Deloitte.

LG Uplus Corp.

SEPARATE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2011, AND 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.

We have audited the accompanying statements of financial position of LG Uplus Corp. (the "Company") as of December 31, 2011 and 2010, the related statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Deloitte Anjin LLC

March 8, 2012

Notice to Readers

This report is effective as of March 8, 2012, the auditors' report date. Certain subsequent events or circumstances may have occurred between this auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

LG Uplus Corp. (the "Company")

SEPARATE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

The accompanying separate financial statements including all footnote disclosures were prepared by and are the responsibility of the Company

Sang Chul Lee

President of LG Uplus Corp.

LG UPLUS CORP.
SEPARATE STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010

	Korean Won	
	December31, 2011	December 31, 2010
	(In millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 5 and 6)	₩ 101,870	₩ 517,101
Financial institution deposits (Notes 5 and 7)	11,650	15,350
Trade receivables, net (Notes 5 and 8)	1,906,626	1,220,963
Loans and other receivables, net (Notes 5 and 8)	92,706	127,797
Available-for-sale financial assets (Note 5)	110	71
Inventories, net (Note 9)	372,218	190,097
Other current assets (Note 10)	117,540	66,647
Total current assets	2,602,720	2,138,026
NON-CURRENT ASSETS:		
Non-current financial institution deposits (Notes 5 and 7)	20	320
Non-current available-for-sale financial assets (Note 5)	71,956	75,441
Non-current trade receivables, net (Notes 5 and 8)	843,937	188,134
Non-current loans and other receivables (Notes 5 and 8)	256,033	234,380
Investments in subsidiaries (Note 14)	14,425	14,425
Investments in jointly-controlled entities and associates (Notes 15)	8,721	8,721
Deferred tax assets, net (Note 28)	376,170	393,255
Property, plant and equipment, net (Note 11)	5,628,191	4,867,533
Investment property, net (Note 12)	27,940	47,005
Intangible assets, net (Note 13)	1,151,819	515,268
Other non-current assets (Note 10)	51,048	26,885
Total non-current assets	8,430,260	6,371,367
TOTAL ASSETS	₩ 11,032,980	₩ 8,509,393
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables (Notes 5 and 17)	₩ 636,538	₩ 314,343
Non-trade and other payables (Notes 5 and 17)	1,789,666	1,096,656
Short-term borrowings (Notes 5 and 16)	270,000	224,910
Current portion of debentures and long-term borrowings (Notes 5 and 16)	993,696	653,767
Derivative liabilities (Notes 5 and 32)	-	699
Other current financial liabilities (Notes 5, 17 and 21)	114,961	159,132
Income tax payable (Note 28)	16,095	37,173
Other current liabilities (Note 20)	130,828	117,336
Total current liabilities	3,951,784	2,604,016

(Continued)

LG UPLUS CORP.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2011 AND 2010

	Korean Won			
	December 31, 2011		December 31, 2010	
	(In millions)			
NON-CURRENT LIABILITIES:				
Debentures and long-term borrowings (Notes 5 and 16)	₩	2,596,114	₩	1,831,899
Non-current Derivative liabilities (Notes 5 and 32)		61		-
Other non-current financial liabilities (Notes 5, 17 and 21)		546,008		55,721
Retirement benefit obligation (Note 19)		32,441		23,366
Provisions (Note 18)		40,049		32,592
Other non-current liabilities (Note 20)		14,980		19,635
Total non-current liabilities		3,229,653		1,963,213
TOTAL LIABILITIES		7,181,437		4,567,229
SHAREHOLDERS' EQUITY:				
Capital stock (Note 22)		2,573,969		2,573,969
Capital surplus (Note 22)		836,561		836,593
Other capital items (Note 22)		(703,879)		(703,879)
Accumulated other comprehensive income(loss) (Note 25)		(10,383)		(81)
Retained earnings (Note 23,24)		1,155,275		1,235,562
TOTAL SHAREHOLDERS' EQUITY		3,851,543		3,942,164
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	₩	11,032,980	₩	8,509,393

(Concluded)

See accompanying notes to the separate financial statements.

LG UPLUS CORP.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Korean Won			
	2011		2010	
	(In millions, except for net income per share)			
Operating revenues (Notes 4 and 26)				
Sales	₩	9,180,949	₩	7,972,441
Other gains		70,458		526,066
		9,251,407		8,498,507
Operating expenses:				
Cost of merchandise purchased		2,289,579		1,323,841
Employee benefits (Note 19)		344,015		294,907
Depreciation and amortization (Notes 11, 12 and 13)		1,181,491		1,253,254
Other expenses (Note 26)		5,145,626		4,973,986
		8,967,711		7,845,988
Operating income		283,696		652,519
Financial revenues (Note 27)		70,489		44,664
Financial expenses (Note 27)		184,687		128,938
Other non-operating expenses		5,026		5,642
Income before income tax		164,472		562,603
Income tax expense (Note 28)		83,622		(1,865)
Net income	₩	80,850	₩	564,468
Net income per share (In Korean Won) (Note 29)				
Basic income per share	₩	187	₩	1,305
Diluted income per share	₩	187	₩	1,284

See accompanying notes to the separate financial statements.

LG UPLUS CORP.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Korean Won	
	2011	2010
	(In millions)	
NET INCOME	₩ 80,850	₩ 564,468
OTHER COMPREHENSIVE INCOME(LOSS):		
Gain on valuation of available-for-sale financial assets	(166)	198
Loss on valuation of available-for-sale financial assets	(10,619)	3,442
Gain on valuation of cash-flow-hedging derivatives	-	(59)
Loss on valuation of cash-flow-hedging derivatives	483	1,243
Actuarial gains on defined benefit plans	(9,761)	(4,848)
	(20,063)	(24)
TOTAL COMPREHENSIVE INCOME	₩ 60,787	₩ 564,444

See accompanying notes to the separate financial statements.

LG UPLUS CORP.
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Korean won					
	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total
	(In millions)					
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)
Consideration for exchange rights	-	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	-	-	-	-	(4,848)	(4,848)
Balance at December 31, 2010	2,573,969	836,593	(703,879)	(81)	1,235,562	3,942,164
Balance at January 1, 2011	2,573,969	836,593	(703,879)	(81)	1,235,562	3,942,164
Annual dividends	-	-	-	-	(151,376)	(151,376)
Balance after appropriations	2,573,969	836,593	(703,879)	(81)	1,084,186	3,790,788
Net income	-	-	-	-	80,850	80,850
Gain on valuation of available-for-sale financial assets	-	-	-	(166)	-	(166)
Loss on valuation of available-for-sale financial assets	-	-	-	(10,619)	-	(10,619)
Loss on valuation of cash–flow-hedging derivatives	-	-	-	483	-	483
Actuarial gains	-	-	-	-	(9,761)	(9,761)
Others	-	(32)	-	-	-	(32)
Balance at December 31, 2011	₩ 2,573,969	₩ 836,561	₩ (703,879)	₩ (10,383)	₩1,155,275	₩3,851,543

See accompanying notes to the separate financial statements.

LG UPLUS CORP.
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Korean Won	
	December 31, 2011	December 31, 2010
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	₩ 80,850	₩ 564,468
Additions of expenses not involving cash outflows:		
Retirement benefits	25,872	22,585
Depreciation	933,689	1,008,187
Amortization of intangible assets	254,802	245,068
Bad debt expenses	19,632	46,929
Interest expenses	166,130	124,901
Loss on disposal of trade receivables	18,557	-
Loss on foreign currency translation	6,127	1,743
Loss from decline in value of inventory	47,993	1,493
Loss on write-downs of inventories	534	-
Income tax expense	83,622	-
Loss on disposal of property, plant and equipment	6,170	43,012
Impairment loss on property, plant and equipment	20,609	9,536
Loss on disposal of intangible assets	7	60
Impairment of intangible assets	439	9,417
Loss on transactions of derivatives	-	3,383
	1,584,183	1,516,314
Deduction of items not involving cash inflows:		
Income tax expense	-	1,865
Interest income	70,019	40,348
Dividend income	374	416
Gain on foreign currency translation	5,555	1,859
Gain on disposal of property, plant and equipment	387	954
Gain on transactions of derivatives	-	566
Other revenue	-	44
Bargain purchase gain	-	497,010
	(76,335)	(543,602)
Changes in operating assets and liabilities related to operating activities:		
Increase in trade receivables	(516,970)	(6,378)
Decerease(increase) in loans and other receivables	9,308	(6,543)
Increase in inventories	(230,648)	(23,210)
Decrease(increase) in other current assets	(87,265)	9,232

(Continued)

LG UPLUS CORP.
SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Korean Won			
	December 31, 2011		December 31,2010	
	(In millions)			
Increase in non-current trade receivables	₩	(822,597)	₩	(138,043)
Decrease(increase) in other non-current assets		18,057		(364)
Increase(decrease) in trade payables		322,195		67,900
Increase(decrease) in non-trade and other payables		282,462		51,360
Increase(decrease) in other current financial liabilities		(13,655)		26,909
Decrease(Increase) in other current liabilities		13,490		(9,283)
Increase(decrease) in other non-current financial liabilities		1,190		(2,071)
Decrease in retirement benefit obligation		(29,975)		(35,203)
Decrease in provisions		(1,791)		(1,056)
Decrease in other non-current liabilities		(4,655)		(1,665)
		(1,060,854)		(68,235)
Interest income received		10,931		8,126
Dividend income received		374		416
Interest expense paid		(159,254)		(126,554)
Income taxes paid		(80,957)		(65,576)
Net cash provided by operating activities		298,938		1,285,897
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash inflows from investing activities:				
Disposal of available-for-sale financial assets		71		640
Decrease in financial institution deposits		9,000		18
Disposal of property, plant and equipment		29,309		20,698
Disposal of intangible assets		3,935		1,864
Decrease in loans		35,750		30,648
Decrease in guarantee deposits		9,167		15,121
Decrease in leasehold deposits		87,734		16,519
Increase due to merger		-		113,424
		174,966		198,932
Cash outflows from investing activities:				
Acquisition of available-for-sale financial assets		10,836		20,372
Acquisition of property, plant and equipment		1,355,041		1,182,111
Acquisition of intangible assets		360,011		25,569
Increase in loans		25,511		32,549
Increase in guarantee deposits		3,670		-
Increase in leasehold deposits		106,462		40,240
Increase of financial institution deposits		5,000		4,000
		(1,866,531)		(1,304,841)
Net cash used in investing activities		(1,691,565)		(1,105,909)

(Continued)

LG UPLUS CORP.
SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Korean Won			
	December 31, 2011		December 31, 2010	
	(In millions)			
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	₩	414,110	₩	574,910
Issuance of debentures		650,000		841,427
Proceeds from long-term borrowings		1,110,251		255,304
Increase in finance lease liabilities		21,117		52,998
Increase in national subsidy		-		397
		2,195,478		1,725,036
Cash outflows from financing activities:				
Redemption of short-term borrowings		369,019		925,976
Redemption of other current financial liabilities		697,690		453,743
Payment of dividends		151,376		119,537
Settlement of derivatives		-		21,094
Payment of stock issuance costs		-		5,796
Acquisition of treasury stock		-		120
		(1,218,085)		(1,526,266)
Net cash provided by financing activities		977,393		198,770
Exchange rate fluctuation effect of cash and cash equivalents		3		(8)
Net increase(decrease) in cash and cash equivalents		(415,231)		378,750
Cash and cash equivalents:				
Beginning of the period		517,101		138,351
End of the period(Note 35)	₩	101,870	₩	517,101

(Concluded)

See accompanying notes to the separate financial statements.

LG UPLUS CORP.
NOTES TO SEPARATE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. GENERAL:

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

In efforts to enhance operational efficiency and maximize synergy effects between wire and wireless communication business, LG Dacom Corp. and LG Powercom Corp. merged into the Company on January 1, 2010 (merger registration date: January 5, 2010). Through this merger, the Company expanded its 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, 2011, the Company's shareholders are as follows:

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

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

The separate financial statements of the Company have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"). The significant accounting policies under K-IFRS followed by the Company in the preparation of its separate financial statements are summarized below. The consistent accounting policies are applied to the separate financial statements for the current period and the comparative period.

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

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

(1) Basis of preparing 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

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

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

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

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

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

(3) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 *Income Taxes* and K-IFRS 1019 *Employee Benefits* respectively.

- Assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS *1105 Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of: a) the consideration transferred and b) the fair value of the acquirer's previously held equity interest in the acquiree (if any); over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held interest in the acquiree (if any); the excess is recognized immediately in profit or loss as a bargain purchase gain.

(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”s). Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise, they are allocated to the smallest CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

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

(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) Financial guarantee contract liability

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets.

- the amount initially recognized less, cumulative amortization recognized in accordance with the K-IFRS 1018 Revenue

5) 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.

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. 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, 2011 are ₩32,441 million (₩23,366 million as of December 31, 2010) and details are described in Note 19.

(7) Deferred tax

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

(8) Revenue and expense recognition

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

4. 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, 2011 and 2010 are as follows (Unit: Korean Won in millions):

Reporting segment	Major goods and service	2011	2010
LG Uplus Corp.	Telecommunication and related services	₩ 6,428,363	₩ 6,319,016
	Handset sales	2,752,586	1,653,425
	Other	70,458	526,066
		₩ 9,251,407	₩ 8,498,507

(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.

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

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

1) Financial assets

		December 31, 2011		December 31, 2010	
Financial assets	Account	Book Value	Fair value	Book value	Fair value
Cash and cash equivalents	Cash and cash equivalents	₩ 101,870	₩ 101,870	₩ 517,101	₩ 517,101
AFS financial assets	Marketable equity securities	26,149	26,149	40,361	40,361
	Unmarketable equity securities	45,807	45,807	35,007	35,007
	Debt securities	110	110	144	144
		72,066	72,066	75,512	75,512
Loans and receivables	Financial institution deposits	11,670	11,670	15,670	15,670
	Trade receivables	2,750,564	2,750,564	1,409,097	1,409,097
	Loans	32,918	32,918	42,916	42,916
	Other receivables	71,103	71,103	91,029	91,029
	Accrued income	319	319	516	516
	Deposits	244,399	244,399	227,716	227,716
		3,110,973	3,110,973	1,786,944	1,786,944
		₩ 3,284,909	₩ 3,284,909	₩2,379,557	₩2,379,557

2) Financial liabilities

Financial liabilities	Account	December 31, 2011 Book value	December 31, 2011 Fair value	December 31, 2010 Book Value	December 31, 2010 Fair Value
Derivative liabilities designated as a hedging instrument	Derivative liabilities designated as a hedging instrument	₩ 61	₩ 61	₩ 699	₩ 699
Financial liabilities measured at amortized cost	Trade payables	636,538	636,538	314,343	314,343
	Borrowings	1,679,332	1,679,332	679,899	679,899
	Debentures	2,180,478	2,146,745	2,030,677	2,030,677
	Other payables	1,770,782	1,770,782	674,904	674,904
	Accrued expenses	520,213	520,213	421,775	421,775
	Withholdings	84,378	84,378	122,109	122,109
	Finance lease liabilities	57,059	57,059	74,628	74,628
	Rental deposits	18,802	18,802	18,092	18,092
		6,946,982	6,913,249	4,336,427	4,336,427
		₩6,947,043	₩6,913,310	₩4,337,126	₩4,337,126

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

6. CASH AND CASH EQUIVALENTS:

The Company's cash and cash equivalents in the separate statements of financial position are equivalent to those in the separate statements of cash flows. Details of cash and cash equivalents as of December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	December 31, 2011	December 31, 2010
Financial institution deposits	₩ 100,422	₩ 514,782
Other cash equivalents	1,448	2,319
	₩ 101,870	₩ 517,101

7. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	Financial institution	December 31, 2011	December 31, 2010
Guarantee deposits for checking accounts	Woori Bank and others	₩ 21	₩ 21
Term deposits	NongHyup Bank (*1)	350	350
	Hana Bank (*2)	300	300
		650	650
		₩ 671	₩ 671

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

8. TRADE AND OTHER RECEIVABLES:

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

	December 31, 2011	December 31, 2010
Trade receivables	₩ 2,117,073	₩ 1,446,037
Allowances for doubtful accounts	(210,447)	(225,074)
Trade receivables, net	1,906,626	1,220,963
Short-term loans	21,962	37,171
Allowances for doubtful accounts	(678)	(919)
Short-term loans, net	21,284	36,252
Other accounts receivable	97,351	110,532
Allowances for doubtful accounts	(26,248)	(19,503)
Other accounts receivable, net	71,103	91,029
Accrued income	320	516
	₩ 1,999,333	₩ 1,348,760

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

	December 31, 2011	December 31, 2010
Trade receivables	₩ 844,623	₩ 190,235
Allowances for doubtful accounts	(686)	(2,101)
Trade receivables, net	843,937	188,134
Long-term loans	11,634	6,664
Leasehold deposits	228,903	206,723
Guarantee deposits	15,496	20,993
	₩ 1,099,970	₩ 422,514

(3) Aging of trade and other receivables as of December 31, 2011 and 2010 are as follows(Unit: Korean Won in millions):

	December 31, 2011	December 31, 2010
Less than 6 months	₩ 3,121,377	₩ 1,788,148
7–12 months	49,189	42,096
1–3 years	162,394	182,439
More than 3 years	4,402	6,188
	₩ 3,337,362	₩ 2,018,871

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

	December 31, 2011	December 31, 2010
Beginning balance	₩ 247,597	₩ 174,020
Increase due to merger	-	68,833
Impairment loss	19,632	46,929
Write-offs	(60,104)	(49,606)
Reversal of impairment loss	30,934	7,421
Ending balance	₩ 238,059	₩ 247,597

9. 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, 2011 and 2010 consist of the following (Unit: Korean Won in millions):

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

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

10. OTHER ASSETS:

(1) Details of other current assets as of December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	December 31, 2011	December 31, 2010
Advanced payments	₩ 30,098	₩ 9,368
Prepaid expenses	87,442	57,279
	₩ 117,540	₩ 66,647

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

	December 31, 2011	December 31, 2010
Non-current prepaid expenses	₩ 51,048	₩ 26,885

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts

Changes in property, plant and equipment for the years ended December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

1) For the year ended December 31, 2011

	Land	Buildings	Telecom-munication facilities	Other assets	Construction in progress	Total
Beginning 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)	-	(4,192,727)
Accumulated impairment loss	-	-	(1,493)	(8,043)	-	(9,536)
Government subsidies	-	-	(490)	(272)	-	(762)
Beginning balance	552,149	421,735	3,548,297	204,650	140,702	4,867,533
Acquisition	182	806	331,952	52,114	1,348,728	1,733,782
Transfers	16,199	3,927	923,092	61,518	(989,091)	15,645
Disposals	-	(98)	(16,794)	(1,431)	(17,483)	(35,806)
Depreciation	-	(18,306)	(844,620)	(69,428)	-	(932,354)
Impairment loss	-	(16,864)	-	(3,019)	(726)	(20,609)
Ending balance	₩ 568,530	₩ 391,200	₩3,941,927	₩ 244,404	₩ 482,130	₩ 5,628,191
Ending acquisition cost	₩ 568,530	₩ 484,214	₩8,599,278	₩ 543,114	₩ 482,856	₩10,677,992
Accumulated depreciation	-	(76,150)	(4,656,945)	(295,632)	-	(5,028,727)
Accumulated impairment loss	-	(16,864)		(3,019)	(726)	(20,609)
Government subsidies	-	-	(406)	(59)	-	(465)
Ending balance	₩ 568,530	₩ 391,200	₩3,941,927	₩ 244,404	₩ 482,130	₩ 5,628,191

2) For the year ended December 31, 2010

	Land	Buildings	Telecom-munication facilities	Other assets	Construction 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)
Accumulated impairment loss	-	-	(231)	(484)	-	(715)
Government subsidies	66,583	198,029	1,664,600	116,178	171,461	2,216,851
Beginning balance	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

(2) Assets pledged as collateral

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

12. INVESTMENT PROPERTY:

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

1) For the year ended December 31, 2011

	Land		Buildings		Total	
Beginning acquisition cost	₩	24,418	₩	27,278	₩	51,696
Accumulated depreciation		-		(4,691)		(4,691)
Beginning balance		24,418		22,587		47,005
Transfers		(13,803)		(3,927)		(17,730)
Depreciation		-		(1,335)		(1,335)
Ending balance		10,615		17,325		27,940
Ending acquisition cost		10,615		21,424		32,039
Accumulated depreciation		-		(4,099)		(4,099)
Ending balance	₩	10,615	₩	17,325	₩	27,940

2) For the year ended December 31, 2010

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

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

13. INTANGIBLE ASSETS:

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

1) For the year ended December 31, 2011

	Intellectual property rights	Computer software	Membership	Customer relationship	Frequency usage rights	Other intangible assets	Total
Beginning 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)
Impairment loss	-	-	-	-	-	(9,417)	(9,417)
Beginning balance	1,666	1,993	38,582	431,733	-	41,293	515,268
Acquisition	479	-	71	-	867,913	25,186	893,649
Transfer	-	-	-	-	-	2,085	2,085
Disposals	-	-	(876)	-	-	(3,068)	(3,944)
Impairment loss	-	-	-	-	-	(438)	(438)
Amortization	(328)	(1,448)	-	(215,866)	(22,068)	(15,092)	(254,802)
Ending balance	₩ 1,817	₩ 545	₩ 37,777	₩ 215,867	₩ 845,845	₩ 49,967	₩ 1,151,818
Ending acquisition cost	3,577	10,165	37,777	647,600	867,913	108,469	1,675,501
Accumulated amortization	(1,760)	(9,620)	-	(431,733)	(22,068)	(48,647)	(513,828)
Accumulated impairment loss	-	-	-	-	-	(9,855)	(9,855)
Ending balance	₩ 1,817	₩ 545	₩ 37,777	₩ 215,867	₩ 845,845	₩ 49,967	₩ 1,151,818

2) For the year ended December 31, 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 Xpeed is less than the carrying amount and accordingly recognized ₩9,417 million of impairment loss.

(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, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	2011		2010	
Research costs	₩	64,269	₩	49,315

(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.

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

14. INVESTMENTS IN SUBSIDIARIES:

(1) Composition of the Company's investments in subsidiaries as of December 31, 2011 and 2010 is as follows (Unit: Korean Won in millions):

Companies	Place of incorporation and operation	Percentage of ownership (%)	Acquisition cost	Book value December 31, 2011	Book value December 31, 2010
Ain Teleservice	South Korea	100.00	₩ 434	₩ 434	₩ 434
CS Leader	South Korea	100.00	273	273	273
DACOM Multimedia Internet Corporation	South Korea	88.06	11,085	11,085	11,085
DACOM America Inc. (*1)	USA	100.00	-	-	-
CS One Partner	South Korea	100.00	2,633	2,633	2,633
			₩ 14,425	₩ 14,425	₩ 14,425

(*1) DACOM America Inc. has negative capital as of December 31, 2011 and 2010.

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 and for the nine months ended December 31, 2011 and the year ended December 31, 2010 is as follows (Unit: Korean won in millions):

Companies	December 31, 2011 Assets	Liabilities	Operating revenues	Net income (loss)
Ain Teleservice	₩ 7,175	₩ 6,250	₩ 47,448	₩ 583
CS Leader	5,204	4,271	33,904	698
DACOM Multimedia Internet Corporation	28,887	15,106	59,386	242
DACOM America Inc.	412	3,619	1,474	21
CS ONE Partner	₩ 6,675	₩ 3,869	₩ 41,703	₩ 1,064

Companies	December 31, 2010 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

15. 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, 2011 and 2010 is as follows (Unit: Korean Won in millions):

Companies	Class	Place of incorporation and operation	Percentage of ownership (%)	December 31, 2011		December 31, 2010	
DACOM Crossing	Jointly controlled entities	South Korea	51.00	₩	5,964	₩	5,964
True Internet Data Center Company	Associates	Thailand	30.00		2,757		2,757
				₩	8,721	₩	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, 2011 is as follows (Unit: Korean Won in millions):

	December 31, 2011							
Companies	Assets		Liabilities		Sales		Net income	
DACOM Crossing	₩	69,811	₩	54,310	₩	28,648	₩	1,067
True Internet Data Center Company	₩	17,129	₩	3,243	₩	11,454	₩	2,203

16. DEBENTURES AND BORROWINGS:

(1) The Company's short-term borrowings as of December 31, 2011 and 2010 consist of the following (Unit: Korean Won in millions):

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

(2) The Company's long-term borrowings as of December 31, 2011 and 2010 consist of the following (Unit: Korean Won in millions):

Type of borrowings	Creditor	Annual interest rate (%)	December 31, 2011	December 31, 2010
General loans	Korea Exchange Bank	CD(91days)+1.00	₩ 50,000	₩ 50,000
Facilities financing	Shinhan Bank	Finance bond(6months) +1.1~1.26	195,000	175,000
	Korea Development Bank	4.45 ~ 5.32	697,074	60,000
	Korea Finance Corporation	4.43 ~ 5.57	330,000	130,000
	Kookmin Bank	4.86	100,000	-
IT promotion funds	Hana Bank	Variable interest rate (3.75 ~ 3.8)	37,259	39,989
Before current maturities	Face value		1,412,259	454,989
	Discount on long-term borrowings		(2,926)	-
Current maturities	Face value of long-term borrowings		49,562	152,981
	Discount on long-term borrowings		-	-
After current maturities	Face value		1,362,697	302,008
	Discount on long-term borrowings		(2,926)	-

(3) The Company's debentures as of December 31, 2011 and 2010 consist of the following (Unit: Korean Won in millions):

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

As of December 31, 2011, 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 39,513,569 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, 2011 is as follows (Unit: Korean Won in millions):

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

17. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of December 31, 2011 and December 31, 2010 are as follows (Unit: Korean won in millions):

	December 31, 2011		December 31, 2010	
	Current	Non-current	Current	Non-current
Trade payables	₩ 636,538	₩ -	₩ 314,343	₩ -
Non-trade payable	1,269,453	501,329	674,881	23
Accrued expenses	520,213	-	421,775	-
Withholdings	84,378	-	122,110	-
Rental deposits	-	18,202	-	18,092
Finance lease liabilities	30,582	26,477	37,022	37,606
	₩ 2,541,164	₩ 546,008	₩ 1,570,131	₩ 55,721

18. PROVISIONS:

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

1) For the year ended December 31, 2011

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

2) For the year ended December 31, 2010

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

19. 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 recognize expense of ₩2,461 million and ₩1,125 million related to defined contribution plan for the year ended December 31, 2011 and 2010 respectively.

(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, 2011 and December 31, 2010 amounts recognized in the separate statements of financial position related to retirement benefit obligation are as follows (Unit: Korean Won in millions):

	December 31, 2011	December 31, 2010
Present value of defined benefit obligation	₩ 120,612	₩ 90,906
Fair value of plan assets	(88,171)	(67,540)
Retirement benefit obligation	₩ 32,441	₩ 23,366

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

	2011	2010
Beginning balance	₩ 90,906	₩ 31,988
Increase due to merger	-	57,227
Actuarial losses(gains)	13,360	7,064
Current service cost	24,123	19,950
Interest cost	4,787	4,779
Benefits paid	(11,964)	(28,498)
Other (*1)	(600)	(1,604)
Ending balance	₩ 120,612	₩ 90,906

(*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, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	2011	2010
Beginning balance	₩ 67,540	₩ 25,363
Increase due to merger	-	35,028
Expected return on plan assets	3,038	3,269
Actuarial gains(losses)	182	84
Contributions from the employer	23,600	32,436
Benefits paid	(6,189)	(28,498)
Other (*1)	-	(142)
Ending balance	₩ 88,171	₩ 67,540

(*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, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	2011	2010
Current service cost	₩ 24,123	₩ 19,950
Interest cost	4,787	4,779
Expected return on plan assets	(3,038)	(3,269)
	₩ 25,872	₩ 21,460

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

	December 31, 2011	December 31, 2010
Discount rate (%)	4.6%	5.5%
Expected return on plan assets (%)	4.2%	4.5%
Expected rate of salary increase (%)	5.8%	5.1%

6) The major categories of plan assets, and the expected rate of return for each category as of December 31, 2011 and December 31, 2010 are as follows (Unit: Korean Won in millions):

	2011		2010	
	Expected rate of return	Allocation	Expected rate of return	Allocation
Retirement insurance	4.2%	100%	4.5%	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.

7) 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	₩ 120,612	₩ 119,360	₩ 122,085

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

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

	2012
Estimated contribution to plan asset(*1)	₩ 19,512

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

20. OTHER LIABILITIES:

Other liabilities as of December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	December 31, 2011		December 31, 2010	
	Current	Non-current	Current	Non-current
Advances received	₩ 70,120	₩ -	₩ 50,954	₩ -
Unearned income	60,708	14,980	66,383	19,635
	₩ 130,828	₩ 14,980	₩ 117,337	₩ 19,635

21. FINANCE LEASE LIABILITIES:

Finance lease liabilities as of December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	Creditor	Lease term	Annual interest rate (%)	Minimum lease payment (*1)	December 31, 2011	December 31, 2010
Finance lease	Hewlett Packard Korea Financial Service, Ltd.	Oct. 31, 2008–Oct. 31, 2011	6.60	₩ 739	₩ -	₩ 7,174
		Dec. 31, 2008–Dec. 31, 2011	6.97	335	-	3,868
		Jul. 29, 2009–Jul. 29, 2012	4.78	649	4,473	11,858
		Apr. 30, 2010–Apr. 29, 2013	3.94	3,058	17,731	28,983
		Oct. 29, 2010–Oct. 28, 2013	3.17	1,995	15,402	22,745
		Jul. 29, 2011– Jul. 29, 2014	4.04	1,878	19,453	-
Subtotal					57,509	74,628
Less current maturities					(30,582)	(37,022)
Book value of financial lease liabilities					₩ 26,477	₩ 37,606

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

22. EQUITY:

(1) Capital stock

Details of capital stock as of December 31, 2011 and 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 January 1, 2010, the Company issued 237,515,405 shares as part of the merger process of LG Dacom and LG Powercom. The number of issued common stocks as of December 31, 2011 and December 31, 2010 is 514,793,835 shares.

(2) Capital surplus

Capital surplus of the Company is composed of paid-in capital in excess of par value and an option premium on convertible bonds. As of December 31, 2011, capital surplus amounted to ₩834,712 million. On January 1, 2010, the capital surplus was increased by ₩823,133 million due to the merger with LG Dacom and LG Powercom. In addition, ₩1,881 million was recognized as capital surplus as the Company issued convertible bonds in September of 2010. Paid-in capital in excess of par value shall only be used for capitalization or disposition of accumulated deficit.

(3) Legal reserve

As of December 31, 2011, earned surplus reserve in form of legal reserve of ₩37,998 million is included in retained earnings. The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit.

(4) Treasury stock

On January 1, 2010, the 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 30, 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 of 2010, the Company issued convertible bonds for which the Company 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 stock as collateral or dispose of them. During the year of 2011, the Company deposited additional 1,964,035 shares of treasury stock to the Korea Securities Depository for adjustment of conversion price due to the cash dividend. Therefore, the total treasury stock deposited to the Korea Securities Depository was 39,513,569 shares, and the Company is not allowed to dispose them (sell or provide them for collateral).

23. STATEMENTS OF RETAINED EARNINGS:

The statements of retained earnings for the years ended December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	2011	2010
RETAINED EARNINGS BEFORE APPROPRIATION:		
Undisposed accumulated earnings carried forward from prior year	₩ 1,020,988	₩ 653,081
Net income	80,850	564,468
Actuarial gain(loss)	(9,761)	(4,847)
	1,092,077	1,212,702
APPROPRIATIONS:		
Legal reserve	6,488	15,138
Reservation for research and development of human resources	-	25,200
Dividend		
(Cash dividend(rate per shares)		
2011: ₩150(3%)		
2010: ₩350(7%))	64,875	151,376
	71,363	191,714
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩ 1,020,714	₩ 1,020,988

24. DIVEDENDS:

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

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

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

	2011		2010	
Total dividends	₩	64,875	₩	151,376
Net income attributable to the owners of the Company		80,850		2564,468
Dividend payout ratio		80.24%		26.82%

25. ACCUMULATED OTHER COMPREHENSIVE INCOME(LOSS):

Composition of accumulated other comprehensive income or loss as of December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	Gain on valuation of AFS financial assets		Loss on valuation of AFS financial assets		Gain on valuation of cash flow hedging derivatives		Loss on valuation of cash flow hedging derivatives		Total	
January 1, 2010	₩	250	₩	(3,442)	₩	59	₩	(1,771)	₩	(4,905)
Fair value assessment		198		3,442		-		-		3,640
Hedge accounting		-				(59)		1,243		1,184
December 31,2010	₩	448	₩	-	₩	-	₩	(529)	₩	(81)
January 1, 2011	₩	448	₩	-	₩	-	₩	(529)	₩	(81)
Fair value assessment		(166)		(10,619)		-		-		(10,785)
Hedge accounting		-		-		-		483		483
December 31,2011	₩	282	₩	(10,169)	₩	-	₩	(46)	₩	(10,383)

26. OTHER OPERATING INCOME AND EXPENSES:

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

	2011		2010	
Gain on disposal of tangible assets	₩	387	₩	954
Gain on foreign currency transactions (operating)		5,518		3,880
Gain on foreign currency translation (operating)		5,552		1,859
Miscellaneous income		59,001		22,363
Bargain purchase gain from the merger (*1)		-		497,010
	₩	70,458	₩	526,066

(*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, 2011 and 2010 is as follows (Unit: Korean Won in millions):

	2011		2010	
Operating lease payment	₩	279,837	₩	263,699
Advertising expense		219,189		181,849
Sales commissions		1,828,150		1,874,030
Commission charge		830,889		648,235
Interconnection charge		670,733		707,171
Telecommunication equipment rental fees		272,475		261,455
Outsourcing expense		384,932		365,627
Bad debt expenses		19,632		46,929
International interconnection charge		166,870		169,708
Other		472,919		455,283
	₩	5,145,626	₩	4,973,986

27. FINANCIAL REVENUES AND FINANCIAL EXPENSES:

(1) Financial revenues for the years ended December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	2011		2010	
Interest income	₩	70,019	₩	40,348
Gain on foreign currency transactions (non-operating)		93		3,118
Gain on foreign currency translation (non-operating)		3		-
Dividend income		374		416
Gain on trading of derivative instruments		-		566
Other		-		216
	₩	70,489	₩	44,464

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

	2011		2010	
Cash and cash equivalents and financial institution deposits	₩	9,180	₩	7,012
Other loans and receivables		60,839		33,336
	₩	70,019	₩	40,348

(3) Financial expenses for the years ended December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	2011		2010	
Interest expense	₩	166,130	₩	124,091
Loss on foreign currency transactions (non-operating)		-		646
Loss on foreign currency translation (non-operating)		-		8
Loss on trading of derivative instruments		-		3,383
Loss on disposition of trade receibles		18,557		-
	₩	184,687	₩	128,938

(4) Interest expense included in financial expense for the years ended December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

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

28. INCOME TAX:

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

	2011		2010	
Current income tax payable	₩	59,887	₩	64,116
Changes in deferred tax assets:				
Income tax payable due to the merger		-		(17,618)
Temporary differences		17,085		(86,417)
Tax credit carry-forwards		-		(83,876)
Succession of deferred tax assets due to the merger		-		121,654
Tax effect related to the change in other comprehensive income (loss)		6,650		276
Income tax expense	₩	83,622	₩	(1,865)

(2) Reconciliation between income before income tax and income tax expense of the Company for the years ended December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	2011	2010
Income before income tax expense	₩ 164,472	₩ 562,603
Tax expense calculated on book income (tax rate: 24.2%)	39,802	136,130
Adjustments:		
Non-taxable income	(10)	(120,289)
Non-deductible expense	7,355	2,174
Changes in the assets or liabilities relating to deferred taxes and tax rate and Additional payment (Refund) of income tax	(12,269)	10,612
Tax credits	48,744	(31,640)
Others	-	1,148
Income tax expense	₩ 83,622	₩ (1,865)
Effective tax rate (income tax expense/ income before income tax expense)	50.84%	-

(3) Income tax directly reflected in equity for the years ended December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	2011	2010
Revenues and expense related to the change in other comprehensive income (loss)		
Gain on valuation of cash-flow-hedging derivatives	₩ -	₩ 18
Loss on valuation of cash-flow-hedging derivatives	(154)	(376)
Gain from valuation of available-for-sale financial assets	36	(56)
Loss from valuation of available-for-sale financial assets	3,390	(971)
Other capital surplus	(31)	(559)
Actuarial gain(loss)	3,409	2,220
Income tax expense related to the change in other comprehensive income (loss)	₩ 6,650	₩ 276

(4) Income tax payables and prepaid income tax in gross amount before offsetting as of December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	December 31, 2011	December 31, 2010
Prepaid income tax before offsetting	₩ 30,052	₩ 32,834
Income tax payable before offsetting	46,147	70,007
Income tax payable, net	₩ 16,095	₩ 37,173

(5) Changes in deferred tax assets for the year ended December 31, 2011, are as follows (Unit: Korean Won in millions):

	Beginning balance	Increase	Decrease	Ending balance
TEMPORARY DIFFERENCES TO BE DEDUCTED				
Defined benefits obligations	₩ 72,998	₩ 30,697	₩ 5,130	₩ 98,565
Allowance for doubtful accounts	208,482	149,763	211,627	146,618
Loss on valuation of inventories	8,548	60,789	10,628	58,709
Unsettled expenses	104,597	55,008	85,677	73,928
Property, plant and equipment	370,161	85,202	52,490	402,873
Provisions	40,763	50,033	42,383	48,413
Impairment losses on investment securities	26,870	-	-	26,870
Loss on valuation of investment securities	(574)	14,212	-	13,638
Derivatives	699	-	638	61
Intangible assets	112,495	92,371	8,497	196,369
Deemed dividends	160	-	-	160
Government subsidies	980	2,142	1,820	1,302
Share of profits (losses) of associates under the equity method	2,740	-	-	2,740
Loss on foreign currency translation	1,743	6,162	1,743	6,162
Adjustment on revenues	76,809	230,060	202,359	104,510
Present value discount account	-	63,180	26,854	36,956
Other	95	1,122	243	974
Subtotal of temporary differences to be deducted	1,027,566	841,371	650,089	1,218,848
TEMPORARY DIFFERENCES TO BE ADDED				
Accrued interest income	(516)	(145)	(516)	(145)
Deposits for severance benefits	(67,414)	5,130	23,014	(85,298)
Interest expenses (capitalized interest expense)	(22,578)	4,340	-	(18,238)
Gain on foreign currency translation	(1,858)	1,859	5,555	(5,554)
Estimate assets for restoration	(18,239)	18,239	22,515	(22,515)
Tax reserves	(25,200)	-	-	(25,200)
Conversion feature on convertible bonds	(2,461)	-	(1,303)	(1,158)
Subtotal of temporary differences to be added	(138,266)	29,423	49,265	(158,108)
Realizable temporary differences	886,398			1,057,840
Unrealizable temporary differences	2,900			2,900
Tax rate	24.2%, 22.0%			24.2%
Income tax effect due to temporary differences	203,523			255,997
Income tax effect due to tax credit carryforwards	189,732			120,173
Deferred income tax assets	₩ 393,255			₩ 376,170

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

	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
TEMPORARY DIFFERENCES TO BE ADDED					
Accrued interest income	(7)	(118)	(516)	(125)	(516)
Deposits for severance benefits	(25,049)	(34,741)	(22,306)	(14,682)	(67,414)
Interest expenses (capitalized interest expense)	(17,512)	-	-	5,066	(22,578)
Adjustment on revenues	(2,148)	-	-	(2,148)	-
Share of profits (losses) of associates in other comprehensive income(loss) under the equity method	(1,111)	-	-	(1,111)	-
Gain on foreign currency translation	(16,427)	-	(1,859)	(16,428)	(1,858)
Property, plant and equipment	(12,804)	-	(18,239)	(12,804)	(18,239)
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
Deferred income tax assets	₩ 222,962				₩ 393,255

(7) As of December 31, 2011 and 2010, temporary differences not recognized as deferred tax assets related to investment asset and equity interest are as follows (Unit: Korean Won in millions):

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

29. EARNINGS PER SHARE:

(1) Basic Net Income per Share

Basic earnings per share is the net income attributable to one share of common stock of the 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, 2011 and 2010 are calculated as follows (Unit: Korean Won in millions, except for earnings per share):

	2011	2010
Net income	₩ 80,850	₩ 564,468
Weighted average number of common shares outstanding (*1)	432,501,952 shares	432,501,952 shares
Earnings per share (in Korean Won)	₩ 187 per share	₩ 1,305 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) Diluted income per share

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

	2011	2010
Net income	80,850	564,468
Interest of exchangeable bonds (after tax effect)	13,491	3,487
Net income for diluted EPS	94,341	567,955
Weighted-average number of common shares outstanding (*1)	472,015,523 shares	442,172,243 shares
Diluted earnings per share (in Korean Won)	(*2)	₩1,284 /share

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

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

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

30. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2011, there are 34 lawsuits ongoing where the Company is a defendant in Republic of Korea; total claim amount the Company is being sued for is ₩10,664 million. Management believes the outcome of these lawsuits will likely not have a significant effect on the financial position of the Company.

(2) The Company entered into agreements with Shinhan Bank and others for promissory notes and a line of credit up to ₩260,000 million. Among these agreements includes a bank overdraft agreement with Woori Bank and others up to ₩40,000 million.

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

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

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

31. 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
Others	Serveone and 4 others, LG Siltron and 2 others, LG CNS and 22 others, LG Sports, LG Management Development Institute, LG Solar Energy, Lusem

As of December 31, 2011, no entity controls the 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, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	2011		2010	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Investor with significant influence over the Company:				
LG Corporation	₩ 361	₩ 25,177	₩ 412	₩ 22,006
Subsidiaries				
Ain Teleservice	53	47,124	33	49,711
CS Leader	33	33,496	75	38,009
Dacom Multimedia Internet Corp.	3,214	53,148	3,831	26,074
Dacom America Inc.	-	1,353	-	1,772
CS One Partner	96	40,465	84	42,093
Jointly controlled entity:				
Dacom Crossing	1,447	14,560	2,055	11,798
Associate:				
True Internet Data Center Company	-	-	828	-
Others:				
Serveone and others	77,364	321,161	50,356	199,763
	₩ 82,568	₩ 536,484	₩ 57,674	₩ 391,226

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

	December 31, 2011		December 31, 2010	
	Receivables	Payables	Receivables	Payables
Investor with significant influence over the Company:				
LG Corporation	₩ 5,325	₩ 2,350	₩ 4,801	₩ 790
Subsidiaries				
Ain Teleservice	-	3,234	-	1,655
CS Leader	-	2,004	-	1,583
Dacom Multimedia Internet Corp.	24	15,626	28	6,915
Dacom America Inc.	2,754	117	2,719	148
CS One Partner	-	1,643	-	425
Jointly controlled entity:				
Dacom Crossing	80	1,643	30	1,076
Others:				
Serveone and others	38,189	101,638	23,814	112,066
	₩ 46,292	128,255	₩ 31,392	₩ 124,658

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

(4) The compensation and benefits for the Company's key management, including directors and executive officers, who have significant control and responsibilities on planning, operating and controlling the Company's business activities for the year ended December 31, 2011 and 2010 are summarized as follows (Unit: Korean Won in millions):

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

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

32. 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, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	2011		2010	
Total borrowings	₩	3,916,869	₩	2,785,204
Less cash and cash equivalents		(101,870)		(517,101)
Borrowings, net	₩	3,814,999	₩	2,268,103
Total shareholders’ equity	₩	3,851,543	₩	3,942,164
Net borrowings to equity ratio		99.05%		57.53%

(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, 2011 are as follows (Unit: Korean Won in millions):

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

The 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, 2011 is as follows (Unit: Korean Won in millions):

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

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

2) Interest rate risk

The 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, 2011 is as follows (Unit: Korean Won in millions):

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

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, 2011 is as follows. (Unit: Korean Won in millions):

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

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, 2011 is as follows (Unit: Korean Won in millions):

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

3) Price risk

The Company is exposed to price risks arising from available-for-sale equity instruments. As of December 31, 2011, fair value of available-for-sale equity instruments is ₩26,149 million and when all the other variables are constant and when the price of equity instrument changes by 10%, the effect to equity will be ₩1,982 million.

4) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the 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 Group's exposure to credit risk related to the transactions with these institution are limited. For ordinary transactions, customer's financial status, credit history and other factors are considered to evaluate their credit status. The 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 aging of trade and other receivables are described in Note 8.

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, 2011 is as follows (Unit: Korean Won in millions):

	Within a year		1 - 5 years		Total	
Variable interest instruments	₩	407,561	₩	26,155	₩	433,716
Fixed interest rate instruments		917,702		2,598,170		3,515,872
Non-interest bearing instruments		2,510,582		519,531		3,030,113
	₩	3,835,845	₩	3,143,856	₩	6,979,701

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

Maturity analysis of derivative financial liabilities according to its remaining maturity as of December 31, 2011 is as follows (Unit: Korean Won in millions):

	1~5 years
Derivative financial liabilities:	
Interest Rate Swap	61

(3) Fair value hierarchy

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes held for trading, AFS securities and others). The Company' financial instruments are disclosed at the closing price of the market prices.

The fair values of other financial assets and financial liabilities (e.g. over the counter derivatives) are determined 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.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments that are measured subsequent to initial recognition at fair value by fair value hierarchy levels as of December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	December 31, 2011				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Marketable equity securities	₩ 27,110	₩ 27,110	₩ -	₩ -	₩ 27,110
Total	₩ 27,110	₩ 27,110	₩ -	₩ -	₩ 27,110
Financial liabilities:					
Derivative liabilities designated as a hedging instrument	61	₩ -	₩ 61	₩ -	₩ 61
Total	₩ 61	₩ -	₩ 61	₩ -	₩ 61

	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
Total	₩ 40,361	₩ 40,361	₩ -	₩ -	₩ 40,361
Financial liabilities:					
Derivative liabilities designated as a hedging instrument	₩ 699	₩ -	₩ 699	₩ -	₩ 699
Total	₩ 699	₩ -	₩ 699	₩ -	₩ 699

33. 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	Seoul Gangnam-gu	Seoul Seocho-gu
	Sangam-dong 1600	Yuksam-dong 706-1	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.

(5) Bargain purchase gain

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

34. EVENTSAFTER THE REPORTING PERIOD

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

35. STATEMENTS OF CASH FLOWS

The major transactions not involving cash outflows and cash inflows For the years ended December 31, 2011 and 2010 are as follows (Unit: Korean Won in millions):

	December 31,2011	December 31,2010
Mutual reclassification between trade receivables and non-current trade receivables	₩ 199,811	₩ 93,868
Abandonment of trade receivables	49,586	47,467
Account reclassification between prepaid expenses and long-term prepaid expenses	36,372	8,758
Valuation of available-for-sale security	14,010	4,667
Reclassification of Assets under-construction	878,430	886,930
Addition of long-term accrued expenses relating to acquiring intangible assets	500,226	-
Current maturities of debentures and long-term borrowings	₩ 993,697	₩ 653,767

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.

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, 2011. 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, 2011, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2011, 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, 2011, and we did not review its IACS subsequent to December 31, 2011. 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.

Deloitte Anjin LLC

March 8, 2012

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Audit Committee of LG Uplus Corp.

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, 2011.

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, 2011, in all material respects, in accordance with the IACS standards.

January 27, 2012