

# **LG Electronics Inc.**

**Non-Consolidated Interim Financial Statements  
September 30, 2008 and 2007**

**LG Electronics Inc.**  
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**September 30, 2008 and 2007**

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## Report of Independent Accountants

To the Board of Directors and Shareholders of  
LG Electronics Inc.

We have reviewed the accompanying non-consolidated balance sheet of LG Electronics Inc. (the "Company") as of September 30, 2008, and the related non-consolidated statements of income for the three-month and nine-month periods ended September 30, 2008 and 2007, and the statements of cash flows and changes in shareholders' equity for the nine-month periods ended September 30, 2008 and 2007, expressed in Korean won. These interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim financial statements based on our reviews.

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the non-consolidated interim financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

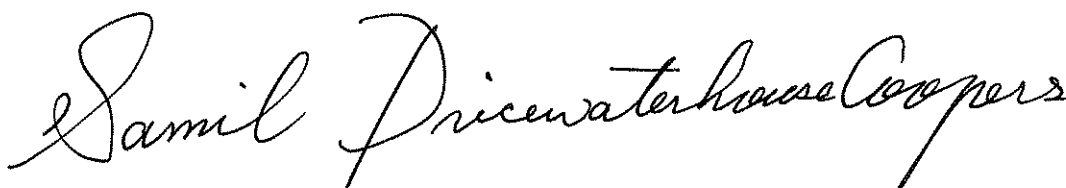
We have audited the non-consolidated balance sheet of LG Electronics Inc. as of December 31, 2007, and the related non-consolidated statements of income, appropriations of retained earnings, and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated February 26, 2008. These financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2007, presented herein for comparative purposes, is consistent, in all material respects, excluding the application of SKFAS No. 15, with the above audited balance sheet as of December 31, 2007.

## SAMIL PRICEWATERHOUSECOOPERS

As discussed in Note 2 to the accompanying non-consolidated interim financial statements, the Company adopted the Korea Accounting Institute Opinion 06-2, as revised, on February 22, 2008. The prior year financial statements have not been restated to reflect the change in accordance with Korea Accounting Institute Opinion 06-2. Instead, the effect of changes was reflected in the beginning balance of January 1, 2008. The Company also adopted SKFAS No. 15, *Equity Method (As Revised)*. Accordingly, the prior year financial statements, presented herein for comparative purposes, have been restated to reflect the changes to conform with SKFAS No. 1.

As discussed in Note 23 to the accompanying non-consolidated interim financial statements, on May 1, 2008, the Company transferred its Printed Circuit Board division ("PCB") to LG Micron Ltd. and acquired PDP Rear Plate division ("PRP") from LG Micron Ltd., as approved by the board of directors on February 21, 2008.

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



Seoul, Korea  
November 11, 2008

This report is effective as of November 11, 2008, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**LG Electronics Inc.**  
**Non-Consolidated Balance Sheets**  
**September 30, 2008 and December 31, 2007**  
**(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	₩ 1,412,880	₩ 532,371
Short-term financial instruments	110,000	-
Trade accounts and notes receivable, net (Notes 10 and 21)	1,522,448	548,503
Inventories, net (Note 3)	1,157,428	945,570
Other accounts receivable, net	315,711	226,086
Prepaid expenses	156,009	111,101
Accrued income, net	122,790	67,283
Advances, net	63,751	73,887
Derivatives transaction debit (Note 11)	5,366	665
Deferred income tax assets	492,376	238,991
Other current assets, net	55,952	82,970
Total current assets	5,414,711	2,827,427
Property, plant and equipment, net (Notes 6 and 22)	3,736,630	4,037,055
Long-term financial instruments (Note 4)	14,028	14,854
Long-term investment securities	11,561	16,199
Equity method investments (Notes 2 and 5)	8,021,881	6,307,628
Refundable deposits	328,526	329,626
Long-term advance payments, net	191,191	193,540
Long-term prepaid expenses	166,891	112,189
Long-term loans receivable, net	78,068	90,302
Intangible assets, net (Notes 7 and 22)	472,760	398,481
Derivative transaction debit (Note 11)	-	5,641
Other investment assets	8,039	3,676
Total assets	₩ 18,444,286	₩ 14,336,618

**LG Electronics Inc.**  
**Non-Consolidated Balance Sheets**  
**September 30, 2008 and December 31, 2007**  
**(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Short-term borrowings (Note 8)	₩ 192,335	₩ 29,265
Current maturities of long-term net debts, net (Note 8)	358,202	370,867
Trade accounts and notes payable (Note 21)	2,735,490	1,838,402
Other accounts payable	865,572	1,051,298
Income taxes payable	272,741	42,196
Accrued expenses	1,443,569	835,332
Withholdings	49,237	46,033
Unearned income	43,593	40,132
Advances from customers	233,008	149,424
Derivatives transaction credit (Note 11)	53,212	19,682
Product warranty reserve (Note 12)	198,659	165,031
Total current liabilities	6,445,618	4,587,662
Debentures, net (Note 9)	1,491,498	1,366,043
Long-term debts, net (Note 9)	237,540	281,460
Accrued severance benefits, net	233,711	245,005
Deferred income tax liabilities	1,006,803	570,213
Derivative transaction credit (Note 11)	81,524	76,720
Total liabilities	9,496,694	7,127,103
<b>Commitments and contingencies (Note 10)</b>		
<b>Shareholders' equity</b>		
Capital stock (Notes 1 and 13)	809,169	809,169
Capital surplus (Note 2)		
Paid-in capital in excess of par value	2,207,919	2,207,919
Other capital surplus	398,680	351,686
Capital adjustments		
Treasury stock	(44,893)	(44,893)
Accumulated other comprehensive income (Notes 2, 5 and 15)		
Gain on valuation of available-for-sale securities	4,236	5,359
Loss on valuation of available-for-sale securities	-	(560)
Net accumulated comprehensive income of equity method investees	779,763	242,801
Net accumulated comprehensive expense of equity method investees	(36,652)	(148,632)
Retained earnings (Notes 2 and 16)		
Statutory reserve	104,826	91,049
Voluntary reserve	3,280,276	2,254,119
Unappropriated retained earnings	1,444,268	1,441,498
Total shareholders' equity	8,947,592	7,209,515
Total liabilities and shareholders' equity	₩ 18,444,286	₩ 14,336,618

The accompanying notes are an integral part of these non-consolidated financial statements.

See Report of Independent Accountants

**LG Electronics Inc.**  
**Non-Consolidated Statements of Income**  
**Three-Month and Nine-Month Periods Ended September 30, 2008 and 2007**  
**(Unaudited)**

(in millions of Korean won, except per share amounts)

	2008		2007	
	For the three-month period ended September 30, 2008	For the nine-month period ended September 30, 2008	For the three-month period ended September 30, 2007	For the nine-month period ended September 30, 2007
Sales, net (Notes 18, 21 and 22)	₩ 6,886,703	₩ 21,047,466	₩ 5,690,042	₩ 17,626,998
Cost of sales (Notes 19 and 21)	5,166,494	15,571,767	4,490,289	13,762,769
Gross profit	1,720,209	5,475,699	1,199,753	3,864,229
Selling and administrative expenses (Note 20)	1,382,616	3,939,046	1,107,344	3,453,487
Operating income	337,593	1,536,653	92,409	410,742
<b>Non-operating income</b>				
Interest income	23,306	57,307	13,333	36,695
Rent income	7,810	24,406	6,863	21,057
Foreign exchange gains	193,260	378,318	80,749	202,861
Gain on disposal of investment securities	1,276	55,139	-	30,896
Gain on disposal of property, plant and equipment	6,575	8,452	527	1,050
Gain on disposal of intangible assets	2,563	2,778	-	55
Gain from redemption of debentures	-	-	-	8,240
Gain on valuation of equity-method investments (Note 5)	147,923	1,128,134	401,370	649,941
Gain on settlement of derivatives (Note 11)	12,711	38,563	11,065	23,675
Gain on valuation of derivatives (Note 11)	5,291	5,366	-	6,117
Others	8,596	18,793	3,988	14,101
	409,311	1,717,256	517,895	994,688
<b>Non-operating expenses</b>				
Interest expense	23,945	74,886	27,981	92,236
Foreign exchange losses	546,556	1,038,615	67,996	118,100
Donations	1,675	5,607	1,976	7,509
Loss from disposal of property, plant and equipment	2,802	4,974	1,527	13,762
Loss from disposal of intangible assets	11	4,416	-	199
Loss from transfer of accounts receivable	36,343	109,832	46,075	159,398
Loss on impairment of property, plant and equipment (Note 6)	17,189	61,263	5,954	17,885
Loss on impairment of intangible assets (Note 7)	-	-	-	47,364
Loss on equity method investments (Note 5)	23,202	242,965	2,794	134,633
Loss on settlement of derivatives (Note 11)	35,048	97,189	3,996	18,295
Loss on valuation of derivatives (Note 11)	19,161	81,763	48,852	52,163
Loss on valuation of long-term advance payments	-	24,264	-	-
Other depreciation	6,976	22,853	10,617	13,659
Others	17	28,733	5,204	10,400
	712,925	1,797,360	222,972	685,603
Income before income tax	33,979	1,456,549	387,332	719,827
Income tax expense	9,094	302,503	48,133	118,693
Net income	₩ 24,885	₩ 1,154,046	₩ 339,199	₩ 601,134
Basic earnings per share (in won) (Note 17)	₩ 153	₩ 7,161	₩ 2,105	₩ 3,728

The accompanying notes are an integral part of these non-consolidated financial statements.

**LG Electronics Inc.**  
**Non-Consolidated Statements of Changes in Shareholders' Equity**  
**Nine-Month periods Ended September 30, 2008 and 2007**  
**(Unaudited)**

*(in millions of Korean won)*

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
Balance at January 1, 2007	₩ 809,169	₩ 2,219,993	₩ (44,893)	₩ 687,981	₩ 2,466,926	₩ 6,139,176
Cumulative effect of changes in accounting principles	-	339,612	-	(764,163)	219,004	(205,547)
Restated balance	809,169	2,559,605	(44,893)	(76,182)	2,685,930	5,933,629
Cash dividends	-	-	-	-	(121,659)	(121,659)
Net income	-	-	-	-	601,134	601,134
Change in equity method investees with net accumulated comprehensive income	-	-	-	(35,582)	-	(35,582)
Change in equity method investees with net accumulated comprehensive expense	-	-	-	102,804	-	102,804
Gain on valuation of available-for-sale securities	-	-	-	340	-	340
Balance at September 30, 2007	₩ 809,169	₩ 2,559,605	₩ (44,893)	₩ (8,620)	₩ 3,165,405	₩ 6,480,666
Balance at January 1, 2008	₩ 809,169	₩ 2,219,993	₩ (44,893)	₩ 703,467	₩ 3,522,966	₩ 7,210,702
Cumulative effect of changes in accounting principles	-	339,612	-	(604,499)	290,123	25,236
Restated balance	809,169	2,559,605	(44,893)	98,968	3,813,089	7,235,938
Cash dividends	-	-	-	-	(137,765)	(137,765)
Net income	-	-	-	-	1,154,046	1,154,046
Change in capital surplus	-	46,994	-	-	-	46,994
Change in equity method investees with net accumulated comprehensive income	-	-	-	536,962	-	536,962
Change in equity method investees with net accumulated comprehensive expense	-	-	-	111,980	-	111,980
Loss on valuation of available-for-sale securities	-	-	-	(563)	-	(563)
Balance at September 30, 2008	₩ 809,169	₩ 2,606,599	₩ (44,893)	₩ 747,347	₩ 4,829,370	₩ 8,947,592

The accompanying notes are an integral part of these non-consolidated financial statements.

See Report of Independent Accountants



**LG Electronics Inc.**  
**Non-Consolidated Statements of Cash Flows**  
**Nine-Month Periods Ended September 30, 2008 and 2007**  
**(Unaudited)**

<i>(in millions of Korean won)</i>	2008	2007
<b>Cash flows from operating activities</b>		
Net income	₩ 1,154,046	₩ 601,134
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	424,235	435,373
Amortization	91,675	88,455
Other depreciation	22,853	13,659
Loss (gain) on foreign currency translation, net	510,146	(25,951)
Amortization of discounts on debentures	2,005	1,750
Provision for severance benefits	140,615	173,907
Loss from transfer of accounts receivable	109,832	159,398
Gain on valuation of equity-method investments, net	(885,169)	(515,308)
Loss (gain) from disposal of property, plant and equipment, net	(3,478)	12,712
Loss from impairment of property, plant and equipment	61,263	17,885
Loss from impairment of intangible assets	-	47,364
Bad debt expense	8,254	5,054
Loss (gain) on settlement of derivatives, net	58,626	(5,380)
Loss on valuation of derivatives, net	76,397	46,046
Gain on redemption of debentures	-	(8,240)
Provision for product warranty	296,396	263,166
Loss on valuation of long-term advance payments	24,264	-
Gain on disposal of investment securities	(55,139)	(30,896)
Others	7,002	4,497
	<u>889,777</u>	<u>683,491</u>
Changes in operating assets and liabilities		
Increase in trade accounts and notes receivable	(1,056,363)	(333,863)
Increase in other accounts receivable	(72,428)	(59,840)
Increase in accrued income	(72,150)	(39,975)
Decrease in advances	9,867	3,564
Decrease in other current assets	26,180	1,749
Decrease (increase) in inventories	(206,351)	82,556
Increase in prepaid expenses	(44,936)	(58,002)
Increase in long-term advance payments	(55,634)	(30,276)
Decrease (increase) in long-term prepaid expenses	(54,702)	812
Increase in deferred income tax assets	(253,384)	(36,178)
Increase in trade accounts and notes payable	759,104	378,260
Decrease in other accounts payable	(224,277)	(365,885)
Increase in accrued expenses	581,059	425,370
Increase (decrease) in withholdings	3,324	(23,326)
Increase (decrease) in advances from customers	83,601	(49,745)
Increase (decrease) in income taxes payable	230,545	(41,681)
Payment of severance benefits	(126,428)	(118,360)
Decrease (increase) in severance insurance deposits	(2,013)	3,158
Decrease in contributions to the National Pension Fund	2,261	1,570
Increase in deferred income tax liabilities	247,724	118,501
Decrease in product warranty reserve	(262,768)	(349,416)
Dividends received	120,579	8,922
Others	(3,673)	2,213
	<u>(370,863)</u>	<u>(479,872)</u>
Net cash provided by operating activities	<u>1,672,960</u>	<u>804,753</u>

**LG Electronics Inc.**  
**Non-Consolidated Statements of Cash Flows**  
**Nine-Month Periods Ended September 30, 2008 and 2007**  
**(Unaudited)**

*(in millions of Korean won)*

**Cash flows from investing activities**

Proceeds from disposal of short-term financial instruments	₩	-	₩	20,000
Proceeds from disposal of long-term financial instruments		22,488		27,552
Disposal of short-term and long-term loans		46,891		15,755
Return of refundable deposits		48,305		45,904
Proceeds from disposal of investment securities		71,225		33,092
Proceeds from disposal of property, plant and equipment		212,392		37,462
Proceeds from disposal of intangible assets		5,026		1,807
Proceeds from disposal of derivatives		39,229		30,321
Acquisition of short-term financial instruments		(110,000)		-
Acquisition of long-term financial instruments		(21,662)		(16,505)
Increase in short-term and long term loans		(33,459)		(10,862)
Acquisition of investment securities		(31,600)		(14,641)
Payment of refundable deposits		(46,727)		(45,113)
Acquisition of property, plant and equipment		(560,134)		(397,015)
Acquisition of intangible assets		(42,907)		(57,045)
Acquisition of derivatives		(134,977)		(19,576)
Proceeds from business transfer		56,859		-
Decrease in other investment assets		955		-
Net cash used in investing activities		<u>(478,096)</u>		<u>(348,864)</u>

**Cash flows from financing activities**

Issuance of short-term borrowings		244,870		174,679
Payment of short-term borrowings		(140,000)		(175,382)
Issuance of debentures		-		649,018
Issuance of long-term debts		-		185,320
Payment of long-term debts		-		(478,104)
Payment of dividends		(137,765)		(121,659)
Payment of current maturities of long-term debts		(281,460)		(786,248)
Net cash used in financing activities		<u>(314,355)</u>		<u>(552,376)</u>
Net increase (decrease) in cash and cash equivalents		880,509		(96,487)

**Cash and cash equivalents**

Beginning of the period		532,371		490,315
End of the period	₩	<u>1,412,880</u>	₩	<u>393,828</u>

The accompanying notes are an integral part of these consolidated financial statements.

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**LG Electronics Inc.**  
**Notes to Non-Consolidated Financial Statements**  
**September 30, 2008 and 2007, and December 31, 2007**

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**1. The Company**

LG Electronics Inc. (the "Company") was spun off from LG Electronics Investment Ltd. (formerly LG Electronics Inc.) on April 1, 2002, to engage in the manufacture and sale of electronics, and information and communication products. The former LG Electronics Inc. was incorporated in October 1958 under the Commercial Code of the Republic of Korea to manufacture and sell electronics, and information and communication products, and had its shares listed on the Korea Stock Exchange in April 1970.

As of September 30, 2008, the Company's main manufacturing facilities are in Kuro, Pyeongtaek, Chongju, Gumi and Changwon in the Republic of Korea.

As of September 30, 2008, the Company has outstanding capital stock amounting to ₩809,169 million, including non-voting preferred stock. The Company's stock was re-listed on the Korean Stock Exchange on April 22, 2002, and its depository receipts were re-listed on the London Stock Exchange in September 2002.

**2. Summary of Significant Accounting Policies**

The significant accounting policies followed by the Company in the preparation of its non-consolidated interim financial statements are the same as the policies adopted for the financial statements for the year ended December 31, 2007, unless otherwise stated.

**Basis of Financial Statement Presentation**

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

**Application of the Statements of Korean Financial Accounting Standards**

The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

**LG Electronics Inc.**  
**Notes to Non-Consolidated Financial Statements**  
**September 30, 2008 and 2007, and December 31, 2007**

In 2008, the Company adopted the following new Statements of Korean Financial Accounting Standards (SKFAS) issued by the Korea Accounting Standards Board:

**Korea Accounting Institute Opinion 06-2, *Deferred Income Taxes on Investments in Subsidiaries, Associates and Interests in Joint Ventures (As Revised on February 22, 2008)***

The Company adopted Korea Accounting Institute Opinion 06-2, as revised, on February 22, 2008. The prior year financial statements have not been restated to reflect the changes in accordance with Korea Accounting Institute Opinion 06-2. Instead, the effect of change was reflected in the beginning balance of January 1, 2008. The effect of the change was an increase in retained earnings as of January 1, 2008, by ₩26,423 million.

**SKFAS No. 15, *Equity Method (As Revised)***

The Company adopted SKFAS No. 15, *Equity Method, as revised*. The prior year financial statements, presented herein for comparative purposes, have been restated to reflect the changes in accordance with SKFAS No. 1. However, financial statements for the periods before January 1, 2007 have not been restated. The effects of this change were an increase in capital surplus as of January 1, 2008 and 2007, by ₩339,612 million each, a decrease in accumulated other comprehensive income as of January 1, 2008 and 2007, by ₩604,499 million each and an increase in retained earnings as of January 1, 2008 and 2007, by ₩263,700 million each.

The effects of the change on significant accounts for the balances as of January 1, 2008 and 2007, are as follows:

<b>January 1, 2008</b> <i>(in millions of Korean won)</i>	<b>Before</b>	<b>Adjustment</b>	<b>After</b>
Equity-method investments	₩ 6,308,815	₩ (1,187)	₩ 6,307,628
Capital surplus	2,219,993	339,612	2,559,605
Accumulated other comprehensive income	703,467	(604,499)	98,968
Retained earnings <sup>1</sup>	3,549,389	263,700	3,813,089

<sup>1</sup> Retained earnings before the adjustment reflect the changes in accordance with the revised Korea Accounting Institute Opinion 06-2.

<b>January 1, 2007</b> <i>(in millions of Korean won)</i>	<b>Before</b>	<b>Adjustment</b>	<b>After</b>
Equity-method investments	₩ 4,583,577	₩ (1,187)	₩ 4,582,390
Capital surplus	2,219,993	339,612	2,559,605
Accumulated other comprehensive income <sup>2</sup>	528,317	(604,499)	(76,182)
Retained earnings <sup>2</sup>	2,422,230	263,700	2,685,930

<sup>2</sup> Retained earnings and accumulated other comprehensive income before the adjustments reflect the changes in accordance with Korea Accounting Institute Opinion 06-2 applied in 2007.

**Reclassification of Prior Year Financial Statements**

Certain prior year accounts, presented herein for comparative purposes, have been reclassified to conform to current period's financial statement presentation. Such reclassification does not impact the net income or net assets reported in the prior year.

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**LG Electronics Inc.**  
**Notes to Non-Consolidated Financial Statements**  
**September 30, 2008 and 2007, and December 31, 2007**

**3. Inventories**

Inventories as of September 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	<b>2008</b>		
	<b>Cost</b>	<b>Valuation loss</b>	<b>Carrying value</b>
Merchandise	₩ 61,290	₩ (3,381)	₩ 57,909
Finished products	441,620	(27,015)	414,605
Work-in-process	156,457	(4,806)	151,651
Raw materials	452,665	(11,719)	440,946
Parts and supplies	99,982	(7,665)	92,317
	<u>₩ 1,212,014</u>	<u>₩ (54,586)</u>	<u>₩ 1,157,428</u>

<i>(in millions of Korean won)</i>	<b>2007</b>		
	<b>Cost</b>	<b>Valuation loss</b>	<b>Carrying value</b>
Merchandise	₩ 38,760	₩ (1,843)	₩ 36,917
Finished products	404,303	(32,026)	372,277
Work-in-process	119,261	(2,977)	116,284
Raw materials	349,268	(17,638)	331,630
Parts and supplies	92,208	(3,746)	88,462
	<u>₩ 1,003,800</u>	<u>₩ (58,230)</u>	<u>₩ 945,570</u>

**4. Long-term Financial Instruments**

As of September 30, 2008 and December 31, 2007, long-term financial instruments are deposited in connection with maintaining checking accounts or research and development projects funded by the government. The withdrawal of these financial instruments is restricted.

**LG Electronics Inc.**  
**Notes to Non-Consolidated Financial Statements**  
**September 30, 2008 and 2007, and December 31, 2007**

**5. Equity-Method Investments**

Changes in equity-method investments for the nine-month period ended September 30, 2008, are as follows:

<i>(in millions of Korean won)</i>	Percentage of ownership(%) at September 30, 2008	Acquisition cost	January 1, 2008	Equity in earnings (losses) of affiliates <sup>1</sup>	Others	September 30, 2008
<b>Domestic companies</b>						
LG Micron Ltd.	52.02	₩ 192,278	₩ 99,078	₩ 2,281	₩ 87,284	₩ 188,643
LG Innotek Co., Ltd. <sup>2</sup>	50.06	59,825	189,515	38,873	25,969	254,357
LG Display Co., Ltd.	37.90	679,218	3,072,004	660,056	(67,069)	3,664,991
LG-Nortel Co., Ltd.	50.00	153,254	231,934	81,764	1,242	314,940
Hankuk Electric Glass Co., Ltd.	20.00	119,282	82,608	7,553	(4,419)	85,742
Hi Plaza Inc.	100.00	100,511	109,100	(5,882)	-	103,218
Hi Business Logistics	100.00	8,000	21,800	5,760	3,026	30,586
Others		23,706	22,510	313	(11)	22,812
		<u>1,336,074</u>	<u>3,828,549</u>	<u>790,718</u>	<u>46,022</u>	<u>4,665,289</u>
<b>Overseas companies</b>						
LG Electronics European Holdings B.V. (LGEEH)	100.00	83,324	95,049	(101,260)	81,310	75,099
PT LG Electronics Indonesia. (LGEIN)	100.00	79,946	63,985	13,161	24,721	101,867
LG Electronics Huizhou Inc. (LGEHZ)	80.00	1,277	29,204	4,821	4,070	38,095
LG Electronics India Pvt. Ltd. (LGEIL)	100.00	38,476	247,944	27,299	19,156	294,399
LG Electronics Mlawa SP.Zo.O. (LGEMA)	100.00	133,618	130,831	53,735	50,233	234,799
LG Electronics Mexico S.A. de C.V. (LGEMS)	100.00	103,807	107,235	911	51,356	159,502
Nanjing LG-Tontru Color Display System Co., Ltd. (LGEND) (formerly LGENT)	70.00	9,367	23,928	5,303	7,623	36,854
LG Electronics de Sao Paulo Ltd. (LGESP)	100.00	112,491	299,314	(1,285)	26,058	324,087
LG Electronics Shenyang Inc.(LGESY)	78.87	11,149	33,228	11,927	13,701	58,856
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	42,948	114,618	(4,039)	38,918	149,497
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR)	100.00	72,129	54,370	15,923	24,313	94,606
LG Electronics U.S.A., Inc. (LGEUS)	100.00	148,109	588,990	73,389	193,419	855,798
LG Electronics Wrocław Sp. z o.o (LGEWR)	100.00	55,364	60,987	7,770	21,690	90,447
SLD Telecom Pte. Ltd.	25.37	72,194	42,805	(5,577)	10,576	47,804
LG Holdings (HK) Ltd.	31.82	72,787	25,541	9,858	42,428	77,827
Others		616,882	561,050	(17,485)	173,490	717,055
		<u>1,653,868</u>	<u>2,479,079</u>	<u>94,451</u>	<u>783,062</u>	<u>3,356,592</u>
		<u>₩ 2,989,942</u>	<u>₩ 6,307,628</u>	<u>₩ 885,169</u>	<u>₩ 829,084</u>	<u>₩ 8,021,881</u>

<sup>1</sup> Positive (negative) numbers represent gain (loss) on valuation of equity-method investments.

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2 LG Innotek Co., Ltd. listed its common stock on the KOSPI market.

Changes in equity-method investments for the nine-month period ended September 30, 2007, were as follows:

<i>(in millions of Korean won)</i>	Percentage of ownership(%) at September 30, 2007	Acquisition cost	January 1, 2007	Equity in earnings (losses) of affiliates, <sup>1</sup>	Others	September 30, 2007
<b>Domestic companies</b>						
LG Micron Ltd.	36.00	₩ 68,100	₩ 110,496	₩ (10,541)	₩ (1,162)	₩ 98,793
LG Innotek Co., Ltd.	69.80	59,825	161,850	15,738	789	178,377
LG Display Co., Ltd.	37.90	679,218	2,510,698	242,721	17,009	2,770,428
LG-Nortel Co., Ltd.	50.00	153,254	168,989	39,947	1,545	210,481
Hankuk Electric Glass Co., Ltd.	20.00	119,282	96,141	(19,899)	(796)	75,446
Hi Plaza Inc.	100.00	100,511	107,916	1,411	-	109,327
Hi Business Logistics	100.00	8,000	15,641	5,885	150	21,676
Others		19,352	17,865	574	21	18,460
		<u>1,207,542</u>	<u>3,189,596</u>	<u>275,836</u>	<u>17,556</u>	<u>3,482,988</u>
<b>Overseas companies</b>						
LG Electronics European Holdings B.V. (LGEEH)	100.00	63,423	-	31,597	4,192	35,789
PT LG Electronics Indonesia (LGEIN)	100.00	79,946	67,511	1,753	(761)	68,503
LG Electronics Huizhou Inc. (LGEHZ)	80.00	1,277	29,580	1,800	(3,799)	27,581
LG Electronics India Pvt. Ltd. (LGEIL)	100.00	38,476	161,201	46,456	19,238	226,895
LG Electronics Mlawa SP.Zo.O. (LGEMA)	100.00	133,618	130,348	(39,629)	7,423	98,142
LG Electronics Mexico S.A. de C.V. (LGEMS)	100.00	57,644	35,916	2,932	28,511	67,359
Nanjing LG-Tontru Color Display System Co., Ltd. (LGEND) (formerly LGENT)	70.00	10,869	14,314	5,957	394	20,665
LG Electronics de Sao Paulo Ltd. (LGESP)	100.00	79,106	148,832	56,858	31,436	237,126
LG Electronics Shenyang Inc. (LGESY)	78.87	12,244	17,547	10,023	(296)	27,274
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	42,948	93,866	5,553	3,099	102,518
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR)	100.00	79,795	36,701	16,796	1,759	55,256
LG Electronics U.S.A., Inc. (LGEUS)	100.00	148,109	135,307	65,925	(1,818)	199,414
LG Electronics Wroclaw Sp.Zo.o. (LGEWR)	100.00	55,364	53,806	(2,385)	4,170	55,591
SLD Telecom Pte. Ltd.	25.37	72,194	47,067	(3,313)	(409)	43,345
LG Holdings (HK) Ltd.	31.82	72,787	27,031	(3,601)	577	24,007
Others		461,544	394,954	42,750	(14,469)	423,235
		<u>1,409,344</u>	<u>1,393,981</u>	<u>239,472</u>	<u>79,247</u>	<u>1,712,700</u>
		<u>₩ 2,616,886</u>	<u>₩ 4,583,577</u>	<u>₩ 515,308</u>	<u>₩ 96,803</u>	<u>₩ 5,195,688</u>

<sup>1</sup> Positive (negative) numbers represent gain (loss) on valuation of equity-method investments.

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As of September 30, 2008 and December 31, 2007, the respective accumulated losses of equity method investees from which the application of the equity method of accounting has been suspended due to their accumulated losses are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2007</b>		<b>September 30, 2008</b>	
	<b>Accumulated losses</b>	<b>Increase (Decrease)</b>	<b>Accumulated losses</b>	<b>Accumulated capital adjustment <sup>1</sup></b>
LG Electronics HK Ltd.(LGEHK)	₩ 1,649	₩ 2,082	₩ 3,731	₩ (518)
LG Electronics Overseas Trading FZE (Dubai)	28,074	132	28,206	(9,864)
LG Electronics Wales Ltd. (LGEWA) and others <sup>2</sup>	328,704	8,585	337,289	(50,622)
LG Electronics Mobilecomm U.S.A., Inc. (LGEMU)	1,526	21,560	23,086	-
LG Electronics Almaty Kazakstan (LGEAK)	-	1,255	1,255	-
	<u>₩ 359,953</u>	<u>₩ 33,614</u>	<u>₩ 393,567</u>	<u>₩ (61,004)</u>

<sup>1</sup> Negative numbers represent negative capital adjustment from the application of the equity method of accounting.

<sup>2</sup> The amounts include the accumulated unrecorded losses of LG.Philips Display Holdings B.V., an equity method investee of LG Electronics Wales Ltd. using the equity method of accounting.

**6. Property, Plant and Equipment**

Property, plant and equipment as of September 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	<b>September 30, 2008</b>		<b>December 31, 2007</b>	
Buildings	₩ 2,041,000		₩ 1,969,588	
Structures	153,786		170,230	
Machinery and equipment	2,090,181		2,080,482	
Tools	1,119,755		1,066,389	
Furniture and fixtures	497,889		491,599	
Vehicles	69,612		28,023	
	<u>5,972,223</u>		<u>5,806,311</u>	
Less : Accumulated depreciation	(3,136,437)		(2,804,852)	
Accumulated impairment loss <sup>1</sup>	(16,519)		(26,355)	
	<u>2,819,267</u>		<u>2,975,104</u>	
Land	621,226		684,987	
Trees	4,756		4,762	
Construction-in-progress	290,733		372,127	
Machinery-in-transit	648		75	
	<u>₩ 3,736,630</u>		<u>₩ 4,037,055</u>	

<sup>1</sup> The carrying value of certain land and buildings are reduced to the estimated realizable value, recognizing an impairment loss amounting to ₩2,981 million and reclassified under the other investment assets account. Also, an impairment loss of ₩58,282 million was recognized on the others.

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**7. Intangible Assets**

Intangible assets as of September 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	<b>September 30, 2008</b>		<b>December 31, 2007</b>	
Goodwill	₩	39,604	₩	52,129
Industrial property rights		199,640		191,774
Development costs		171,154		85,590
Others		64,422		71,048
		<u>474,820</u>		<u>400,541</u>
Less : Accumulated impairment loss		(2,060)		(2,060)
	₩	<u>472,760</u>	₩	<u>398,481</u>

**8. Short-Term Borrowings and Current Maturities of Long-Term Debts**

Short-term borrowings as of September 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	<b>Annual interest rate (%) at September 30, 2008</b>	<b>September 30, 2008</b>		<b>December 31, 2007</b>	
Foreign currency loans	1M Libor + 2.18%	₩	118,770	₩	-
Foreign currency loans	3M Libor + 0.88%		73,565		29,265
		₩	<u>192,335</u>	₩	<u>29,265</u>

Current maturities of long-term debts and debentures as of September 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	<b>September 30, 2008</b>		<b>December 31, 2007</b>	
Debentures	₩	240,000	₩	90,000
Discount on debentures		(568)		(593)
		<u>239,432</u>		<u>89,407</u>
Long-term debts		118,770		281,460
	₩	<u>358,202</u>	₩	<u>370,867</u>

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**9. Debentures and Long-Term Debts**

Debentures as of September 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at September 30, 2008		September 30, 2008		December 31, 2007
<b>Debentures</b>					
Listed, non-guaranteed bonds	4.0 ~ 5.27	₩	430,000	₩	430,000
Fixed rate notes of US \$ 600 million (2007: US \$600 million)	5.0		712,620		562,920
Floating rate notes of US \$ 500 million (2007: US \$500 million)	Libor + 0.65		593,850		469,100
			1,736,470		1,462,020
Less: Current maturities			(240,000)		(90,000)
Discount on debentures			(4,972)		(5,977)
		₩	1,491,498	₩	1,366,043

Long-term debts as of September 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate(%) at September 30, 2008		September 30, 2008		December 31, 2007
<b>Foreign currency loans<sup>1</sup></b>					
Kookmin Bank	6M Libor + 0.8	₩	118,770	₩	375,280
The Korea Development Bank	3M Libor + 0.4		237,540		187,640
			356,310		562,920
Less: Current maturities			(118,770)		(281,460)
		₩	237,540	₩	281,460

<sup>1</sup> Total face value is US \$300 million (2007: US \$600 million).

The maturities of debentures and long-term debts outstanding as of September 30, 2008, are as follows:

<i>(in millions of Korean won)</i>	<b>For the year ending</b>			
September 30,	Debentures	Long-term debts	Total	
2010	₩ 712,620	₩ -	₩	712,620
2011	-	-		-
2012	783,850	237,540		1,021,390
	₩ 1,496,470	₩ 237,540	₩	1,734,010

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**10. Commitments and Contingencies**

As of September 30, 2008, the Company provided a note to a financial institution as collateral in relation to guarantees of indebtedness.

As of September 30, 2008, the Company has various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

As of September 30, 2008, the Company has bank overdraft facility agreements with various banks amounting to ₩260,500 million.

As of September 30, 2008, the trade bills negotiated through banks that have not matured amount to approximately ₩3,723,116 million.

As of September 30, 2008, the Company has sales agreements for export trade accounts receivable with various banks of up to ₩8,212,975 million, and also has sales agreements for domestic trade accounts receivable with Woori Bank amounting to ₩50,000 million. The Company has corporate electronic settlement services contracts for collection of accounts receivable with two banks of up to ₩150,000 million.

As of September 30, 2008, the Company has corporate electronic settlement services contracts for payment of trade accounts payable with various banks of up to ₩1,185,450 million.

In accordance with the Asset Securitization Law, on May 18, 2006, the Company entered into a three-year sales program with LG Electronics 2nd Securitization Specialty L.L.C. to be able to transfer its trade receivables, on a revolving basis, of up to ₩190,000 million. With regard to the program, the Company is required to maintain the outstanding receivables transferred to the entity of at least ₩212,000 million.

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As of September 30, 2008 and December 31, 2007, the Company is contingently liable for guarantees approximating ₩3,313,434 million (equivalent to US\$ 2,790 million) and ₩2,666,671 million (equivalent to US\$ 2,842 million), respectively, on the indebtedness of its subsidiaries and affiliates, as follows:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
LG Electronics European Shared Service Center B.V.(LGESC)	₩ 569,329	₩ 446,171
LG Electronics U.S.A., Inc.(LGEUS)	332,556	215,786
P.T. LG Electronics Indonesia (LGEIN)	270,940	233,769
LG Electronics Mlawa SP.ZO.O.(LGEMA)	219,930	151,939
LG Electronics Thailand Co., Ltd.(LGETH)	211,863	168,409
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	181,161	134,912
LG Electronics RUS, LLC(LGERA)	199,534	129,472
LG Electronics Monterrey Mexico S.A de C.V.(LGEMM)	140,286	130,585
LG Electronics Italia S.P.A(LGEIS)	23,754	93,820
LG Electronics Nanjing Display Co., Ltd(LGEND)	108,628	90,693
LG Electronics Wroclaw Sp. Z o.o(LGEWR)	69,995	70,444
LG Electronics China Co., Ltd.(LGECH)	117,466	67,693
LG Electronics S.A. Ltd.(LGESA)	27,306	62,878
LG Electronics Chile Limitada(LGECL)	47,508	48,786
LG Electronics Peru S.A (LGEPR)	59,623	47,098
LG Electronics Shenyang Inc(LGESY)	56,416	62,386
Others	677,139	511,830
	<u>₩ 3,313,434</u>	<u>₩ 2,666,671</u>

As of September 30, 2008, the Company is named as a defendant in various foreign and domestic legal actions arising from the normal course of business. The aggregate amounts of foreign and domestic claims as the defendant amounted to approximately US\$119 million and ₩10,546 million, as of September 30, 2008, excluding the claims from 14 intellectual property cases and 10 cases claiming compensation for damages. The Company believes that although the outcome of these legal actions is uncertain, they would not result in a material ultimate loss for the Company.

The Company is currently under investigation by the fair trade or antitrust authorities in Korea, the European Union and other markets with respect to possible anti-competitive activities among CRT manufacturers. The Superior Court of Justice of the Court of Ontario in the Toronto Region has issued an injunction on LG Electronics Canada, Inc., a subsidiary, to submit the documents related anti-competitive activities among CRT manufacturers. As of September 30, 2008, the Company has been named as defendant in a number of federal class actions in the United States alleging that the defendants violated the antitrust laws in connection with the anti-competitive activities among CRT manufacturers. Several federal class actions in the United States are consolidated in the Northern District of California. LG Electronics USA, Inc., a subsidiary, is also named as a defendant in several class actions in the United States in connection with above class actions. The outcome of the cases could not be ascertained as of balance sheet date.

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LG Display Co., Ltd. is currently under investigation by the fair trade or antitrust authorities in Korea, Japan, US and other markets with respect to possible anti-competitive activities in the LCD industry. As of September 30, 2008, LG Display Co., Ltd., along with a number of other companies in the LCD industry, has been named as defendant in a number of federal class actions in the United States alleging that the defendants violated the antitrust laws in connection with the sale of LCD panels. These class actions are consolidated in United States District Court, Northern District of California. In February 2007, LG Display Co., Ltd. and certain officers and directors of the company have been named as defendants in a federal class action suit in the United States by the shareholders of the Company alleging violations of the U.S. Securities Exchange Act of 1934, in connection with possible anti-competitive activities in the LCD industry.

The Company's management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have any material adverse effect on the Company's financial condition, results of operations or cash flows.

As of September 30, 2008, the Company is provided with a performance guarantee of ₩78,079 million from Seoul Guarantee Insurance Company relating to the sales contracts.

The Company leases equipment such as notebooks under operating leases expiring in various years through 2011. The lease payments according to operating lease agreements as of September 30, 2008, are as follows:

*(in millions of Korean won)*

Period	Amount
October 1, 2008 ~ September 30, 2009	₩ 18,607
October 1, 2009 ~ September 30, 2010	20,804
October 1, 2010 ~ September 30, 2011	20,160
Total lease payments	₩ 59,571

For the nine-month period ended September 30, 2008, the Company recognized gains on disposal of investment securities amounting to ₩52,091 million from the redemption of a LG-Nortel Co., Ltd. redeemable preferred stock.

**11. Derivative Transactions**

In order to reduce the impact of changes in exchange rates on future cash flows, the Company has entered into foreign currency forward contracts. As of September 30, 2008, the Company has outstanding forward contracts with Shinhan Bank and others for selling US dollars amounting to US\$103 million at contract exchange rates of ₩998.85 : US\$1 ~ ₩1,090.40 : US\$1, with contract due dates of October 2008 to February 2009. Also, the Company has outstanding forward contracts with Calyon and others for selling Euro and buying US dollars amounting to EUR 72 million at contract exchange rates of US\$ 1.43625 : EUR 1 ~ US\$ 1.5672 : EUR 1, with contract due dates of October 2008 to March 2009.

As a result of the above foreign currency forward contracts, an unrealized valuation gain and loss amounting to ₩5,366 million and ₩14,756 million, respectively, were recorded for the nine-month period ended September 30, 2008.

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In order to reduce the impact of changes in exchange rates, the Company has also entered into foreign currency option contracts. An unrealized valuation loss amounting to ₩5,237 million was recorded for the nine-month period ended September 30, 2008.

A summary of the terms of outstanding currency option contracts as of September 30, 2008, follows:

Option type	Amount (in millions)	Exercise price	Contract due date
Put	US\$31	₩990.0/US\$ ~ ₩1,005.0/US\$	October 28, 2008 through January 28, 2009
Call	US\$31	₩1,016.7/US\$ ~ ₩1,041.8/US\$	October 28, 2008 through January 28, 2009

In order to reduce the impact of changes in interest rates and exchange rates, the Company has also entered into a cross currency swap contract. An unrealized valuation loss amounting to ₩61,770 million, was recorded for the nine-month period ended September 30, 2008.

A summary of the terms of the outstanding cross currency swap contracts as of September 30, 2008, follows:

<i>(in millions)</i>	Notional amount		Annual interest rate (%)		Maturity
	Receive	Pay	Receive	Pay	
JP Morgan Chase	US\$100	€ 82	5.00%	3.70%	June 17, 2010
Barclays	US\$100	€ 83	5.00%	3.70%	June 17, 2010
BNP Paribas	US\$100	€ 82	5.00%	3.70%	June 17, 2010
SC First Bank of Korea Ltd.	₩49,000	US\$50	4.80%	6M USD LIBOR	March 10, 2009
ABN_AMRO	₩47,530	US\$50	4.35%	6M USD LIBOR	May 24, 2009
Barclays	₩48,000	US\$50	4.32%	6M USD LIBOR	June 19, 2009

<i>(in millions)</i>	Notional amount	Annual interest rate (%)		Maturity
		Receive	Pay	
Goldman Sachs and others	US\$500	3M Libor + 65bp	5.62%	May 15, 2012

As a result of the above derivatives contracts, a realized gain of ₩38,563 million and a realized loss of ₩97,189 million were recorded as a non-operating income and expense, respectively, on transactions of derivatives for the nine-month period ended September 30, 2008.

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**12. Product Warranty Reserve**

Changes in the product warranty reserve during the nine-month periods ended September 30, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	<b>2008</b>		<b>2007</b>	
Beginning balance	₩	165,031	₩	241,956
Provisions during the period		296,396		263,166
Actual payments		(262,768)		(349,416)
Ending balance	₩	<u>198,659</u>	₩	<u>155,706</u>

As of September 30, 2008, the Company accrues product warranty reserve for the estimated costs of future service, repairs and recalls, based on historical experience and terms of guarantees over two years.

In addition to the product warranty reserve, the Company accrues a reserve for contingent losses relating to customers' claims and others. This reserve is recorded as accrued expenses.

**13. Capital Stock**

Capital stock as of September 30, 2008 and December 31, 2007, consists of the following:

	Par value per share	<u>September 30, 2008</u>		<u>December 31, 2007</u>	
		Number of shares issued	Amount (in millions)	Number of shares issued	Amount (in millions)
Common stock	₩ 5,000	144,647,814	₩ 723,239	144,647,814	₩ 723,239
Preferred stock <sup>1</sup>	5,000	17,185,992	85,930	17,185,992	85,930
		<u>161,833,806</u>	<u>₩ 809,169</u>	<u>161,833,806</u>	<u>₩ 809,169</u>

<sup>1</sup> The preferred shareholders have no voting rights and are entitled to preferred dividends at a rate of one percentage point over that of common stock. This preferred dividend rate is not applicable to stock dividends.

The Company has treasury stock consisting of 763,155 shares of common stock and 4,682 shares of preferred stock as of September 30, 2008. The Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

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**14. Stock Options**

On March 22, 2005, the Company granted 766,000 shares of stock appreciations rights (“SARs”) for certain executives. Under the terms of this plan, executives, upon exercising their SARs, are entitled to receive cash equal to the excess of the market price of the Company’s common stock over the exercise price of ₩71,130 per share. These SARs are exercisable on or after March 23, 2008, through March 22, 2012.

	<b>Number of shares under SARs</b>
Balance, January 1, 2008	722,000
Options forfeited <sup>1</sup>	(361,000)
Options exercised	(47,500)
Balance, September 30, 2008	<u>313,500</u>

<sup>1</sup> Since the increase in the price of the Company’s share was less than the market index increase over the three-year period following the grant date, the exercisable rights decreased to 361,000 shares, or 50% of the initially granted 722,000 shares, net of canceled options.

Changes in the stock options during the nine-month periods ended September 30, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Beginning balance	₩ 11,256	₩ -
Provisions during the period	2,072	2,650
Actual payments	(3,081)	-
Ending balance	<u>₩ 10,247</u>	<u>₩ 2,650</u>



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**15. Comprehensive Income**

Comprehensive income for the nine-month periods ended September 30, 2008 and 2007, consists of the following:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Net income	₩ 1,154,046	₩ 601,134
Other comprehensive income and expense		
Gain on valuation of equity-method investments	536,962	(35,582)
Tax effects: ₩ 169,827 (2007: ₩ 32,144)		
Loss on valuation of equity-method investments	111,980	102,804
Tax effects: ₩ 13,168 (2007: ₩ 2,964)		
Gain on valuation of available-for-sale securities	(1,123)	562
Tax effects: ₩ (425) (2007: ₩ 213)		
Loss on valuation of available-for-sale securities	560	(222)
Tax effects: ₩ 212 (2007: ₩ 84)		
Comprehensive income	<u>₩ 1,802,425</u>	<u>₩ 668,696</u>

**16. Retained Earnings**

Retained earnings as of September 30, 2008 and December 31, 2007, consist of the following:

<i>(in million of Korean won)</i>	<b>September 30, 2008</b>	<b>December 31, 2007</b>
Statutory reserve		
Legal reserve	₩ 104,826	₩ 91,049
Voluntary reserve		
Reserve for improvement of financial structure	27,772	27,772
Reserve for research and manpower development	3,252,504	2,226,347
	<u>3,280,276</u>	<u>2,254,119</u>
Unappropriated retained earnings	1,444,268	1,441,498
	<u>₩ 4,829,370</u>	<u>₩ 3,786,666</u>

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**17. Earnings Per Share**

Basic earnings per share for the three-month and nine-month periods ended September 30, 2008 and 2007, is calculated as follows:

	2008		2007	
	Three-month Period ended September 30, 2008	Nine-month Period ended September 30, 2008	Three-month Period ended September 30, 2007	Nine-month Period ended September 30, 2007
<i>(in millions of Korean won, except per share amounts)</i>				
Net income as reported on the statement of income	₩ 24,885	₩ 1,154,046	₩ 339,199	₩ 601,134
Less: Preferred stock dividends	(3,865)	(11,597)	(3,436)	(10,309)
Additional income available for dividends allocated to preferred stock	1,020	(112,083)	(32,939)	(54,391)
Net income attributable to common stock	22,040	1,030,366	302,824	536,434
Weighted average number of common stock outstanding <sup>1</sup>	143,884,659	143,884,659	143,884,667	143,884,667
Basic earnings per share (in won)	₩ 153	₩ 7,161	₩ 2,105	₩ 3,728

<sup>1</sup> Weighted average number of common stock are as follows:

	2008		2007	
	Three-month period ended September 30, 2008	Nine-month period ended September 30, 2008	Three-month period ended September 30, 2007	Nine-month period ended September 30, 2007
<i>(in millions of Korean won)</i>				
January 1, 2008 and 2007	144,647,814	144,647,814	144,647,814	144,647,814
Treasury shares	(763,155)	(763,155)	(763,147)	(763,147)
Weighted average number of common stocks outstanding	143,884,659	143,884,659	143,884,667	143,884,667

Basic earnings per share for the year ended December 31, 2007, for the three-month period ended March 31, 2008, and for the six-month period ended June 30, 2008, were ₩7,584 and ₩2,620 and ₩7,008, respectively.

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**18. Sales**

Net sales for the three-month and nine-month periods ended September 30, 2008 and 2007, consist of the following:

	2008		2007	
	Three-month period ended September 30, 2008	Nine-month period ended September 30, 2008	Three-month period ended September 30, 2007	Nine-month period ended September 30, 2007
<i>(in millions of Korean won)</i>				
Total sales	₩ 7,320,603	₩ 22,181,576	₩ 5,938,383	₩ 18,325,483
Sales deduction	<u>(433,900)</u>	<u>(1,134,110)</u>	<u>(248,341)</u>	<u>(698,485)</u>
Net sales	<u>₩ 6,886,703</u>	<u>₩ 21,047,466</u>	<u>₩ 5,690,042</u>	<u>₩ 17,626,998</u>

**19. Cost of Sales**

Cost of sales for the three-month and nine-month periods ended September 30, 2008 and 2007, consists of the following:

	2008		2007	
	Three-month period ended September 30, 2008	Nine-month period ended September 30, 2008	Three-month period ended September 30, 2007	Nine-month period ended September 30, 2007
<i>(in millions of Korean won)</i>				
Beginning balance of inventories	₩ 517,305	₩ 436,493	₩ 444,667	₩ 522,621
Cost of goods manufactured or merchandise purchased <sup>1</sup>	5,174,277	15,817,129	4,625,742	14,087,812
Transfer from other accounts	<u>12,370</u>	<u>35,064</u>	<u>(1,838)</u>	<u>10,911</u>
Total	<u>5,703,952</u>	<u>16,288,686</u>	<u>5,068,571</u>	<u>14,621,344</u>
Transfer to other accounts	<u>(52,513)</u>	<u>(231,974)</u>	<u>(157,051)</u>	<u>(437,344)</u>
Ending balance of inventories	<u>(484,945)</u>	<u>(484,945)</u>	<u>(421,231)</u>	<u>(421,231)</u>
Cost of sales	<u>₩ 5,166,494</u>	<u>₩ 15,571,767</u>	<u>₩ 4,490,289</u>	<u>₩ 13,762,769</u>

<sup>1</sup> Cost of goods manufactured or merchandise purchased includes loss on valuation of inventory (Note 3).

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**20. Selling and Administrative Expenses**

Selling and administrative expenses for the three-month and nine-month periods ended September 30, 2008 and 2007, consist of the following:

	2008		2007	
	Three-month period ended September 30,	Nine-month period ended September 30,	Three-month period ended September 30,	Nine-month period ended September 30,
	2008	2008	2008	2007
<i>(in millions of Korean won)</i>				
Salaries	₩ 228,332	₩ 632,016	₩ 170,405	₩ 516,186
Severance benefits	13,036	62,200	14,044	73,005
Employee benefits	33,706	95,194	28,048	85,004
Freight expenses	188,189	555,290	160,109	493,524
Rental expenses	28,596	79,887	25,705	78,265
Commission expenses	192,539	515,746	152,635	446,762
Depreciation	33,800	100,471	27,912	83,677
Amortization	25,731	74,935	22,997	74,134
Taxes and dues	4,321	8,447	3,650	8,478
Advertising expenses	279,920	821,190	137,466	517,782
Promotional expenses	58,163	152,564	110,398	309,644
Research and development costs	92,877	247,098	73,754	214,038
Product warranty expenses	132,213	347,573	110,540	339,857
Others	71,193	246,435	69,681	213,131
	<u>₩ 1,382,616</u>	<u>₩ 3,939,046</u>	<u>₩ 1,107,344</u>	<u>₩ 3,453,487</u>

**21. Related Party Transactions**

The ultimate parent company is LG Corporation which is responsible for the consolidated financial statements.

**2008**

Parent company LG Corporation

Subsidiaries Hi Plaza Inc., Hi Business Logistics, LG Micron Ltd., LG Innotek Co., Ltd., LG Display Co., Ltd., LG Electronics Austria GmbH(LGEAG), LG Electronics Alabama, Inc.(LGEAI), LG Electronics Almaty Kazakstan Co.,Ltd(LGEAK), LG Electronics Australia Pty, Ltd.(LGEAP), Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT), LG Electronics Da Amazonia Ltda.(LGEAZ), LG Electronics Benelux(LGEBN), LG Electronics Colombia Ltda.(LGECEB), LG Electronics Canada, Inc.(LGECH), LG Electronics Inc. Chile Limitada (LGECL), LG Electronics Deutschland GmbH (LGEDG), LG Electronics Espana S.A. (LGEES), LG Electronics France S.A.R.L. (LGEFS), LG Electronics Gulf FZE (LGEGF), LG Electronics HK Limited (LGEHK), LG Electronics Nature (Hangzhou) Recording Media Co., Ltd. (LGEHN), LG Electronics Hellas S. A. (LGEHS), LG Electronics Huizhou Inc. (LGEHZ), LG Electronics India PVT Ltd. (LGEIL), PT LG Electronics Indonesia Ltd. (LGEIN), LG Electronics Italy S.P.A. (LGEIS), LG Electronics JIT Europe B.V. (LGEJE), LG Electronics Japan Inc. (LGEJP), LG Electronics (Kunshan) Computer Co., Ltd (LGEKS), LG Electronics European Logistics & Services B.V (LGEELS), LG Electronics Latvia, LLC(LGELV), LG Electronics Mlawa SP.Zo.O.(LGEMA), LG Electronics Morocco S.A.R.L. (LGEMC), LG Electronics Malaysia SDN.BHD (LGEML), LG Electronics Monterrey Mexico S.A. DE C.V. (LGEMM), LG Electronics Mobile Research U.S.A.,LLC.(LGEMR), LG Electronics Mexico S.A.

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DE C.V. (LGEMS), LG Electronics Mexicali S.A.D.E C.V. (LGEMX), LG Electronics (Nanjing) Plasma Co., Ltd. (LGENP), LG Electronics Nanjing Display Co., Ltd (LGEND)(Formerly LGENT), LG Electronics Polska SP.Zo.O. (LGEPL), LG Electronics Peru S.A.(LGEPR), LG Electronics Panama S.A.(LGEPS), LG Electronics Portugal (LGEPT), Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD), LG Electronics RUS, LLC (LGERA), LG Electronics Russia Inc. (LGERI), LG Electronics Overseas Trading FZE (LGEOT), LG Electronics Reynosa. S.A. DEC.V.(LGERs), LG Electronics S.A. Pty Ltd.(LGESA), Shanghai LG Electronics Co., Ltd. (LGESH), LG Electronics Singapore Pte Ltd. (LGESL), LG Electronics de Sao Paulo Ltda. (LGESP), LG Electronics Sweden AB (LGESW), LG Electronics Shenyang Inc. (LGESY), LG Electronics Tianjin Appliance Co., Ltd. (LGETA), LG Electronics Thailand Co., Ltd. (LGETH), Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR), LG Taistar Electronics Taiwan Co., Ltd. (LGETT), LG Electronics United Kingdom Ltd. (LGEUK), LG Electronics U.S.A., Inc. (LGEUS), LG Electronics Vietnam Co., Ltd. (LGEVN), Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT), LG Electronics MobileComm U.S.A. Inc. (LGEMU) (Subsidiary of LGEUS), LG Electronics China Co., Ltd. (LGECH), LG Electronics Czech S.R.O. (LGECZ), LG Electronics Egypt S.A.E.(LGEEG), LG Electronics Service Europe Netherlands B.V. (LGEEH), LG Electronics Mobilecomm France S.A.S.(LGEMF), LG Electronics Magyar KFT (LGEMK), LG Electronics Philippines, Inc.(LGEPH), LG Electronics Qinhuangdao Co., Ltd., (LGEQH), LG Electronics (China) R&D Center (LGERD), LG Electronics European Shared Service Center B.V. (LGESC), LG Software PVT, Ltd. (LGSJ), LG Electronics Wroclaw Sp. Zo.o.(LGEWR), LG Electronics Egypt Cairo S.A.E (LGEEC), LG Electronics Africa Logistics FZE (LGEAF), LG Electronics Argentina S.A. (LGEAR), LG Electronics Tcaret A.S.(LGETK), LG Innotek IN (LGITIN), LG Innoteck US (LGITUS), LG Innoteck HZ (LGITHZ), LG Innoteck Yantai co., LTD (LGITYT), LG Innoteck Poland., Ltd (LGITPL), Zenith Electronics Corporation (ZENITH), LG Holding (HK) Ltd., NanJing LG Panda Appliances Co., Ltd. (LGEPN), LG Electronics Romania S.R.L (LGERO), LG Display America, Inc. (LGDUS), LG Display Japan Co., Ltd.(LGDJP), LG Display Germany GmbH(LGDDG), LG Display Taiwan Co.,Ltd(LGD TW), LG Display Nanjing Co., Ltd.(LGDNJ), LG Display Hong-Kong Co.,Ltd.(LGDHK), LG Display Shanghai Co.,Ltd.(LGD SH), LG Display Poland Sp. zo.o.(LGDWR), LG Display Guang Zhou Co., Ltd(LGDGZ), LG Display Shen Zhen Co.,Ltd(LGDSZ), LG Micron(Fujian) Electronics Co.,Ltd., EIC PROPERTIES PTE, LTD., Beijing LG Building Development Company, LG large & medium & small enterprises cooperation fund, Innovation Investment Fund(Formerly Blue ocean Investment Association), Global Professional Sourcing Co., Ltd, Hi Logistics Europe B.V.

**Equity-method investees**

Hi Logistics China Company Limited, HLDS, LG Electronics Middle East Co., Ltd. (LGEME), LG Mitr Electronics Co., Ltd.(LGEMT), LG Electronics RUS-Marketing, LLC(LGERM), LG-SHAKER Co. Ltd.(LGESR), LG Electronics Ukraine Co., Ltd.(LGEUR), LG Electronics Wales Ltd.(LGEWA), LG Electronics (Levant) – Jordan(LGELF), ElectroMagnetica Goldstar (EMGS), Triveni, System Air-con Engineering Ltd., Hankuk Electric Glass Co.,Ltd., Korea Information Certificate Authority Inc., LG-Nortel Co.,Ltd., SLD Telecom Pte. Ltd., LG.Philips Displays Korea Co., Ltd, LG Micron(Taiwan) Ltd.

**Other related parties**

LG Chem, LG Telecom, LG-Dacom, LG Household & Health Care Ltd., LG Life Sciences Ltd., LG Siltron, LG CNS, LGMMA, Serveone, Rusem, LG Economic Research Institute, LG Sports, LG Solar Energy Co.,LG-Hitachi, LG international Corp. and others

Significant transactions, which occurred in the normal course of business with related companies for the nine-month periods ended September 30, 2008 and 2007, and their related balances as of September 30, 2008 and 2007, are as follows:

	Sales <sup>1</sup>	Purchases <sup>1</sup>	Receivables	Payables
<i>(in millions of Korean won)</i>				
Parent company	₩ 3,824	₩ 81,944	₩ 14,845	₩ 8,368
Subsidiaries	16,580,788	3,879,574	903,626	812,623
Equity-method investees	305,884	22,346	58,150	13,506
Other related parties	556,264	878,774	239,655	150,607
<b>2008</b>	<b>₩ 17,446,760</b>	<b>₩ 4,862,638</b>	<b>₩ 1,216,276</b>	<b>₩ 985,104</b>
<b>2007</b>	<b>₩ 12,515,524</b>	<b>₩ 3,109,791</b>	<b>₩ 605,077</b>	<b>₩ 748,268</b>

<sup>1</sup> The sales amount for 2008 above includes sale of certain property, plant and equipment to a subsidiary totaling ₩71,524 million (2007 : ₩104,533 million), while the purchases amount for 2008 above includes purchases of certain property, plant and equipment to a subsidiary totaling ₩46,600 million (2007 : ₩74,238 million)

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Details of the compensation for key management are as follows:

<i>(in millions of Korean won)</i>	<b>2008</b>		<b>2007</b>	
Short-term salaries	₩	6,455	₩	6,058
Post-retirement benefits		2,160		3,919
Share-based compensation		730		1,185
	₩	<u>9,345</u>	₩	<u>11,162</u>

Key management refers to the directors who have significant control and responsibilities on the Company's operations and business.

**22. Segment Information**

The Company has four business divisions: Digital Display division, Digital Media division, Digital Appliance division and Mobile communications division. In addition, the Company has a centralized supporting division to provide general and administrative, marketing and sales and research and development services to each business division.

Financial data by business division as of and for the nine-month period ended September 30, 2008, are as follows:

<i>(in millions of Korean won)</i>	<b>Business Division</b>					
	<b>Total</b>	<b>Digital Appliance</b>	<b>Digital Display</b>	<b>Digital Media</b>	<b>Mobile Communications</b>	<b>Supporting Division</b>
Sales						
External sales	₩ 21,047,466	₩ 4,859,823	₩ 4,265,169	₩ 1,236,466	₩ 10,493,216	₩ 192,792
Inter-division sales	<u>204,549</u>	<u>15,242</u>	<u>50,618</u>	<u>796</u>	<u>32,376</u>	<u>105,517</u>
	<u>21,252,015</u>	<u>4,875,065</u>	<u>4,315,787</u>	<u>1,237,262</u>	<u>10,525,592</u>	<u>298,309</u>
Operating income (loss)	<u>1,536,653</u>	<u>463,921</u>	<u>(316,835)</u>	<u>30,715</u>	<u>1,378,113</u>	<u>(19,261)</u>
Property, plant and equipment	3,736,630	829,266	1,267,700	220,088	343,874	1,075,702
Intangible assets	<u>472,760</u>	<u>56,156</u>	<u>42,330</u>	<u>19,751</u>	<u>73,596</u>	<u>280,927</u>
	<u>4,209,390</u>	<u>885,422</u>	<u>1,310,030</u>	<u>239,839</u>	<u>417,470</u>	<u>1,356,629</u>
Depreciation and amortization	₩ 538,763	₩ 90,141	₩ 194,506	₩ 20,538	₩ 96,830	₩ 136,748

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Financial data by business division as of and for the nine-month period ended September 30, 2007, were as follows:

<i>(in millions of Korean won)</i>	<b>Business Division</b>					
	<b>Total</b>	<b>Digital Appliance</b>	<b>Digital Display</b>	<b>Digital Media</b>	<b>Mobile Communications</b>	<b>Supporting Division</b>
<b>Sales</b>						
External sales	₩ 17,626,998	₩ 4,932,495	₩ 3,625,053	₩ 2,009,044	₩ 6,975,320	₩ 85,086
Inter-division sales	218,098	13,945	70,095	15,383	30,631	88,044
	<u>17,845,096</u>	<u>4,946,440</u>	<u>3,695,148</u>	<u>2,024,427</u>	<u>7,005,951</u>	<u>173,130</u>
<b>Operating income (loss)</b>	<u>410,742</u>	<u>455,532</u>	<u>(618,981)</u>	<u>4,251</u>	<u>600,117</u>	<u>(30,177)</u>
<b>Property, plant and equipment</b>	4,118,490	711,232	1,319,215	255,167	520,902	1,311,974
<b>Intangible assets</b>	<u>397,595</u>	<u>52,622</u>	<u>38,348</u>	<u>17,081</u>	<u>79,279</u>	<u>210,265</u>
	<u>4,516,085</u>	<u>763,854</u>	<u>1,357,563</u>	<u>272,248</u>	<u>600,181</u>	<u>1,522,239</u>
<b>Depreciation and amortization</b>	₩ 537,487	₩ 87,453	₩ 209,848	₩ 29,662	₩ 104,504	₩ 106,020

Financial data by geographic area for the nine-month period ended September 30, 2008, are as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Domestic</b>	<b>North America</b>	<b>Europe</b>	<b>Central &amp; South America</b>	<b>Central Asia &amp; Africa</b>	<b>Asia</b>	<b>Oceania</b>	<b>Others</b>
<b>Sales</b>									
External sales	₩21,047,466	₩5,104,300	₩6,338,560	₩2,434,935	₩ 1,170,552	₩1,123,809	₩3,788,350	₩361,797	₩725,163
Inter-division sales	204,549	204,549	-	-	-	-	-	-	-
	<u>₩21,252,015</u>	<u>₩5,308,849</u>	<u>₩6,338,560</u>	<u>₩2,434,935</u>	<u>₩ 1,170,552</u>	<u>₩1,123,809</u>	<u>₩3,788,350</u>	<u>₩361,797</u>	<u>₩725,163</u>
<b>Ratio (%)</b>	100%	24%	30%	12%	6%	5%	18%	2%	3%

Financial data by geographic area for the nine-month period ended September 30, 2007, were as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Domestic</b>	<b>North America</b>	<b>Europe</b>	<b>Central &amp; South America</b>	<b>Central Asia &amp; Africa</b>	<b>Asia</b>	<b>Oceania</b>	<b>Others</b>
<b>Sales</b>									
External sales	₩17,626,998	₩5,056,021	₩4,617,287	₩2,086,363	₩868,831	₩952,593	₩3,232,446	₩392,825	₩420,632
Inter-division sales	218,098	218,098	-	-	-	-	-	-	-
	<u>₩17,845,096</u>	<u>₩5,274,119</u>	<u>₩4,617,287</u>	<u>₩2,086,363</u>	<u>₩868,831</u>	<u>₩952,593</u>	<u>₩3,232,446</u>	<u>₩392,825</u>	<u>₩420,632</u>
<b>Ratio (%)</b>	100%	29%	26%	12%	5%	5%	18%	2%	3%

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**23. Business Transfer**

On May 1, 2008, the Company transferred its Printed Circuit Board division (“PCB”) to LG Micron Ltd. and acquired PDP Rear Plate division (“PRP”) from LG Micron Ltd., as approved by the board of directors on February 21, 2008.

In accordance with Korea Accounting standards on mergers and acquisitions, the assets and liabilities acquired were recorded at their book values on the consolidated financial statements of the parent and subsidiaries.

Relative to the business transfer, the Company received 3,276,324 shares of LG Micron Ltd. and ₩ 56,859 million in cash.

Summaries of financial information of PCB and PRP division as of May 1, 2008, are as follows:

<i>(in millions of Korean won)</i>	<b>PCB</b>	<b>PRP</b>
Current assets		
Quick assets	₩ 192	₩ 256
Inventories	40,432	1,640
	<u>40,624</u>	<u>1,896</u>
Non current assets		
Tangible assets	145,845	102,240
Intangible assets	356	1,100
	<u>146,201</u>	<u>103,340</u>
Total assets	<u>₩ 186,825</u>	<u>₩ 105,236</u>
Current liabilities	₩ 700	-
Non current liabilities	3,375	900
Total liabilities	<u>₩ 4,075</u>	<u>₩ 900</u>

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