	30,367

12. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts

Changes in property, plant and equipment for the years ended December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

	2010					
	Land	Buildings	Telecom-munication facilities	Other assets	Construc-tion in progress	Total
Beginning acquisition cost	₩ 66,583	₩ 233,649	₩4,808,736	₩ 306,691	₩ 171,461	₩5,587,120
Accumulated depreciation	-	(35,620)	(3,143,905)	(190,029)	-	(3,369,554)
Government subsidies	-	-	(231)	(484)	-	(715)
Beginning balance	66,583	198,029	1,664,600	116,178	171,461	2,216,851
Acquisition due to merger	484,639	231,413	1,745,310	50,392	51,950	2,563,704
Acquisition	1	135	287,069	40,273	832,908	1,160,386
Transfers	926	12,019	811,523	67,226	(886,930)	4,764
Disposals	-	(74)	(33,066)	(929)	(28,687)	(62,756)
Depreciation	-	(19,787)	(925,646)	(60,447)	-	(1,005,880)
Impairment loss	-	-	(1,493)	(8,043)	-	(9,536)
Ending balance	552,149	427,735	3,548,297	204,650	140,702	4,867,533
Ending acquisition cost	552,149	477,723	7,453,287	446,697	140,702	9,070,558
Accumulated depreciation	-	(55,988)	(3,903,007)	(233,732)	-	(4,191,727)
Accumulated impairment loss	-	-	(1,493)	(8,043)	-	(9,536)
Government subsidies	-	-	(490)	(272)	-	(762)
Ending balance	₩ 552,149	₩ 421,735	₩3,548,297	₩ 204,650	₩ 140,702	₩4,867,533

	Unaudited 2009					
	Land	Buildings	Telecom-munication facilities	Other assets	Construc-tion in progress	Total
Beginning acquisition cost	₩ 66,526	₩ 233,519	₩4,563,136	₩ 276,142	₩ 105,300	₩5,244,623
Accumulated depreciation	-	(26,669)	(2,848,007)	(180,965)	-	(3,055,641)
Accumulated impairment loss	-	(958)	-	-	-	(958)
Government subsidies	-	-	(274)	(745)	-	(1,019)
Beginning balance	66,526	205,892	1,714,855	94,432	105,300	2,187,005
Acquisition	4	1,237	236,816	26,914	221,461	486,432
Transfers	53	-	124,347	26,455	(155,300)	(4,445)
Disposals	-	(61)	(11,569)	(3,848)	-	(15,478)
Depreciation	-	(9,040)	(399,848)	(27,776)	-	(436,664)
Ending balance	66,583	198,029	1,664,600	116,178	171,461	2,216,851
Ending acquisition cost	66,583	233,649	4,808,736	306,691	171,461	5,587,120
Accumulated depreciation	-	(35,620)	(3,143,905)	(190,029)	-	(3,369,554)
Government subsidies	-	-	(231)	(484)	-	(715)
Ending balance	₩ 66,583	₩ 198,029	₩1,664,600	₩ 116,178	₩ 171,461	₩2,216,851

(2) Assets pledged as collateral

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

13. INVESTMENT PROPERTY:

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

	2010					
	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

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

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

14. INTANGIBLE ASSETS:

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

	2010					
	Intellectual property rights	Computer software	Membership	Customer relationship	Other intangible assets	Total
Beginning acquisition cost	₩ 2,655	₩ 4,979	₩ 18,799	-	₩ 33,854	₩ 60,287
Accumulated amortization	(1,073)	(4,807)	-	-	(18,677)	(24,557)
Beginning balance	1,582	172	18,799	-	15,177	35,730
Acquisition to merger	109	5,186	16,804	647,600	40,678	710,377
Acquisition	335	-	3,369	-	21,865	25,569
Disposals	-	-	(390)	-	(1,534)	(1,924)
Impairment loss (*1)	-	-	-	-	(9,417)	(9,417)
Amortization	(360)	(3,365)	-	(215,867)	(25,476)	(245,068)
Ending balance	1,666	1,993	38,582	431,733	41,293	515,268
Ending acquisition cost	3,098	10,165	38,582	647,600	91,197	790,642
Accumulated amortization	(1,432)	(8,172)	-	(215,867)	(40,487)	(265,958)
Accumulated impairment loss	-	-	-	-	(9,417)	(9,417)
Ending balance	₩ 1,666	₩ 1,993	₩ 38,582	₩ 431,733	₩ 41,293	₩ 515,268

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

	Unaudited 2009				
	Intellectual property rights	Computer software	Membership	Other intangible assets	Total
Beginning acquisition cost	₩ 2,471	₩ 4,979	₩ 18,799	₩ 24,242	₩ 50,491
Accumulated amortization	(829)	(4,770)	-	(10,836)	(16,435)
Beginning balance	1,642	209	18,799	13,406	34,056
Acquisition	184	-	-	12,434	12,618
Disposals	-	-	-	(1,606)	(1,606)
Amortization	(244)	(37)	-	(9,057)	(9,338)
Ending balance	1,582	172	18,799	15,177	35,730
Ending acquisition cost	2,655	4,979	18,799	33,854	60,287
Accumulated amortization	(1,073)	(4,807)	-	(18,677)	(24,557)
Ending balance	₩ 1,582	₩ 172	₩ 18,799	₩ 15,177	₩ 35,730

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

(3) R&D costs

The costs related to research and development for the years ended December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

	2010	Unaudited 2009
Research costs	₩ 49,315	₩ 37,042

(4) Significant intangible assets

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

15. INVESTMENTS IN SUBSIDIARIES:

(1) Composition of the Company's investments in subsidiaries as of December 31, 2010 and 2009, and January 1, 2009 is as follows (Unit: Korean Won in millions):

Companies	Place of incorporation and operation	Percentage of ownership (%)	Acquisition cost	Book value December 31, 2010	Book value Unaudited December 31, 2009	Book value Unaudited January 1, 2009
Ain Teleservice	South Korea	100.00	₩ 434	₩ 434	₩ 434	₩ 434
CS Leader	South Korea	100.00	273	273	273	273
DACOM Multimedia Internet Corporation	South Korea	88.06	11,085	11,085	-	-
DACOM America Inc. (*1)	USA	100.00	-	-	-	-
CS ONE Partner	South Korea	100.00	2,633	2,633	-	-
			₩ 14,425	₩ 14,425	₩ 707	₩ 707

(*1) DACOM America Inc. has negative capital as of December 31, 2010 and 2009.

The Company has chosen the carrying value on K-IFRS transition date, as deemed cost for investment interests in Ain Teleservice Co. Ltd. and CS Leader, and accounts the investments under the cost method. Investment interests in Dacom Multi-media Internet, DACOM America Inc. and CSONE Partner were acquired through the merge of LG Dacom and LG Powercom on January 1, 2010; the fair value at the time of merger is considered as the acquisition cost and subsequently assesses it under the cost method.

(2) Summary of financial information of subsidiaries as of December 31, 2010 and 2009, and January 1, 2009 for the year ended are as follows (Unit: Korean Won in millions):

	December 31, 2010			
Companies	Assets	Liabilities	Operating revenues	Net income (loss)
Ain Teleservice	₩ 7,023	₩ 6,178	₩ 50,009	₩ 1,442
CS Leader	5,671	4,765	36,880	1,169
DACOM Multimedia Internet Corporation	19,347	5,838	33,765	970

DACOM America Inc.	388	3,574	1,632	17
CS ONE Partner	₩ 5,411	₩ 2,635	₩ 42,137	₩ 432

	Unaudited December 31, 2009			
Companies	Assets	Liabilities	Operating revenues	Net income(loss)
Ain Teleservice	₩ 10,135	₩ 9,573	₩ 53,775	₩ (1,387)
CS Leader	9,469	8,983	41,080	(102)

	Unaudited January 1, 2009	
Companies	Assets	Liabilities
Ain Teleservice	₩ 9,882	₩ 7,933
CS Leader	7,297	6,710
The 3rd SPC of Music on	100,236	100,220

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

(1) Composition of the Company's investments in jointly-controlled entities (joint ventures) and investments in associates as of December 31, 2010 is as follows. (Unit: Korean Won in millions):

Companies	Class	Place of incorporation and operation	Percentage of ownership (%)	December 31, 2010
DACOM Crossing	Jointly controlled entities	South Korea	51.00	₩ 5,964
True Internet Data Center Company	Associates	Thailand	30.00	2,757
				₩ 8,721

Interests in above jointly-controlled entities and associates were acquired by 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 investee are accounted applying acquisition method.

(2) Summary of financial information for jointly-controlled entities and associates as of and for the year ended December 31, 2010 is as follows (Unit: Korean Won in millions):

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

17. DEBENTURES AND BORROWINGS:

(1) The Company's short-term borrowings as of December 31, 2010 and 2009, and January 1, 2009 consist of the following (Unit: Korean Won in millions):

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

(2) The Company's long-term borrowings as of December 31, 2010 and 2009, and January 1, 2009 consist of the following (Unit: Korean Won in millions):

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

(3) The Company’s debentures as of December 31, 2010 and 2009, and January 1, 2009, and January 1, 2009 consist of the following (Unit: Korean Won in millions):

	Annual interest rate (%)	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
Debentures issued under public offering	3.86 - 6.70	₩ 1,490,000	₩ 360,000	₩ 260,000
Debentures issued privately	4.13 - 6.00	200,000	120,000	90,000
Foreign unsecured debentures	-	-	-	251,500
Foreign FRN	-	-	56,045	-
Convertible bonds (“CB”)	5.00	348,225	-	-
Other	-	-		100,000
		2,038,225	536,045	701,500
Less: current portion of debentures		500,000	146,045	561,500
		1,538,225	390,000	140,000
Discount on debentures		(9,301)	(2,143)	(1,272)
Less: current portion of discount on debentures		(46)	(1,082)	-
		(9,255)	(1,061)	(1,272)
			-	
Premium on debentures		4,214	-	-
Less: current portion of premium on debentures		832	-	-
		3,382	-	-
			-	
CB adjustment		(2,461)	-	-
		₩ 1,529,891	₩ 388,939	₩ 138,728

As of December 31, 2010, the Company 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 Company 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 Company 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 Company shall sell its treasury stock before the eleventh (11th) day following the conversion date and pay the proceeds to the bondholder.
8)	Conversion price	As of December 31, 2010, the conversion price is ₩9,273.75 per share of treasury stock. The price may be adjusted for any issuance of shares without consideration, stock split, reverse stock split and cash dividend.

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

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

	2010		
Period	Debentures	Long-term borrowings	Total
Jan. 1, 2012 ~ Dec. 31, 2012	₩ 948,225	₩ 49,562	₩ 997,787
Jan. 1, 2013~ Dec. 31, 2013	590,000	147,979	737,979
Jan. 1, 2014 and thereafter	-	104,467	104,467
	₩ 1,538,225	₩ 302,008	₩ 1,840,233

18. <u>OTHER FINANCIAL LIABILITIES:</u>

Other financial liabilities as of December 31, 2010 and 2009, and January 1, 2009 are as follows (Unit: Korean Won in millions):

	December 31, 2010		Unaudited December 31, 2009		Unaudited January 1, 2009	
	Current	Non-current	Current	Non-current	Current	Non-current
Trade payables	₩ 314,343	₩ -	₩ 246,444	₩ -	₩ 249,837	₩ -
Non-trade payable	674,881	23	400,643	-	367,747	-
Accrued expenses	421,775	-	186,353	-	254,897	-
Withholdings	122,110	-	48,183	-	39,593	-
Rental deposits	-	18,092	-	3,873	-	3,835
Finance lease liabilities	37,022	37,606	20,023	21,630	10,955	22,756
	₩1,570,131	₩ 55,721	₩ 901,646	₩ 25,503	₩ 923,029	₩ 26,591

19. PROVISIONS:

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

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

(2) Changes in restoration liabilities are as follows (Unit: Korean Won in millions):

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

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

20. RETIREMENT BENEFIT PLAN:

(1) Defined contribution plan

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

(2) Defined benefit plan

The Company 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 the related plan assets and the defined benefit liability are performed by an independent reputable actuary specialist underthe projected unit credit method.

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

	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
Present value of defined benefit obligation	₩ 90,906	₩ 31,988	₩ 24,449
Fair value of plan assets	(67,540)	(25,363)	(23,287)
Retirement benefit obligation	₩ 23,366	₩ 6,625	₩ 1,162

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

	2010	Unaudited 2009
Beginning balance	₩ 31,988	₩ 24,449
Increase due to merger	57,227	-
Actuarial losses(gains)	7,064	3,313
Current service cost	19,950	7,176
Interest cost	4,779	1,681
Benefits paid	(28,498)	(4,607)
Other (*1)	(1,604)	(24)
Ending balance	₩ 90,906	₩ 31,988

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

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

	2010	Unaudited 2009
Beginning balance	₩ 25,363	₩ 23,287
Increase due to merger	35,028	-
Expected return on plan assets	3,269	1,201
Actuarial gains(losses)	84	290
Contributions from the employer	32,436	5,286
Benefits paid	(28,498)	(4,607)
Other (*1)	(142)	(94)
Ending balance	₩ 67,540	₩ 25,363

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

4) Income and loss related to defined benefit plan for the years ended December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

	2010	Unaudited 2009
Current service cost	₩ 19,950	₩ 7,176
Interest cost	4,779	1,681
Expected return on plan assets	(3,269)	(1,201)
	₩ 21,460	₩ 7,656

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

	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
Discount rate (%)	5.5%	6.2%	7.3%
Expected return on plan assets (%)	4.5%	6.2%	4.8%
Expected rate of salary increase (%)	5.1%	5.4%	5.4%

(3) The major categories of plan assets, and the expected rate of return for each category as of December 31, 2010 and 209 are as follows (Unit: Korean Won in millions):

	2010		Unaudited 2009	
	Expected rate of return	Allocation	Expected rate of return	Allocation
Retirement insurance	4.5%	100%	6.2%	100%

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held and the assessment of the expected returns is based on historical return trends and predictions of the market for the asset over the life of the related defined benefit obligation.

(4) The result of sensitivity analysis for the actuarial assumptions is as follow (Unit: Korean Won in millions):

		Impact (*1)	
	Present value	1% increase against discount rate	1% decrease against discount rate
Defined benefit obligation	₩ 90,906	₩ 81,662	₩ 101,760

(*1) These sensitivities assume that all other assumptions remain unchanged except for discount rates.

(5) The expected contribution to the defined benefit plans during the next financial year is as follows(Unit: Korean Won in millions):

	2011
Estimated contribution to plan asset(*1)	₩ 3,741

(*1) The estimated contribution amount is calculated based on the estimated payment of plan asset among the retirement benefit payments.

21. OTHER LIABILITIES:

Other liabilities as of December 31, 2010 and 2009, and January 1, 2009 are as follows (Unit: Korean Won in millions):

	December 31, 2010		Unaudited December 31, 2009		Unaudited January 1, 2009	
	Current	Non-current	Current	Non-current	Current	Non-current
Advances received	₩ 50,954	₩ -	₩ 25,997	₩ -	₩ 30,589	₩ -
Unearned income	66,383	19,635	77,672	20,984	80,100	20,048
	₩ 117,337	₩ 19,635	₩ 103,669	₩ 20,984	₩ 110,689	₩ 20,048

22. FINANCE LEASE LIABILITIES:

Finance lease liabilities as of December 31, 2010 and 2009, and January 1, 2009 are as follows (Unit: Korean Won in millions):

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

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

23. EQUITY:

(1) Capital stock

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

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

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

(2) Capital surplus

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

(3) Legal reserve

As of December 31, 2010, earned surplus reserve in form of legal reserve of ₩22,861 million is included in retained earnings. The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit.

(4) Treasury stock

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

In addition, as part of the merger of LG Dacom and LG Powercom the Company 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 Company 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 Company 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 Company plans to dispose of its treasury stocks within three years from the date of purchase.

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

24. STATEMENTS OF RETAINED EARNINGS:

(1) The statements of retained earnings for the years ended December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

		2010		Unaudited 2009
RETAINED EARNINGS BEFORE APPROPRIATION:				
Undisposed accumulated earnings carried forward from prior year	₩	653,081	₩	462,753
Net income		564,468		292,314
Actuarial gain(loss)		(4,847)		(3,021)
		1,212,702		752,046
APPROPRIATIONS:				
Legal reserve		15,138		8,997
Reservation for research and development of human resources		25,200		-
Dividend (Cash dividend(rate per shares) 2010: ₩350(7%) 2009: ₩350(7%))		151,376		89,968
		191,714		98,965
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩	1,020,988	₩	653,081

25. DIVEDENDS:

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

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

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

	2010	Unaudited 2009
Total dividends	₩ 151,376	₩ 89,968
Net income attributable to the owners of the Company	564,468	292,314
Dividend payout ratio	26.82%	30.78%

26. ACCUMULATED OTHER COMPREHENSIVE INCOME(LOSS):

(1) Composition of accumulated other comprehensive income or loss as of December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

	Gain on valuation of available-for-sale financial assets	Loss on valuation of available-for-sale financial assets	Gain on valuation of cash-flow-hedging derivatives	Loss on valuation of cash-flow-hedging derivatives	Total
Unaudited Balance at January 1, 2009	₩ 2	₩ (1,813)	₩ 77	₩ (178)	₩ (1,912)
Fair value assessment	248	(1,629)	-	-	(1,381)
Hedge accounting	-	-	(18)	(1,594)	(1,612)
Unaudited Balance at December 31, 2009	250	(3,442)	59	(1,772)	(4,905)
Balance at January 1, 2010	250	(3,442)	59	(1,772)	(4,905)
Fair value assessment	198	3,442	-	-	3,640
Hedge accounting	-	-	(59)	1,243	1,184

Balance at December 31, 2010	₩ 448	₩ -	₩ -	₩ (529)	₩ (81)

27. OTHER OPERATING INCOME AND EXPENSES:

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

	2010	Unaudited 2009
Gain on disposal of tangible assets	₩ 954	₩ 30
Gain on foreign currency transactions (operating)	3,880	239
Gain on foreign currency translation (operating)	1,859	-
Miscellaneous income	22,363	11,147
Bargain purchase gain from the merger (*1)	497,010	-
	₩ 526,066	₩ 11,416

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

(2) Composition of other operating expenses for the years ended December 31, 2010 and 2009 is as follows (Unit: Korean Won in millions):

	2010	Unaudited 2009
Operating lease payment	₩ 263,699	₩ 171,626
Sales commissions	1,874,030	1,285,244
Commission charge	648,235	179,751
Interconnection charge	707,171	580,749
Telecommunication equipment rental fees	261,455	238,732
Outsourcing expense	365,627	193,932
Bad debt expenses	46,929	62,060
International interconnection charge	169,708	10,908
Other	637,132	297,031
	₩ 4,973,986	₩ 3,020,033

28. FINANCIAL REVENUES AND FINANCIAL EXPENSES:

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

	2010	Unaudited 2009
Financial revenues	₩ 44,664	₩ 74,274
Financial expenses	128,938	89,761
Financial expenses, net	₩ 84,274	₩ 15,487

(2) Financial revenues for the years ended December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

	2010	Unaudited 2009
Interest income	₩ 40,348	₩ 43,106
Gain on foreign currency transactions (non-operating)	3,118	5,772

Gain on foreign currency translation (non-operating)		-		16,427
Dividend income		416		357
Gain on trading of derivative instruments		566		8,612
Other		216		-
	₩	44,664	₩	74,274

(3) Interest income included in financial revenues for the years ended December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

		2010		Unaudited 2009
Cash and cash equivalents and financial institution deposits	₩	7,012	₩	6,700
Other loans and receivables		33,336		36,406
	₩	40,348	₩	43,106

(4) Financial expenses for the years ended December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

		2010		Unaudited 2009
Interest expense	₩	124,901	₩	59,442
Loss on foreign currency transactions (non-operating)		646		7,578
Loss on foreign currency translation (non-operating)		8		1
Loss on trading of derivative instruments		3,383		4,319
Loss on valuation of derivative instruments		-		18,278
Impairment loss on available-for-sale financial assets		-		124
Loss on redemption of debentures		-		19
	₩	128,938	₩	89,761

(5) Interest expense included in financial expense for the years ended December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

		2010		Unaudited 2009
Bank overdrafts and loan interest	₩	26,473	₩	20,594
Finance lease liabilities interest		2,879		2,349
Debentures interest		93,905		41,651
Other interest expense		1,644		2,519
Less: capitalized interest expense		-		(7,671)
	₩	124,901	₩	59,442

29. INCOME TAX:

(1) Composition of income tax expense for the years ended December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

		2010		Unaudited 2009
Current income tax payable	₩	64,116	₩	57,768
Changes in deferred tax assets:				
Income tax payable due to the merger		(17,618)		-
Temporary differences		(86,417)		194

Tax credit carry-forwards	(83,876)	(13,020)
Succession of deferred tax assets due to the merger	121,654	-
Tax effect related to the change in other comprehensive income (loss)	276	407
Income tax expense	₩ (1,865)	₩ 45,349

(2) Reconciliation between income before income tax and income tax expense of the Company for the year ended December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

	2010	Unaudited 2009
Income before income tax expense	₩ 562,603	₩ 337,663
Tax expense calculated on book income (tax rate: 24.2%)	136,130	81,688
Adjustments:		
Non-taxable income	(120,289)	(6)
Non-deductible expense	2,174	408
Additional payment (Refund) of income tax	(6,145)	1,730
Changes in the assets or liabilities relating to deferred taxes and tax rate	16,757	(10,745)
Tax credits	(31,640)	(27,726)
Others	1,148	-
Income tax expense	₩ 1,865	₩ 45,349
Effective tax rate (income tax expense/ income before income tax expense)	-	13.43%

(3) Income tax directly reflected in equity for the years ended December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

	2010	Unaudited 2009
Revenues and expense related to the change in other comprehensive income (loss)		
Gain on valuation of cash-flow-hedging derivatives	₩ (18)	₩ (3)
Loss on valuation of cash-flow-hedging derivatives	376	(14)
Gain from valuation of available-for-sale financial assets	56	70
Loss from valuation of available-for-sale financial assets	971	(460)
Other capital surplus	559	-
Actuarial gain(loss)	(2,220)	-
Income tax expense related to the change in other comprehensive income (loss)	₩ 276	₩ (407)

(4) Income tax payables and prepaid income tax in gross amount before offsetting as of December 31, 2010 and 2009, and January 1, 2009 are as follows (Unit: Korean Won in millions):

	December 31, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
Prepaid income tax before offsetting	₩ 32,834	₩ 301	₩ 420
Income tax payable before offsetting	70,007	31,213	36,832
Income tax payable, net	₩ 37,173	₩ 30,912	₩ 36,412

(5) Changes in deferred tax assets (liabilities) for the years ended December 31, 2010 is as follows (Unit: Korean Won in millions):

	2010				
	Beginning balance	Succession due to merger	Increase	Decrease	Ending balance
Provision for severance benefits	₩23,082	₩44,795	₩19,803	₩14,682	₩72,998
Allowance for doubtful accounts	134,233	52,466	201,520	179,737	208,482
Loss on valuation of inventories	10,840	-	6,109	8,401	8,548
Unsettled expenses	67,276	18,963	104,597	86,239	104,597
Property, plant and equipment	150,614	-	227,742	8,195	370,161
Provisions	43,396	-	40,763	43,396	40,763
Impairment losses on investment securities	27,870	-	-	1,000	26,870
Loss on valuation of investment securities	4,092	-	-	4,666	(574)
Derivatives	20,519	-	699	20,519	699
Intangible assets	19,552	-	99,786	6,843	112,495
Deemed dividends (CS Leader)	160	-	-	-	160
Government subsidies	1,027	-	1,419	1,466	980
Share of profits (losses) 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	672	-	94	671	95
Subtotal of temporary differences to be deducted	583,082	147,700	704,772	407,988	1,027,566
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)
Tax reserves	-	(25,200)	-	-	(25,200)
Conversion feature on convertible bonds	-	-	(2,461)	-	(2,461)
Subtotal of temporary differences to be added	(75,058)	(60,059)	(45,381)	(42,232)	(138,266)
Realizable temporary differences	505,539				886,398
Unrealizable temporary differences	2,485				2,900
Tax rate	24.2%, 22.0%				24.2%, 22.0%
Income tax effect due to temporary differences	117,106				203,523
Income tax effect due to tax credit carry forwards	105,856				189,732

	2010				
	Beginning balance	Succession due to merger	Increase	Decrease	Ending balance
Deferred income tax assets	₩ 222,962				₩393,255

(6) Changes in the deferred tax assets (liabilities) for the year ended December 31, 2009 is as follows (Unit: Korean Won in millions):

	Beginning balance	Increase	Decrease	Ending balance
Provision for severance benefits	₩ 22,711	₩ 6,316	₩ 5,945	₩ 23,082
Allowance for doubtful accounts	112,035	161,287	139,089	134,233
Loss on valuation of inventories	11,883	6,938	7,981	10,840
Unsettled expenses	65,594	67,276	65,594	67,276
Property, plant and equipment	135,756	24,228	9,370	150,614
Provisions	45,332	20,332	22,268	43,396
Impairment losses on investment securities	27,746	124	-	27,870
Losses on valuation of investment securities	3,318	774	-	4,092
Derivatives	(18,588)	18,420	(20,687)	20,519
Intangible assets	23,690	3,875	8,013	19,552
Deemed dividends (CS Leader)	160	-	-	160
Government subsidies	836	125	(66)	1,027
Share of profits (losses) of associates under the equity method	3,850	-	439	3,411
Loss on foreign currency translation	63,479	1	63,479	1
Share of profits (losses) of associates in other comprehensive income(loss) under the equity method	-	25	-	25
Adjustment on revenues	73,127	3,185	-	76,312
Others	826	306	460	672
Subtotal of temporary differences to be Deducted	571,755	313,212	301,885	583,082
Accrued interest income	(163)	(7)	(163)	(7)
Deposits for severance benefits	(25,436)	(5,087)	(5,474)	(25,049)
Interest expense (capitalized interest expense)	(22,479)	(5,867)	(10,834)	(17,512)
Adjustment on revenues	(2,335)	(2,148)	(2,335)	(2,148)
Share of profits (losses) of associates in other comprehensive income(loss) under the equity method	(1,111)	-	-	(1,111)
Gain on foreign currency translation	(5)	(16,427)	(5)	(16,427)
Property, plant and equipment	(12,415)	(389)	-	(12,804)
Subtotal of temporary differences to be Added	(63,944)	(29,925)	(18,811)	(75,058)
Realizable temporary differences	507,651			505,539
Unrealizable temporary differences	160			2,485
Tax rate	24.2%,22.0%			24.2%,22.0%
Income tax effect due to temporary Differences	117,300			117,106
Income tax effect due to tax credit carry Forwards	92,836			105,856

	Beginning balance	Increase	Decrease	Ending balance
Deferred income tax assets	₩ 210,136			₩222,962

(7) As of December 31, 2010 and 2009, and January 1, 2009 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, 2010	Unaudited December 31, 2009	Unaudited January 1, 2009
Investments in associates	₩ 2,900	₩ 2,485	₩ 160

30. EARNINGS PER SHARE:

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

	2010	2009
Net income	₩ 564,468	₩ 292,314
Weighted average number of common shares outstanding (*1)	432,501,952 shares	277,278,430 shares
Earnings per share (in Korean Won)	₩1,305 per share	₩1,054 per share

(*1) Includes 82,291,883 shares of treasury stock, obtained due to the LG Dacom's and LG Powercom's shareholders exercising their respective appraisal rights, in calculating weighted average number of shares of common stock.

(2) As of December 31, 2010, the potential dilutive shares and its calculation 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	37,549,534	₩9,273.75 per share

	2010
Net income attributable to the common shares of the Company	₩ 564,468
Net income attributable to the potential dilutive shares (A)	567,955
Weighted average number of common shares outstanding (B)	432,501,952 shares
Number of dilutive shares(C)	9,670,291 shares
Total (D=B+C)	442,172,243 shares
Dilutive earnings per share (in Korean Won) (A/D)	₩ 1,284 per share

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

31. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2010, there are 37 lawsuits ongoing where the Company is a defendant in Republic of Korea; total claim amount the Company is being sued for is ₩16,076 million. Management believes the outcome

of these lawsuits will likely not have a significant effect on the financial position of the Company.

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

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

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

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

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

32 .RELATED PARTY TRANSACTIONS:

(1) Major related parties

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

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

(2) Major transactions with the related parties for the years ended December 31, 2010 and 2009 are as follows. (Unit: Korean Won in millions):

	2010		Unaudited 2009	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Investor with significant influence over the Company:				
LG Corporation	₩ 412	₩ 22,006	₩ 229	₩ 9,836
Subsidiaries:				
Ain Teleservice	33	49,711	13	53,450
CS Leader	75	38,009	24	42,787
Dacom Multimedia Internet Corp.	3,831	26,074	-	-
DACOM America Inc.	-	1,772	-	-
CS ONE Partner	84	42,093	-	-
Jointly controlled entity:				

DACOM Crossing	2,055	11,798	-	-
Associate:				
True Internet Data Center Company	828	-	-	-
	₩ 7,318	₩ 191,463	₩ 266	₩ 106,073

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

	December 31, 2010		Unaudited December 31, 2009		Unaudited January 1, 2009	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Investor with significant influence over the Company:						
LG Corporation	₩ 4,801	₩ 790	₩ 35	₩ 321	₩ 10	₩ 424
Subsidiaries:						
Ain Teleservice	-	1,655	-	4,275	-	240
CS Leader	-	1,583	-	4,086	5	714
Dacom Multimedia Internet Corp.	28	6,915	-	-	-	-
DACOM America Inc.	2,719	148	-	-	-	-
CS ONE Partner	-	425	-	-	-	-
Jointly controlled entity:						
DACOM Crossing	30	1,076	-	-	-	-
Associate:						
True Internet Data Center Company	-	-	-	-	-	-
	₩ 7,578	₩ 12,592	₩ 35	₩ 8,682	₩ 15	₩ 1,378

Above receivables and payables are unsecured and will be settled in cash. Also, there are no payment guarantees given or received related to above receivables and payables.

In addition, no bad debt expense occurred during the year ended December 31, 2010 and 2009. Whereas ₩2,719 million and ₩0 of allowance for doubtful accounts remain as of December 31, 2010 and 2009, respectively.

(4) The compensation and benefits for the Company’s key management including directors and executive officers, who have significant control and responsibilities on planning, operating and controlling the Company’s business activities for the years ended December 31, 2010 and 2009 are summarized as follows (Unit: Korean Won in millions)

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

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

33. RISK MANAGEMENT:

(1) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as going concerns 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 Company may adjust dividend payments, redeem paid in capital to shareholders, issue stocks to reduce liability or sell assets.

The Company'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 Company remains unchanged from prior period. In addition, items managed as capital by the Company as of December 31, 2010 and 2009 are as follows (Unit: Korean Won in millions):

	December 31, 2010	December 31, 2009	January 1, 2009
Total borrowings	₩ 2,785,204	₩ 971,600	₩ 975,563
Less: Cash and cash equivalents	(517,101)	(138,351)	(50,127)
Borrowings, net	2,268,103	833,249	925,436
Total shareholder's equity	₩ 3,942,164	₩ 1,982,028	₩1,928,134
Net borrowings to equity ratio	57.53%	42.04%	48.00%

(2) Financial risk management

The Company 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 Company is to identify the potential risks to financial performance and reduce, eliminate and evade those risks to a degree acceptable to the Company. The Company 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 Company remains unchanged as prior period.

1) Foreign currency risk

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

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

The Company internally assesses the foreign currency risk from changes in exchanges rates on a regular basis. The Company's sensitivity to a 10% increase and decrease in the KRW(functional currency of the Company) against the major foreign currencies as of December 31, 2010 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
CAD	₩ (14)	₩ 14
EUR	2	(2)
HKD	28	(28)
SDR	(9)	9
USD	(1,417)	1,417
Other	(1)	1
	₩ (1,411)	₩ 1,411

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

2) Interest rate risk

The Company 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 of December 31, 2010 is as follows (Unit: Korean Won in millions):

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

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

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

In order to manage its interest risks, the Company enters into interest rate swap contracts. The Company applies cash flow hedge accounting for its interest swap contracts; the value of the unsettled interest swap contract as of December 31, 2010 is as follows (Unit: 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	₩ -	₩ -	₩ (530)	₩ -	₩ 699

3) Price risk

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

4) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. 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 Company is making transactions with reputable financial institutions; therefore, the credit risk from it is limited. For ordinary transactions, customer's financial status, credit history and other factors are considered to evaluate their credit status. The Company does not have policies to manage credit limits of each customer.

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

5) Liquidity risk

The Company 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 Company believes that financial liability may be redeemed by cash flow arising from operating activities and financial assets.

Maturity analysis of non-derivative financial liabilities according to its remaining maturity as of December 31, 2010 is as follows (Unit: Korean Won in millions):

	Within a year		1 - 5 years		Total	
Variable interest instruments	₩	494,573	₩	419,804	₩	914,377
Fixed interest rate instruments		460,701		1,542,574		2,003,275
Non-interest bearing instruments		1,533,108		18,115		1,551,223
	₩	2,488,382	₩	1,980,493	₩	4,468,875

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

Maturity analysis of derivative financial liabilities according to its remaining maturity as of December 31, 2010 is as follows (Unit: Korean Won in millions):

	Within a year	
Derivative financial liabilities:		
Interest Rate Swap		699
	₩	699

(3) Estimation of fair value

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

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

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

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

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

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

34. MERGER:

(1) On January 1, 2010 (registered January 5, 2010), the Company 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 Corp.	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 15 and 16).

(2) The Company 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 to common stocks of LG Powercom 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 Company 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.

~~(4)~~ (5) Bargain purchase gain

서식 있음: 글머리 기호 또는 번호 없이

After applying the purchase method, the Company incurred bargain purchase gain on the acquisition of LG Dacom and LG Powercom of ₩193,669 million and ₩303,341 million, respectively, which is recognized in operating income in the statement of income. The bargain purchase gain recognized was measured as the excess of the fair value of acquired net assets over the consideration transferred and the acquired net assets included the intangible assets that were not previously recognized in the statement of financial position of the acquires, such as customer relationships.

(6) 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 the merger K-GAAP(*1)	Fair value	Book value before the merger K-GAAP(*1)	Fair value
CURRENT ASSETS:				
Cash and cash equivalents	₩ 49,554	₩ 49,554	₩ 61,232	₩ 61,232
Trade receivables	272,451	272,672	148,446	149,068
Inventories	7,912	7,729	5,191	5,600
Other current assets	42,494	33,163	56,657	58,167
Total current assets	372,411	363,118	271,526	274,067
NON-CURRENT ASSETS:				
Investment assets	711,844	388,595	4,046	2,680
Property, plant, and equipment	913,686	1,229,469	1,576,738	1,334,236
Investment property	-	30,634	-	5,794
Intangible assets	33,962	310,171	13,739	400,206
Other non-current assets	36,441	16,092	177,182	204,725
Total non-current assets	1,695,933	1,974,961	1,771,705	1,947,641
TOTAL ASSETS	₩ 2,068,344	₩ 2,338,079	₩ 2,043,231	₩ 2,221,708
CURRENT LIABILITIES:				
Trade and other payables	202,635	202,635	149,591	149,591
Short-term borrowings and current portion of long-term borrowings	181,614	181,652	456,113	457,671
Accrued expenses	153,870	152,006	47,744	47,744
Other current liabilities	119,670	113,923	40,174	57,852
Total current liabilities	657,789	650,216	693,622	712,858
NON-CURRENT LIABILITIES:				
Debentures and long-term borrowings	398,762	399,663	428,560	436,231
Other non-current liabilities	13,148	15,761	15,439	14,859
Total non-current liabilities	411,910	415,424	443,999	451,090
TOTAL LIABILITIES	₩ 1,069,699	₩ 1,065,640	₩ 1,137,621	₩ 1,163,948

(*1) Carrying amounts are obtained from the audited financial statements of other auditors.

For the acquired assets above, the investments in subsidiaries, jointly-controlled entities and associates of LG Dacom and LG Powercom are measured at fair value and included in investments assets.

Also, the fair value of loans and receivables acquired from LG Dacom and LG Powercom is ₩300,023 million and ₩206,988 million, respectively, whereas their contractual amounts are ₩338,879 million and ₩239,088 million, respectively. The cash flow from loans and receivables acquired from LG Dacom and LG Powercom of ₩38,856 million and ₩32,100 million, respectively, are not expected to be collected. (Unit: Korean Won in millions):

	LG Dacom			LG Powercom		
	Fair value	Gross contractual amount	Amount deemed Uncollectable	Fair value	Gross contractual amount	Amount deemed Uncollectable
Trade receivables	₩ 274,054	₩ 311,770	₩ 37,716	₩ 165,158	₩ 196,574	₩ 31,416
Other accounts receivable	25,899	27,039	1,140	7,794	8,278	484
Loans	70	70	-	34, 036	34,236	200
	₩ 300,023	₩ 338,879	₩ 38,856	₩ 206,988	₩ 239,088	₩ 32,100

서식 있음: 강조 없음

서식 있음: 강조 없음

35. APPROVAL OF FINANCIAL STATEMENTS PUBLICATION

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

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

English Translation of a Report Originally Issued in Korean

To the Representative Director of
LG Uplus Corp. (formerly LG Telecom, Ltd.)

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of LG Uplus Corp. (the "Company") as of December 31, 2010. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2010, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2010, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

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

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

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

Our review is based on the Company's IACS as of December 31, 2010, and we did not review its IACS subsequent to December 31, 2010. This report has been prepared pursuant to the Acts on External Audit of Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

March 10, 2011

Report on the Operations of the Internal Accounting Control System

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

I, as the Internal Accounting Control Officer (“IACO”) of LG Uplus Corp.(“the Company”), assessed the status of the design and operations of the Company’s Internal Accounting Control System (“IACS”) for the year ended December 31, 2010.

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

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2010, in all material respects, in accordance with the IACS standards.

January 28, 2011