

LG Electronics Inc. and Subsidiaries
Consolidated Financial Statements
December 31, 2009 and 2008

LG Electronics Inc. and Subsidiaries

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December 31, 2009 and 2008

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Report of Independent Auditors

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

We have audited the accompanying consolidated statements of financial position of LG Electronics Inc. and its subsidiaries (collectively the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, 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 did not audit the financial statements of LG Display Co., Ltd. and certain other consolidated subsidiaries, whose financial statements reflect 61% and 63% of the Company's consolidated total assets as of December 31, 2009 and 2008, respectively, and 82% and 87% of the Company's consolidated total sales for the years then ended, respectively. These financial statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for LG Display Co., Ltd. and certain other consolidated subsidiaries, is based solely on the reports of the other auditors.

We conducted our audits in conformity 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 misstatement. 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 our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of its operations, the changes in its shareholders' equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

As discussed in Note 38 to the accompanying consolidated financial statements, on January 1, 2010, the Company adopted the International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRS"), which shall be adopted by all listed companies by the fiscal year 2011.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations, 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 audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

A handwritten signature in cursive script that reads "Samil PricewaterhouseCoopers". The signature is written in black ink and is positioned above the typed name and date.

Seoul, Korea
March 19, 2010

This report is effective as of March 19, 2010, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2009 and 2008

<i>(in millions of Korean won)</i>	2009	2008
Assets		
Current assets		
Cash and cash equivalents	₩ 3,325,944	₩ 3,929,286
Short-term financial instruments (Note 4)	2,723,000	2,105,000
Short-term investments (Note 5)	656	122
Trade accounts and notes receivable, net (Notes 6 and 33)	7,744,479	6,105,202
Inventories, net (Note 7)	6,614,937	6,448,628
Short-term loans receivable, net (Note 6)	25,466	67,370
Other accounts receivable, net (Note 6)	957,480	1,104,569
Prepaid expenses	378,186	342,037
Accrued income, net (Note 6)	201,850	335,818
Advance payments, net (Note 6)	185,492	138,821
Prepaid income taxes	212,593	339,040
Derivative transaction assets (Note 19)	2,982	12,657
Deferred income tax assets (Note 20)	1,004,153	668,781
Other current assets	434,822	676,806
Total current assets	<u>23,812,040</u>	<u>22,274,137</u>
Long-term financial instruments (Note 4)	162,280	190,438
Long-term investment securities (Note 8)	249,996	172,974
Equity method investments (Note 9)	494,468	521,569
Long-term loans receivable, net (Note 6)	114,173	79,880
Derivative transaction assets (Note 19)	-	39,649
Property, plant and equipment, net (Note 10)	16,555,765	16,253,027
Intangible assets, net (Note 11)	959,248	774,049
Refundable deposits	534,805	551,491
Long-term advance payments, net	273,277	235,210
Long-term prepaid expenses	644,363	384,497
Deferred income tax assets (Note 20)	939,816	850,643
Other investment assets	16,568	44,734
Total other assets	<u>20,944,759</u>	<u>20,098,161</u>
Total assets	<u>₩ 44,756,799</u>	<u>₩ 42,372,298</u>

LG Electronics Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2009 and 2008

<i>(in millions of Korean won)</i>	2009	2008
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Note 14)	₩ 2,520,433	₩ 6,016,143
Current maturities of long-term debts, net (Note 14)	2,149,914	1,389,926
Trade accounts and notes payable (Note 33)	6,348,827	4,455,702
Other accounts payable	3,525,684	3,768,714
Accrued expenses	2,609,577	2,512,529
Advances from customers	546,542	258,737
Withholdings	618,023	508,349
Unearned income	60,582	67,855
Income taxes payable	334,230	583,236
Derivative transaction liabilities (Note 19)	65,914	77,273
Deferred income tax liabilities (Note 20)	1,782	850
Product warranty reserve (Note 17)	797,595	687,228
Provisions for contingencies (Note 17)	263,527	-
Other current liabilities	131,186	73,955
Total current liabilities	<u>19,973,816</u>	<u>20,400,497</u>
Debtures and convertible bonds, net of current maturities		
and discounts on debtures (Note 15)	2,359,534	3,168,727
Long-term debts, net of current maturities (Note 15)	2,500,151	2,286,541
Accrued severance benefits, net (Note 16)	333,493	369,205
Product warranty reserve (Note 17)	5,611	10,097
Derivative transaction liabilities (Note 19)	55,403	132,012
Deferred income tax liabilities (Note 20)	896,742	634,742
Provisions for contingencies (Note 17)	327,466	-
Other long-term liabilities (Note 18)	1,070,618	577,905
Total liabilities	<u>27,522,834</u>	<u>27,579,726</u>
Commitments and contingencies (Note 18)	-	-
Shareholders' equity		
Capital stock (Note 21)	809,169	809,169
Capital surplus (Note 22)	2,668,644	2,651,911
Capital adjustment (Note 23)	(44,893)	(44,893)
Accumulated other comprehensive income (Note 24)	657,560	861,547
Retained earnings (Note 25)		
Statutory reserve	176,560	165,358
Discretionary reserve	4,129,481	3,487,859
Unappropriated retained earnings	1,736,640	388,507
Minority interest in consolidated subsidiaries	7,100,804	6,473,114
Total shareholders' equity	<u>17,233,965</u>	<u>14,792,572</u>
Total liabilities and shareholders' equity	<u>₩ 44,756,799</u>	<u>₩ 42,372,298</u>

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

LG Electronics Inc. and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2009 and 2008

<i>(in millions of Korean won, except per share amounts)</i>	2009	2008
Sales (Notes 27 and 34)	₩ 72,952,346	₩ 63,280,391
Cost of sales (Note 28)	<u>55,997,877</u>	<u>47,707,085</u>
Gross profit	16,954,469	15,573,306
Selling and administrative expenses (Note 29)	<u>12,751,058</u>	<u>11,519,259</u>
Operating income	<u>4,203,411</u>	<u>4,054,047</u>
Non-operating income		
Interest income	231,131	311,211
Rent income	25,970	37,003
Foreign exchange gains	4,188,647	5,632,563
Reversal of allowance for doubtful accounts	4,839	64,870
Gain on disposal of investment securities	6,467	61,293
Gain on disposal of property, plant and equipment	18,047	25,770
Gain on disposal of intangible assets	5,344	2,889
Gain on valuation of equity-method investments (Note 9)	76,461	93,424
Gain on settlement of derivatives	159,768	165,501
Gain on valuation of derivatives	35,311	92,168
Other	<u>130,228</u>	<u>79,914</u>
	<u>4,882,213</u>	<u>6,566,606</u>
Non-operating expenses		
Interest expense	509,398	464,322
Foreign exchange losses	3,786,176	6,788,143
Donations	25,841	25,551
Loss from disposal of investments	951	6,859
Loss from disposal of property, plant and equipment	76,646	40,991
Loss from disposal of intangible assets	21,896	5,081
Loss from transfer of trade accounts and notes receivable	115,660	253,548
Loss on impairment of investment assets	39,217	963
Loss on impairment of property, plant and equipment (Note 10)	58,433	126,253
Loss on impairment of intangible assets (Note 11)	342	372
Loss from early redemption of debentures	173	13
Loss on valuation of equity-method investments (Note 9)	43,558	41,924
Other bad debts expense	4,940	12,058
Loss on settlement of derivatives	207,131	508,612
Loss on valuation of derivatives	20,823	138,742
Other (Note 18)	<u>732,309</u>	<u>588,194</u>
	<u>5,643,494</u>	<u>9,001,626</u>

LG Electronics Inc. and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2009 and 2008

<i>(in millions of Korean won, except per share amounts)</i>	2009	2008
Income before income tax expense	3,442,130	1,619,027
Income tax expense (Note 20)	<u>651,316</u>	<u>480,155</u>
Net income	<u>₩ 2,790,814</u>	<u>₩ 1,138,872</u>
Controlling interest net income	₩ 2,058,189	₩ 438,535
Minority interest net income	732,625	700,337
Basic earnings per share (in won) (Note 31)	₩ 12,773	₩ 2,717

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

LG Electronics Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2009 and 2008

(in millions of Korean won)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Minority interests	Total
Balance at January 1, 2008	₩ 809,169	₩ 2,559,605	₩ (44,893)	₩ 98,643	₩ 3,755,356	₩ 5,650,074	₩ 12,827,954
Cash dividends	-	-	-	-	(137,765)	(174,917)	(312,682)
Balance after cash dividends	809,169	2,559,605	(44,893)	98,643	3,617,591	5,475,157	12,515,272
Net income	-	-	-	-	438,535	700,337	1,138,872
Changes in the consolidated entities	-	92,306	-	-	-	48,367	140,673
Change in equity investees with accumulated comprehensive expense	-	-	-	97,993	-	24,749	122,742
Loss on valuation of derivatives, net	-	-	-	(1,446)	-	(1,468)	(2,914)
Gain on valuation of available-for-sale securities	-	-	-	9,180	-	16,020	25,200
Change in overseas operations translation adjustments	-	-	-	616,289	-	209,952	826,241
Others	-	-	-	40,888	(14,402)	-	26,486
Balance at December 31, 2008	₩ 809,169	₩ 2,651,911	₩ (44,893)	₩ 861,547	₩ 4,041,724	₩ 6,473,114	₩ 14,792,572
Balance at January 1, 2009	₩ 809,169	₩ 2,651,911	₩ (44,893)	₩ 861,547	₩ 4,041,724	₩ 6,473,114	₩ 14,792,572
Cash dividends	-	-	-	-	(57,232)	(130,592)	(187,824)
Balance after cash dividends	809,169	2,651,911	(44,893)	861,547	3,984,492	6,342,522	14,604,748
Net income	-	-	-	-	2,058,189	732,625	2,790,814
Change in conversion right	-	1,981	-	-	-	1,937	3,918
Change in the consolidated entities	-	14,752	-	-	-	61,514	76,266
Change in equity investees with accumulated comprehensive expense	-	-	-	(23,478)	-	(24,656)	(48,134)
Gain on valuation of derivatives, net	-	-	-	3,575	-	5,230	8,805
Loss on valuation of available-for-sale securities	-	-	-	(6,052)	-	(9,958)	(16,010)
Change in overseas operations translation adjustments	-	-	-	(178,032)	-	(8,410)	(186,442)
Balance at December 31, 2009	₩ 809,169	₩ 2,668,644	₩ (44,893)	₩ 657,560	₩ 6,042,681	₩ 7,100,804	₩ 17,233,965

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

LG Electronics Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008

(in millions of Korean won)

	2009	2008
Cash flows from operating activities		
Net income	₩ 2,790,814	₩ 1,138,872
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	4,063,104	3,502,637
Amortization	209,602	176,089
Amortization of discounts on debentures	35,031	32,981
Provision for severance benefits	269,849	278,364
Provision for product warranty reserve	1,404,588	1,461,925
Loss from sales of trade accounts and notes receivable	115,660	253,548
Bad debts expense (reversal), net	38,665	(35,480)
Loss (gain) on foreign currency translation, net	(322,057)	911,388
Gain from disposal of investment securities, net	(5,516)	(54,434)
Loss on impairment of investment securities	39,217	963
Loss on impairment of property, plant and equipment	58,433	126,253
Loss on impairment of intangible assets	342	372
Loss from disposal of property, plant and equipment, net	58,599	15,221
Loss from disposal of intangible assets	16,552	2,192
Gain on valuation of equity method investments, net	(32,903)	(51,500)
Loss (gain) on valuation of derivatives, net	(14,488)	46,574
Loss on settlement of derivatives, net	47,363	343,111
Loss on early redemption of debentures	173	13
Other	674,098	15,472
	<u>6,656,312</u>	<u>7,025,689</u>
Changes in operating assets and liabilities		
Increase in trade accounts and notes receivable	(1,783,345)	(1,054,126)
Decrease (increase) in other accounts receivable	96,893	(23,790)
Decrease (increase) in accrued income	108,284	(276,173)
Increase in advances	(71,735)	(5,984)
Decrease (increase) in other current assets	299,569	(277,851)
Increase in inventories	(151,585)	(717,150)
Increase in prepaid expenses	(295,940)	(201,691)
Increase in long-term advance payments	(102,060)	(98,099)
Decrease (increase) in prepaid income taxes	126,471	(92,238)
Increase in deferred income tax assets	(424,509)	(238,090)
Increase in trade accounts and notes payable	1,861,507	42,227
Increase (decrease) in other accounts payable	(213,433)	287,836
Increase in accrued expenses	140,341	833,913
Increase in withholdings	109,690	158,658
Increase (decrease) in advances from customers	279,540	(47,806)
Increase (decrease) in unearned income	(7,273)	7,506
Increase (decrease) in other current liabilities	(21,508)	18,653
Increase in deferred income tax liabilities	280,664	52,904
Increase (decrease) in income taxes payable	(249,007)	278,478
Accrued severance benefits transferred from associated company, net	(5,369)	(3,610)
Payment of severance benefits	(276,122)	(194,804)
Increase in severance insurance deposits	(5,517)	(42,003)
Decrease in contributions to the National Pension Fund	1,980	1,075
Decrease in warranty reserve	(1,298,707)	(1,226,394)
Dividends received	91,691	55,852
Increase in other long-term payables	612,759	452,434
	<u>(896,721)</u>	<u>(2,310,273)</u>
Net cash provided by operating activities	<u>8,550,405</u>	<u>5,854,288</u>

LG Electronics Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008

<i>(in millions of Korean won)</i>	2009	2008
Cash flows from investing activities		
Disposal of short-term financial instruments	3,555,000	2,050,106
Disposal of short-term investments assets	195	329
Disposal of long-term financial instruments	68,510	30,759
Decrease in short-term and long-term loans	118,882	69,079
Disposal of investment securities	7,282	94,573
Proceeds from disposal of derivatives	71,576	74,558
Proceeds from disposal of property, plant and equipment	230,844	590,163
Proceeds from disposal of intangible assets	9,500	8,776
Return of refundable deposits	119,084	75,754
Decrease in other non-current assets	20,576	41,588
Acquisition of short-term financial instruments	(4,173,000)	(3,370,000)
Acquisition of short-term investment assets	(661)	(598)
Acquisition of long-term financial instruments	(40,352)	(134,377)
Increase in short-term and long-term loans	(112,560)	(89,899)
Acquisition of investment securities	(162,055)	(215,137)
Acquisition of derivatives	(131,841)	(390,243)
Acquisition of property, plant and equipment	(4,826,204)	(3,971,559)
Acquisition of intangible assets	(344,927)	(215,398)
Payment of refundable deposits	(92,127)	(144,340)
Net cash used in investing activities	<u>(5,682,278)</u>	<u>(5,495,866)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	3,701,073	5,894,622
Subsidiaries' issuance of common stock	1,000	141,810
Proceeds from issuance of debentures	1,373,302	-
Proceeds from long-term debts	960,916	484,537
Change in overseas operations translation adjustments	(137,413)	129,853
Repayment of short-term borrowings	(7,200,242)	(4,307,397)
Repayment of current maturities of long-term debts	(1,389,926)	(908,959)
Payment of dividends	(187,824)	(312,682)
Redemption of debentures	(400,000)	(78,308)
Repayment of long-term borrowings	(218,543)	-
Net cash provided by (used in) financing activities	<u>(3,497,657)</u>	<u>1,043,476</u>
Increase in cash due to changes in the consolidated entities	<u>26,188</u>	<u>2,734</u>
Net increase (decrease) in cash and cash equivalents	(603,342)	1,404,632
Cash and cash equivalents (Note 36)		
Beginning of the year	3,929,286	2,524,654
End of the year	<u>₩ 3,325,944</u>	<u>₩ 3,929,286</u>

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

LG Electronics Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

1. General

The Controlling Company

LG Electronics Inc. (the "Controlling 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 electronic, 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 electronic, information and communication products, and had its shares listed on the Korea Stock Exchange in April 1970. As of December 31, 2009, the Controlling Company operates manufacturing facilities mainly in Guro, Pyeongtaek, Cheongju, Gumi and Changwon in the Republic of Korea.

As of December 31, 2009, the Controlling Company has outstanding capital stock amounting to ₩809,169 million, including non-voting preferred stock. The Controlling Company's stock was relisted on the Korean Stock Exchange on April 22, 2002, and its depositary receipts ("DRs") were relisted on the London Stock Exchange in September 2002.

As of December 31, 2009, LG Corp. and its related parties own 31.1% of the Controlling Company's total stocks, including common stock and preferred stock, while financial institutions, foreign investors and others own the rest.

LG Electronics Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

2. Consolidated Subsidiaries

Consolidated subsidiaries as of December 31, 2009, are as follows:

(in millions of Korean won)

	Type of Business	Shareholders' equity	Total issued shares	Shares owned by			Percentage of ownership (%)
				LGE	Subsidiaries	Total	
Domestic subsidiaries							
LG Innotek Co., Ltd.	Production & Sales	874,988	17,131,823	8,661,642	-	8,661,642	50.56
LG Display Co., Ltd.	Production & Sales	10,215,893	357,815,700	135,625,000	-	135,625,000	37.90
Hi Plaza Inc.	Sales	116,900	7,440,000	7,440,000	-	7,440,000	100.00
Hi Logistics Co., Ltd.	Distribution	38,389	720,000	720,000	-	720,000	100.00
LG Fund for Enterprises	Others	29,090	1	1	1	1	50.00
Innovation Investment Fund	Others	22,295	1	1	1	1	83.33
Overseas subsidiaries							
LG Electronics Austria GmbH (LGEAG)	Sales	19,003	1	1	1	1	100.00
LG Electronics Africa Logistics FZE (LGEAF)	Sales	12,276	3	3	-	3	100.00
LG Electronics Alabama, Inc. (LGEAI)	Others	19,908	266	-	266	266	100.00
LG Electronics Almaty Kazakhstan (LGEAK)	Production & Sales	437	1	1	1	1	100.00
LG Electronics Australia Pty, Ltd. (LGEAP)	Sales	72,202	2,685,000	2,685,000	-	2,685,000	100.00
LG Electronics Argentina S.A. (LGEAR)	Sales	7,565	13,432,659	671,633	12,761,026	13,432,659	100.00
Arcel LG klima Sanayi ve Ticarta A.S. (LGEAT)	Production & Sales	87,378	288,000	144,000	-	144,000	50.00
LG Electronics Da Amazonia Ltda. (LGEAZ)	Production & Sales	211,590	1	1	1	1	100.00
LG Electronics Colombia Ltda. (LGEGB)	Sales	53,708	1	1	1	1	100.00
LG Electronics (China) Co., Ltd. (LGECH)	Sales	21,193	1	1	1	1	100.00
LG Electronics Canada, Inc. (LGECL)	Sales	26,579	42,900	42,900	-	42,900	100.00
LG Electronics Inc. Chile Ltda. (LGECL)	Sales	37,999	1	1	1	1	100.00
LG Electronics Czech S.R.O. (LGECH)	Sales	25,172	1	1	1	1	100.00
LG Electronics Deutschland GmbH (LGEDG)	Sales	62,058	1	1	1	1	100.00
LG Electronics Egypt S.A.E. (LGEEG)	Production	21,554	279,100	279,100	-	279,100	100.00
LG Electronics Espana S.A. (LGEES)	Sales	45,145	472,967	-	472,967	472,967	100.00
LG Electronics France S.A.R.L. (LGEFS)	Sales	45,657	69,848	-	69,848	69,848	100.00
LG Electronics Gulf FZE (LGEGF)	Sales	9,389	40	40	-	40	100.00
LG Electronics HK Limited (LGEHK)	Sales	1,769	6,752,817	6,752,817	-	6,752,817	100.00
LG Electronics (Hangzhou) Recording Media Co., Ltd. (LGEHN)	Production	16,000	1	1	1	1	70.00
LG Electronics Hellas S. A. (LGEHS)	Sales	11,824	1,600,000	-	1,600,000	1,600,000	100.00
LG Electronics Huizhou Inc. (LGEHZ)	Production	81,298	1	1	1	1	80.00
LG Electronics India (PVT) Ltd. (LGEIL)	Production & Sales	392,688	113,128,732	113,128,732	-	113,128,732	100.00
PT LG Electronics Indonesia (LGEIN)	Production & Sales	128,609	51,920	51,920	-	51,920	100.00
LG Electronics Italy S.P.A. (LGEIS)	Sales	14,936	18,785,000	-	18,785,000	18,785,000	100.00

LG Electronics Inc. and Subsidiaries
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LG Electronics Japan Inc. (LGEJP)	Sales	20,109	1,380,000	1,380,000	-	1,380,000	100.00
LG Electronics (Kunshan) Computer Co., Ltd. (LGEKS)	Sales	12,032	1	1	1	1	100.00
LG Electronics (Levant) – Jordan (LGELEF)	Sales	7,129	3,540,000	3,540,000	-	3,540,000	100.00
LG Electronics Latvia, LLC (LGELV)	Sales	4,231	1	1	-	1	100.00
LG Electronics Mlawa Sp.zo.o. (LGEMA)	Production	267,933	412,616	412,616	-	412,616	100.00
LG Electronics Morocco S.A.R.L. (LGEMC)	Sales	13,811	315,213	315,213	-	315,213	100.00
LG Electronics MobileComm.France S.A.S. (LGEMF)	Others	9,625	400,000	400,000	-	400,000	100.00
LG Electronics Magyar KFT (LGEMK)	Sales	35,273	1	1	1	1	100.00
LG Electronics (M) SDN.BHD (LGEML)	Sales	(10,497)	28,515,181	28,515,181	-	28,515,181	100.00
LG Electronics Monterrey Mexico S.A. de C.V. (LGEMM)	Production	20,442	88,031	6	88,025	88,031	100.00
LG Electronics Mobile Research U.S.A.,LLC (LGEMR)	Others	7,429	1	1	1	1	100.00
LG Electronics Mexico S.A. de C.V. (LGEMS)	Sales	126,696	893,084	892,784	300	893,084	100.00
LG Electronics Mexicali S.A. de C.V.(LGEMX)	Production & Sales	37,437	513,626	-	513,626	513,626	100.00
Nanjing LG-Tontru Color Display System Co., Ltd. (LGEND)	Production	84,511	1	1	1	1	70.00
LG Electronics Philippines, Inc. (LGEPH)	Sales	3,046	739,036	739,036	-	739,036	100.00
LG Electronics Polska Sp.zo.o. (LGEPL)	Sales	47,290	28,366	-	28,366	28,366	100.00
Nanjing LG Panda Appliances Co., Ltd. (LGEPN)	Production	62,552	1	1	1	1	70.00
LG Electronics Peru S.A. (LGEPR)	Sales	28,252	59,626,822	59,626,822	-	59,626,822	100.00
LG Electronics Panama S.A. (LGEPS)	Sales	80,272	193,747	193,747	-	193,747	100.00
LG Electronics Portugal (LGEPT)	Sales	15,122	1	1	1	1	100.00
Quingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	Production	50,932	1	1	1	1	70.00
LG Electronics Qinhuangdao Co., Ltd. (LGEQH)	Production	6,902	1	1	1	1	100.00
LG Electronics RUS, LLC(LGERA)	Production & Sales	135,978	1	1	1	1	100.00
LG Electronics Russia Inc. (LGERI)	Others	13,225	2,410	2,290	-	2,290	95.02
LG Electronics Romania S.R.L (LGERO)	Sales	14,161	2,052,000	-	2,052,000	2,052,000	100.00
LG Electronics Reynosa. Inc. (LGERs)	Production	151,466	72,000	-	72,000	72,000	100.00
LG Electronics S.A. (Pty) Ltd. (LGESA)	Sales	(6,809)	293,344,000	293,344,000	-	293,344,000	100.00
LG Electronics European Holdings B.V. (LGEEH)	Others	109,718	6,544	6,544	-	6,544	100.00
LG Electronics European Logistics & Services B.V.(LGELS)	Others	15,496	2,784,000	-	2,784,000	2,784,000	100.00
LG Electronics European Shared Service Center B.V. (LGESC)	Others	3,205	150,000	-	150,000	150,000	100.00
LG Electronics Benelux Sales B.V. (LGEBN)	Sales	17,821	18,000	-	18,000	18,000	100.00
LG Electronics JIT Europe B.V.(LGEJE)	Others	1,177	180	-	180	180	S100.00
Shanghai LG Electronics Co., Ltd. (LGESH)	Production	24,881	1	1	1	1	70.00

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LG Electronics Singapore Pte Ltd. (LGESL)	Sales	12,206	11,084,000	11,084,000	-	11,084,000	100.00
LG Electronics de Sao Paulo Ltda. (LGESP)	Production & Sales	245,861	1	1	1	1	100.00
LG Electronics Nordic AB (LGESW)	Sales	27,380	76,157	-	76,157	76,157	100.00
LG Electronics Shenyang Inc. (LGESY)	Production	120,015	1	1	1	1	78.87
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	Production	245,107	1	1	1	1	80.00
LG Electronics Thailand Co., Ltd. (LGETH)	Production & Sales	85,119	6,138,995	6,138,995	-	6,138,995	100.00
LG Electronics Ticaret A.S.(LGETK)	Sales	15,568	39,620,000	39,620,000	-	39,620,000	100.00
TaiZhou LG Electronics Refrigeration Co., Ltd. (LGETR)	Production	121,952	1	1	1	1	100.00
LG Electronics Taiwan Taipei Co., Ltd. (LGETT)	Sales	18,678	52,892,542	52,859,202	-	52,859,202	99.94
LG Electronics United Kingdom Ltd. (LGEUK)	Sales	43,218	192,000	-	192,000	192,000	100.00
LG Electronics Ukraine Co.,Ltd. (LGEUR)	Others	5,591	1	1	1	1	100.00
LG Electronics U.S.A., Inc. (LGEUS)	Sales	256,824	32,884	32,884	-	32,884	100.00
LG Electronics Vietnam Co., Ltd. (LGEVN)	Production & Sales	3,083	1	1	1	1	100.00
LG Electronics Wroclaw Sp.Zo.o. (LGEWR)	Production	125,867	181,018	181,018	-	181,018	100.00
INSPUR LG Digital Mobile Communication Co., Ltd. (LGEYT)	Production	84,781	1	1	1	1	70.00
LG Electronics MobileComm U.S.A. Inc. (LGEUM) (Subsidiary of LGEUS)	Sales	61,591	10,000	-	10,000	10,000	100.00
LG Software PVT, Ltd. (LGSJ)	Others	23,776	9,946,000	9,945,999	1	9,946,000	100.00
Zenith Electronics Corporation (Zenith)	Others	723,169	2,000	-	2,000	2,000	100.00
LG Electronics Overseas Trading FZE	Sales	466	267	267	-	267	100.00
EIC Properties PTE, Ltd.	Others	20,230	34,170,000	13,052,940	-	13,052,940	38.20
LG Holdings (HK) Ltd	Others	236,783	204,000.000	99,960,000	-	99,960,000	49.00
Beijing LG Building Development	Others	164,154	1	1	1	1	100.00
LG Display America, Inc.	Sales	(404,476)	5,000,000	-	5,000,000	5,000,000	100.00
LG Display Japan Co., Ltd.	Sales	15,533	1,900	-	1,900	1,900	100.00
LG Display Germany GmbH	Sales	14,688	960,000	-	960,000	960,000	100.00
LG Display Taiwan Co., Ltd.	Sales	29,704	11,550,000	-	11,550,000	11,550,000	100.00
LG Display Nanjing Co., Ltd.	Production & Sales	408,200	1	1	1	1	100.00
LG Display Shanghai Co., Ltd.	Sales	11,026	1	1	1	1	100.00
LG Display Poland Sp. zo.o.	Production & Sales	174,906	5,110,710	-	4,103,277	4,103,277	80.29
LG Display Guangzhou Co.,Ltd	Production & Sales	172,269	1	1	1	1	89.12
LG Display Shen Zhen Co.,Ltd	Sales	5,080	1	1	1	1	100.00
Shzhou Raken Technology Ltd	Production & Sales	196,084	1	1	1	1	51.00
LG Display Singapore Pte. Ltd.	Sales	4,172	1	1	1	1	100.00
LG Electronics (Nanjing) Plazma Co., Ltd. (LGENP)	Production	17,083	1	1	1	1	100.00
LG Innotek Huizhou Co., Ltd.	Production & Sales	61,913	1	1	1	1	100.00
LG Innotek Yantai Co., Ltd.	Production & Sales	127,079	1	1	1	1	100.00
PT.LG Innotek Indonesia	Production & Sales	11,537	5,000	-	5,000	5,000	100.00
LG Innotek Poland, Ltd	Production & Sales	(3,384)	175,438	-	175,438	175,438	100.00

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LG Innotek (Fujian) Electronics Co., Ltd	Production & Sales	(37,945)	1	1	1	1	80.00
Hi Logistics Europe B.V.	Others	4,900	12,000	-	12,000	12,000	100.00
Global OLED Technology LLC	Others	145,950	1	1	1	1	98.00

¹ There are no issued shares since these are not corporations or there are no legal requirements.

The consolidated subsidiaries are determined in accordance with the Enforcement Decree of the Act on External Audit of Stock Companies and SKFAS No. 25, *Consolidated Financial Statements*.

Newly consolidated subsidiaries as of December 31, 2009, are as follows:

Consolidated subsidiaries	Remarks
LG Electronics (Levant) – Jordan (LGELF)	Total assets increased to more than ₩10,000 million
LG Electronics Ukraine Co.,Ltd. (LGEUR)	Total assets increased to more than ₩10,000 million
LG Display Singapore Pte. Ltd.	New investment was made in 2009
Global OLED Technology LLC	New investment was made in 2009

Subsidiaries consolidated as of December 31, 2008, but excluded as of December 31, 2009, are:

Excluded subsidiary	Remark
LG Micron Ltd.	Merged with LG Innotek Co., Ltd.
LG Electronics Egypt Cairo S.A.E. (LGEEC)	Merged with LG Electronics Egypt S.A.E. (LGEEG)
LGE (China) R&D Center	Total assets decreased to less than ₩10,000 million
LG Display Hong Kong Co., Ltd.	The subsidiary was liquidated.
LG Innotek USA Inc.	Total assets decreased to less than ₩10,000 million

A summary of financial data of the major consolidated subsidiaries as of and for the year ended December 31, 2009, prior to the elimination of intercompany transactions, follows:

(in millions of Korean won)	Total assets	Total liabilities	Net assets	Sales	Net income
LG Display Co., Ltd. ¹	₩ 19,538,190	₩ 9,322,297	₩ 10,215,893	₩ 20,613,571	₩ 1,062,474
LG Innotek Co., Ltd. ¹	2,804,839	1,929,851	874,988	2,971,240	56,768
Hi Plaza Inc. ²	280,581	163,680	116,901	901,506	173
LG Electronics USA Inc. ²	1,411,465	1,154,641	256,824	5,009,224	6,940
LG Electronics U.K. Ltd. ²	327,043	283,825	43,218	1,762,466	24,595
Others	20,306,780	15,003,045	5,303,737	62,058,830	895,088

¹ Financial data are based on consolidated financial statements.

² Financial data are based on non-consolidated financial statements.

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3. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized as follows:

Basis of Consolidated Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory consolidated 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 consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying consolidated financial statements.

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.

Certain reclassifications have been made to the December 31, 2008 financial statements to conform to the December 31, 2009 financial statement presentation.

Principles of Consolidation

The fiscal year end of the consolidated subsidiaries is the same as that of the Controlling Company. Differences in accounting policy between the Controlling Company and consolidated subsidiaries are adjusted during consolidation.

The accompanying consolidated financial statements include the accounts of the Controlling Company and its subsidiaries. Under the financial accounting standards for consolidated financial statements in the Republic of Korea, a company is regarded as a subsidiary of another if more than 50% of its issued share capital is held by the other company, or more than 30% of its issued share capital is held by the other company and that company is the largest shareholder. Investments in 20% to 50% owned associated companies or investments in associated companies over which the Company exerts a significant influence are accounted for using the equity method. Under the equity method, the original investment is recorded at cost and adjusted by the Company's share of the undistributed earnings or losses of these companies.

All significant intercompany transactions and balances with consolidated subsidiaries have been eliminated during consolidation.

To eliminate the investment account of the Controlling Company and corresponding capital accounts of subsidiaries, the purchase method or the pooling of interest method is applied, depending on the nature of the transaction. In using the purchase method, when the Controlling Company has a control over a subsidiary, the Controlling Company records differences between the initial investment accounts and corresponding capital accounts of subsidiaries as goodwill or negative goodwill, which is amortized using the straight-line method over the estimated useful lives, which range from five to ten years. When the Controlling Company has a significant influence over equity method investees, differences between the initial investment accounts and corresponding capital accounts of equity-method investees are also amortized over five years using the straight-line method.

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Unrealized profit included in inventories, property, plant and equipment and other assets as a result of intercompany transactions is eliminated. Unrealized profit arising from sales by the Controlling Company to consolidated subsidiaries, or equity-method investees, is fully eliminated and charged to the equity of the Controlling Company. Unrealized profit, arising from sales by the consolidated subsidiaries or equity-method investees to the Controlling Company, or sales between consolidated subsidiaries, or equity-method investees, is fully eliminated, and charged to the equity of the Controlling Company and minority interest, based on the percentage of ownership.

The Company records the equity of the consolidated subsidiaries, which is not included in the equity of the Controlling Company, as minority interest in consolidated subsidiaries. In addition, if losses of the consolidated subsidiaries included in minority interest, are in excess of minority interest, the deficit in excess of minority interest is deducted from shareholders' equity as a negative minority interest.

Revenue Recognition

Revenue is the gross inflow of economic benefits arising in the ordinary course of the Company's activities and is measured as the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown as net of value-added tax, sales discounts and sales returns. The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow into the Company.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of goods are transferred to the buyer. Revenue from installation service contracts is recognized using the percentage-of-completion method. An expected loss on those contracts shall be recognized as an expense immediately.

Interest income is recognized using the effective interest method. Dividend income is recognized when the rights to receive such dividends and amounts thereof are determined. Royalty income is recognized on an accrual basis in accordance with the substance of relevant contracts.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks, and financial instruments with maturity of three months or less at the time of purchase. These financial instruments are readily convertible into cash without significant transaction costs and bear low risks from changes in value due to interest rate fluctuations.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable. Allowances are calculated based on the estimates made through a reasonable and objective method.

Inventories

The quantities of inventories are determined using the perpetual method and periodic inventory count, while the costs of inventories are determined using the weighted-average method, except for inventories in-transit which is determined using the specific identification method. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Replacement cost is used for the estimate of net realizable value of raw materials. If, however, the circumstances which caused the valuation loss cease to exist, the valuation loss is reversed up to the original carrying amount before valuation. The said reversal is deducted from cost of sales.

Investment in Securities

Costs of securities are determined using the moving-weighted average method. Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Investments in equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity method of accounting. Trading securities are classified as current assets while available-for-sale securities and held-to-maturity securities are classified as

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long-term investments, excluding those securities that mature or are certain to be disposed of within one year, which are then classified as current assets.

Held-to-maturity securities are measured at amortized cost while available-for-sale and trading securities are measured at fair value. However, non-marketable securities, classified as available-for-sale securities, are carried at cost when the fair values are not readily determinable.

Gains and losses related to trading securities are recognized in the income statement, while unrealized gains and losses of available-for-sale securities are recognized under other comprehensive income and expense. Realized gains and losses of available-for-sale securities are recognized in the income statement.

Equity Method Investments

Investees over which the Company can exercise significant influence should reflect any changes in equity after the initial purchase date. Under the equity method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee. All other changes in equity should be accounted for under other comprehensive income and expense.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use.

Property, plant and equipment are stated net of accumulated depreciation calculated based on the straight-line method over the following estimated useful lives:

	<u>Estimated useful life</u>
Buildings	5 - 40 years
Structures	20 - 40 years
Machinery and equipment	4 - 10 years
Tools	2 - 5 years
Vehicles	4 - 5 years
Others	3 - 5 years

Expenditures incurred after the acquisition or completion of assets are capitalized if they enhance the value of the related assets over their recently appraised value or extend the useful life of the related assets. Routine maintenance and repairs are charged to expense as incurred.

Intangible Assets

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization calculated using the straight-line method and the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Goodwill	5 - 10 years
Industrial property rights	5 - 10 years
Development costs	4 - 5 years
Other intangible assets	4 - 25 years

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Development costs which are individually identifiable and directly related to a new technology or to new products which carry probable future benefits are capitalized as intangible assets. Amortization of development cost begins at the commencement of the commercial production of the related products or use of the related technology.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share in the net identifiable assets of the acquired subsidiary or associate at the date of acquisition.

Non-Capitalization of Interest Expense

The Company expenses the interest it incurs on borrowings used to finance the cost of manufacturing, acquisition, and construction of inventory and property, plant, and equipment that require more than one year to complete from the initial date of manufacture, acquisition, and construction.

Impairment of Assets

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the said decline in value is deducted from the book value to agree with the recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the impairment amount is recognized as gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment.

Derivatives

All derivative instruments are accounted for at their fair value according to the rights and obligations associated with the derivative contracts. The resulting changes in fair value of derivative instruments are recognized either under the income statement or shareholders' equity, depending on whether the derivative instruments qualify as a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument purchased with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment that is attributable to a particular risk. The resulting changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized under the shareholders' equity under accumulated other comprehensive income and expense.

Income Tax and Deferred Income Tax

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity.

Convertible Bonds

The Company records the equity component of convertible bonds (conversion rights) by deducting the fair value of the liability component from the proceeds. The liability component is shown as gross amount recorded as liability with a contra account (conversion rights adjustment) as a deduction from the liability to arrive at a net amount equal to its fair value. The Company is obligated to pay the guaranteed interest upon maturity without conversion and accrues this interest as an adjustment to the carrying value of the liability component.

Discounts on Debentures

Discounts on debentures are amortized over the term of the debentures using the effective interest rate method. Amortization of the discount is recorded as part of interest expense.

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Accrued Severance Benefits

The Controlling Company and its domestic subsidiaries have defined contribution pension plans and defined benefit pension plans in place. Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Controlling Company and its domestic subsidiaries, based on their length of service and rate of pay at the time of termination. Under the defined contribution pension plan, the Controlling Company and its domestic subsidiaries record the insurance premium as expense, while under the defined benefit pension plan, accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the date of the statement of financial position.

The Company has partially funded the accrued severance benefits through severance insurance deposits with an insurance company. Deposits made by the Company are recorded as deductions from accrued severance benefits.

Overseas subsidiaries accrue employees' retirement benefits according to the local regulations in which they operate.

Provisions and Contingent Liabilities

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

Translation of Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates of exchange in effect at the date of the statement of financial position, and the resulting translation gains and losses are recognized in current operations.

Share-Based Payments

For cash-settled share-based payment, the fair value of the obligation the Company will assume is determined by the fair value of the goods or employee services received in exchange for the grant of the options. Until the liability is settled, the Company is required to measure the fair value at the date of the statement of financial position and at settlement date. The change in fair value is recognized as an expense.

Treasury Stock

Treasury stock are stated at cost and recorded as a capital adjustment in shareholders' equity. Gains on disposal of treasury stock are recorded as a capital surplus. Any loss on disposal of treasury stock is offset against any prior gains included in capital surplus. The remaining loss is offset against retained earnings.

Sale of Accounts and Notes Receivable

The Company sells certain accounts or notes receivable to financial institutions at a discount, and accounts for the transactions as a sale, if the rights and obligations relating to the receivables are substantially transferred to the buyers. The losses from the sale of the receivables are charged to current operations as incurred.

Duty Refunds

The Company records duty refunds as a deduction from cost of sales.

Lease Transactions

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. The annual minimum lease payments, less guaranteed residual value, are charged to expense on a regular basis over the lease term.

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Government Grants

Government grants received, which are to be repaid, are recorded as a liability, while grants without obligation to be repaid are offset against cost of assets purchased with such grants. Grants received for a specific purpose are offset against the specific expense for which it was granted, and other grants are recorded as a gain for the period.

Reconciliation of the differences in accounting policies

For the year ended December 31, 2009, the following adjustments were made on the subsidiaries to reconcile the differences in accounting policies between the Controlling Company and subsidiaries:

<i>(in millions of Korean won)</i>	Adjustment	Amount
LG Display Co., Ltd. and its subsidiaries	To expense capitalized interest	₩ (47,610)
LG Holdings (HK) Ltd. and its subsidiaries	To expense capitalized interest	(33,501)

4. Financial Instruments

As of December 31, 2009, short-term financial instruments of ₩14,011 million (2008: ₩3,638 million), and long-term financial instruments of ₩151,063 million (2008: ₩182,870 million) are deposited in connection with maintaining checking accounts, various short-term borrowings and long-term debts, and research and development projects funded by the Korean government. The withdrawal of these financial instruments is restricted.

5. Short-term investments

Short-term investments as of December 31, 2009 and 2008, consist of:

<i>(in millions of Korean won)</i>	2009		2008	
Government bonds	₩	656	₩	122

6. Receivables

Receivables, including trade accounts and notes receivable, as of December 31, 2009 and 2008, consist of:

<i>(in millions of Korean won)</i>	2009			2008		
	Original amount	Allowance for doubtful accounts	Carrying value	Original amount	Allowance for doubtful accounts	Carrying value
Trade accounts and notes receivable	₩ 7,865,588	₩ (121,109)	₩ 7,744,479	₩ 6,226,749	₩ (121,547)	₩ 6,105,202
Other accounts receivable	1,021,663	(64,183)	957,480	1,176,211	(71,642)	1,104,569
Accrued income	201,988	(138)	201,850	335,906	(88)	335,818
Advance payments	214,680	(29,188)	185,492	143,937	(5,116)	138,821
Short-term loans receivable	26,885	(1,419)	25,466	68,947	(1,577)	67,370
Long-term loans receivable	114,423	(250)	114,173	80,045	(165)	79,880
Others	11,774	(178)	11,596	33,873	(2,130)	31,743
	<u>₩ 9,457,001</u>	<u>₩ (216,465)</u>	<u>₩ 9,240,536</u>	<u>₩ 8,065,668</u>	<u>₩ (202,265)</u>	<u>₩ 7,863,403</u>

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Excluding the receivables mentioned in the succeeding paragraph, as of December 31, 2009, trade bills negotiated through banks that have not yet matured amount to approximately ₩1,353,086 million. Among these, ₩556,858 million in trade bills were accounted for as short-term borrowings (Notes 14 and 18).

The Company entered into accounts receivable selling program with Societe General Bank. The Company sells the accounts receivable of LG Electronics UK., Ltd., LG Electronics Deutschland GmbH, LG Electronics Espana S.A., LG Electronics France S.A.R.L., LG Electronics Benelux Sales B.V., LG Electronics Italia S.P.A and LG Electronics Portugal S.A., on a revolving basis, of up to USD 934 million. As of December 31, 2009, the outstanding balance of securitized accounts receivable totaled ₩1,466,463 million.

The Company entered into accounts receivable selling program with JP Morgan Chase Bank and Sumitomo Bank. The Company sells the accounts receivable of LG Electronics U.S.A., Inc. and LG Electronics MobileComm U.S.A. Inc., on a revolving basis, of up to USD 400 million. As of December 31, 2009, the outstanding balance of securitized accounts receivable totaled ₩876,723 million.

Trade bills arising from export sales of the LG Display Co., Ltd. and its subsidiaries negotiated through banks that have not yet matured amount to USD 187 million (equivalent to ₩217,784 million) and JPY 950 million (equivalent to ₩12,003 million) as of December 31, 2009. These amounts are recorded as short-term borrowings and relative interest expense amounting to ₩12,650 million were recognized.

Trade bills of LG Display Singapore Pte. Ltd., LG Display Taiwan Co., Ltd., LG Display Shenzhen Co., Ltd. and LG Display Shanghai Co., Ltd. negotiated through banks that have not yet matured amount to USD 150 million, USD 261 million, USD 108 million, and USD 82 million, respectively, as of December 31 2009, and related interest expense amounted to ₩4,185 million.

7. Inventories

Inventories as of December 31, 2009 and 2008, consist of:

<i>(in millions of Korean won)</i>	2009		
	Acquisition cost	Inventory valuation allowance	Carrying value
Merchandise and finished products	₩ 3,748,875	₩ (127,316)	₩ 3,621,559
Work-in-process	801,473	(31,439)	770,034
Raw materials and supplies	2,063,647	(40,621)	2,023,026
Other	229,490	(29,172)	200,318
	₩ 6,843,485	₩ (228,548)	₩ 6,614,937

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<i>(in millions of Korean won)</i>	2008		
	Acquisition cost	Inventory valuation allowance	Carrying value
Merchandise and finished products	₩ 3,964,483	₩ (197,168)	₩ 3,767,315
Work-in-process	634,163	(60,508)	573,655
Raw materials and supplies	1,909,630	(37,400)	1,872,230
Other	253,674	(18,246)	235,428
	₩ 6,761,950	₩ (313,322)	₩ 6,448,628

As of December 31, 2009 and 2008, the inventories are insured against various property risks.

8. Investment Securities

Investment securities as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Available-for-sale securities	₩ 189,456	₩ 166,634
Held-to-maturity securities	60,540	6,340
	₩ 249,996	₩ 172,974

Available-for-sale securities as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Equity securities		
Domestic companies		
Nara Mold & Die Co., Ltd.	₩ 5,355	₩ 3,624
ADP Engineering Co., Ltd. ¹	-	2,693
Innopla Co., Ltd.	245	245
TU Media Corp.	627	627
NARA M Tech, Inc.	597	597
C&M, Inc.	400	400
I-Cube Investment Fund ²	4,000	-
3ALogics Inc.	1,632	1,632
Other	31,215	21,613
Overseas companies		
HannStar Display Corporation	97,722	129,497
Prime View International Co. Ltd. ²	12,912	-
Formosa Epitaxy Inc. ²	4,841	-
Sunpower, Inc.	294	294
E-CAST ²	3,566	-
CMEA II Venture Fund	152	339
Caspian bank	945	1,250

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Other	1,877	1,459
	<u>166,380</u>	<u>164,270</u>
Debt securities		
Bonds issued by the Korean government	83	74
Everlight Electronics Co. Ltd. ²	17,343	-
Other	5,650	2,290
	<u>23,076</u>	<u>2,364</u>
	<u>₩ 189,456</u>	<u>₩ 166,634</u>

¹ In 2009, this security was reclassified into equity-method investment.

² New or additional investments were made in 2009.

Held-to-maturity equity securities with maturities of 1- 5 years as of December 31, 2009, amount to ₩ 60,540 million (2008: ₩ 6,340 million).

9. Equity-Method Investments

Equity-method investments as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)	Percentage of ownership (%) at December 31, 2009	2009			2008		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
		₩	₩	₩	₩	₩	₩
Domestic companies							
Hankuk Electric Glass Co., Ltd.	20.00	₩ 119,282	₩ 67,322	₩ 67,322	₩ 119,282	₩ 84,066	₩ 84,006
LG-Nortel Co., Ltd	50.00	153,254	216,848	212,275	153,254	284,747	263,503
Paju Electric Glass Co., Ltd.	40.00	14,400	36,256	33,901	14,400	26,893	25,841
TLI Inc. ⁴	12.69	14,074	9,914	13,345	14,074	7,861	12,565
AVACO Co., Ltd. ⁴	19.90	6,173	9,889	5,975	6,173	8,056	6,021
New Optics Ltd.	36.68	9,700	10,659	11,503	9,700	10,782	11,721
WooRee LED. Co., Ltd. ³	29.57	11,900	6,502	11,537	-	-	-
Dynamic Solar Design ³	40.00	6,067	2,587	5,627	-	-	-
LB Gemini Fund ³	30.64	1,800	1,800	1,800	-	-	-
Korea Information Certificate Authority Inc. ⁶	9.27	1,852	2,497	2,499	1,852	2,242	2,242
System Air-Con Engineering Ltd. ¹	100.00	1,854	1,972	1,854	1,854	1,854	1,854
Mobile Technology of Human Inc. ^{1,3}	21.01	2,000	715	2,000	-	-	-
ADP Engineering Co., Ltd. ^{6,7}	18.75	11,879	6,197	8,161	-	-	-
		<u>354,235</u>	<u>373,158</u>	<u>377,799</u>	<u>320,589</u>	<u>426,441</u>	<u>407,753</u>
Overseas companies							
Hitachi-LG Data Storage Inc. (HLDS)	49.00	7,684	51,009	59,830	7,684	28,321	37,102
LG Electronics Algeria SARL (LGEAS) ^{1,3}	70.00	406	406	406	-	-	-
LG Electronics Dubai FZE. (LGEDF) ^{1,3}	100.00	7,912	7,998	7,912	-	-	-
LG Electronics (Levant) – Jordan (LGELF) ⁵	100.00	-	-	-	5,541	5,541	5,541
LG Electronics Antwerp Logistics N.V (LGEAL) ²	100.00	-	-	-	-	-	-
LG Electronics Middle East Co., Ltd. (LGEME) ¹	100.00	462	5,445	462	462	462	462

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LG Electronics RUS-Marketing, LLC (LGERM) ¹	100.00	204	2,101	204	204	204	204
LG SHAKER Co., Ltd. (LGESR)	49.00	4,496	8,947	8,105	4,496	6,372	4,619
LG Electronics Ukraine Co., Ltd. (LGEUR) ⁵	100.00	-	-	-	1,041	1,041	1,041
LG Electronics Venezuela S.A (LGEVZ) ^{1,3}	100.00	29	27	29	-	-	-
LG Electronics Wales Ltd. (LGEWA) ^{2,10}	100.00	1,073,020	(379,326)	-	1,073,020	(379,326)	-
Electromagnetica Goldstar S.R.L. ¹	50.00	508	508	508	508	508	508
LGE (China) R&D Center ⁹	100.00	8,201	7,353	7,353	-	-	-
SKT Vietnam PTE., Ltd. ⁸	25.37	72,194	-	-	72,194	50,352	50,403
Triveni Digital Inc. ¹	87.10	899	1,958	899	899	899	899
Hi Logistics China Company Limited	100.00	5,151	9,066	9,232	5,151	8,464	8,464
LG Innotek USA, Inc.(LGITUS) ⁹	100.00	2,060	2,126	2,125	-	-	-
LG Innotek(Taiwan) Ltd. (LGITTW, formerly LG Micron(Taiwan) Ltd.) ¹⁰	100.00	150	(248)	-	150	4	4
LG Innotek(Yantai) Electronic.Co., Ltd. (LGITYT_FPCB) ^{1,3}	100.00	132	132	132	-	-	-
LG Electronics Guatemala S.A. ^{1,3}	100.00	1	1	1	-	-	-
C&S America Solutions ^{1,3}	100.00	937	937	937	-	-	-
GuangZhou New Vision Technology Research and Development Limited	50.00	3,655	3,996	3,996	3,655	4,569	4,569
RPO. Inc. ³	22.18	14,538	4,858	14,538	-	-	-
		<u>1,202,639</u>	<u>(272,706)</u>	<u>116,669</u>	<u>1,175,005</u>	<u>(272,589)</u>	<u>113,816</u>
		<u>₩ 1,556,874</u>	<u>₩ 100,452</u>	<u>₩ 494,468</u>	<u>₩ 1,495,594</u>	<u>₩ 153,852</u>	<u>₩ 521,569</u>

- ¹ The equity method was suspended for investments in small-sized subsidiaries and associates whose total assets as of the previous year-end amounted to less than ₩10,000 million, in accordance with accounting principles generally accepted in the Republic of Korea.
- ² The operations of this subsidiary were suspended as of December 31, 2009.
- ³ The Company purchased new or additional shares of these subsidiaries in 2009.
- ⁴ Although the Controlling Company's share is less than 20%, the Controlling Company is able to exercise significant influence through its right to nominate a director in the board of directors of the investees.
- ⁵ They are reclassified from equity-method investees to consolidated subsidiaries in 2009.
- ⁶ Since the Company can exercise a significant influence, it is classified as an equity method investment.
- ⁷ This is reclassified from long-term investment securities to equity- method investment in 2009.
- ⁸ The entire amount was recognized as impairment loss in 2009.
- ⁹ Reclassified from consolidated subsidiaries to equity-method investees in 2009.
- ¹⁰ The equity method of accounting has been suspended due to the investee's accumulated losses.

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For the years ended December 31, 2009 and 2008, the details of changes in differences between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investees are as follows:

<i>(in millions of Korean won)</i>	January 1, 2009	Addition	Amortization	December 31, 2009
Domestic companies				
LG-Nortel Co., Ltd	₩ 147	₩ -	₩ (80)	₩ 67
TLI Inc.	4,964	(71)	(1,250)	3,643
AVACO Co., Ltd.	(661)	-	455	(206)
New Optics Ltd.	1,498	-	(165)	1,333
WooRee LED. Co., Ltd.	-	5,594	(559)	5,035
Dynamic Solar Design	-	3,378	(338)	3,040
ADP Engineering Co., Ltd.	-	2,205	(346)	1,859
	<u>5,948</u>	<u>11,106</u>	<u>(2,283)</u>	<u>14,771</u>
Overseas companies				
SKT Vietnam PTE, Ltd.	53	-	(53)	-
RPO. Inc.	-	9,680	-	9,680
	<u>53</u>	<u>9,680</u>	<u>(53)</u>	<u>9,680</u>
	<u>₩ 6,001</u>	<u>₩ 20,786</u>	<u>₩ (2,336)</u>	<u>₩ 24,451</u>

Positive numbers represent goodwill while negative numbers represent negative goodwill.

<i>(in millions of Korean won)</i>	January 1, 2008	Addition	Amortization	December 31, 2008
Domestic companies				
Hankuk Electric Glass Co., Ltd.	₩ (3,402)	₩ -	₩ 3,402	₩ -
LG-Nortel Co., Ltd	229	-	(82)	147
TLI Inc.	-	5,531	(567)	4,964
AVACO Co., Ltd.	-	(888)	227	(661)
New Optics Ltd.	-	1,566	(68)	1,498
	<u>(3,173)</u>	<u>6,209</u>	<u>2,912</u>	<u>5,948</u>
Overseas companies				
SKT Vietnam PTE, Ltd.	115	-	(62)	53
	<u>115</u>	<u>-</u>	<u>(62)</u>	<u>53</u>
	<u>₩ (3,058)</u>	<u>₩ 6,209</u>	<u>₩ 2,850</u>	<u>₩ 6,001</u>

Positive numbers represent goodwill while negative numbers represent negative goodwill.

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For the years ended December 31, 2009 and 2008, the elimination of unrealized gain or loss arising from intercompany transactions according to the equity-method of accounting are as follows:

<i>(in millions of Korean won)</i>	Inventories	Property, plant and equipment	Total
Domestic companies	₩ 14,094	₩ (801)	₩ 13,293
Overseas companies	54	(360)	(306)
	<u>₩ 14,148</u>	<u>₩ (1,161)</u>	<u>₩ 12,987</u>

<i>(in millions of Korean won)</i>	Inventories	Property, plant and equipment	Total
Domestic companies	₩ (16,592)	₩ 1,491	₩ (15,101)
Overseas companies	486	(88)	398
	<u>₩ (16,106)</u>	<u>₩ 1,403</u>	<u>₩ (14,703)</u>

Changes in investments in subsidiaries and associates accounted for using the equity-method for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	January 1, 2009	Gain (loss) on valuation	Others ¹	December 31, 2009
Domestic companies				
Hankuk Electric Glass Co., Ltd.	₩ 84,006	₩ (20,753)	₩ 4,069	₩ 67,322
LG-Nortel Co., Ltd	263,503	35,585	(86,813)	212,275
Paju Electric Glass Co., Ltd.	25,841	8,060	-	33,901
TLI Inc.	12,565	1,316	(536)	13,345
AVACO Co., Ltd.	6,021	(63)	17	5,975
New Optics Ltd.	11,721	(418)	200	11,503
WooRee LED. Co., Ltd.	-	(363)	11,900	11,537
Dynamic Solar Design	-	(440)	6,067	5,627
LB Gemini Fund	-	-	1,800	1,800
Korea Information Certificate Authority Inc.	2,242	361	(104)	2,499
System Air-Con Engineering Ltd.	1,854	-	-	1,854
Mobile Technology of Human Inc.	-	-	2,000	2,000
ADP Engineering Co., Ltd.	-	(3,583)	11,744	8,161
	<u>407,753</u>	<u>19,702</u>	<u>(49,656)</u>	<u>377,799</u>
Overseas companies				
Hitachi-LG Data Storage Inc. (HLDS)	37,102	25,997	(3,269)	59,830
LG Electronics Algeria SARL (LGEAS)	-	-	406	406
LG Electronics Dubai FZE. (LGEDF)	-	-	7,912	7,912
LG Electronics (Levant) – Jordan (LGELF)	5,541	-	(5,541)	-
LG Electronics Antwerp Logistics N.V (LGEAL)	-	(2,118)	2,118	-
LG Electronics Middle East Co., Ltd. (LGEME)	462	-	-	462
LG Electronics RUS-Marketing, LLC (LGERM)	204	-	-	204
LG SHAKER Co., Ltd. (LGESR)	4,619	3,619	(133)	8,105
LG Electronics Ukraine Co., Ltd. (LGEUR)	1,041	-	(1,041)	-
LG Electronics Venezuela S.A (LGEVZ)	-	-	29	29

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LG Electronics Wales Ltd. (LGEWA)	-	-	-	-
Electromagnetica Goldstar S.R.L.	508	-	-	508
LGE (China) R&D Center	-	(520)	7,873	7,353
SKT Vietnam PTE., Ltd.	50,403	(14,659)	(35,744)	-
Triveni Digital Inc.	899	-	-	899
Hi Logistics China Company Limited	8,464	1,250	(482)	9,232
LG Innotek USA, Inc.(LGITUS)	-	(637)	2,762	2,125
LG Innotek(Taiwan) Ltd. (LGITTW, formerly LG Micron(Taiwan) Ltd.)	4	(4)	-	-
LG Innotek(Yantai) Electronic.Co., Ltd. (LGITYT_FPCB)	-	-	132	132
LG Electronics Guatemala S.A.	-	-	1	1
C&S America Solutions	-	-	937	937
GuangZhou New Vision Technology Research and Development Limited	4,569	273	(846)	3,996
RPO. Inc.	-	-	14,538	14,538
	<u>113,816</u>	<u>13,201</u>	<u>(10,348)</u>	<u>116,669</u>
	<u>₩ 521,569</u>	<u>₩ 32,903</u>	<u>₩ (60,004)</u>	<u>₩ 494,468</u>

¹ Includes changes resulting from acquisitions, disposals, dividends, capital adjustment and changes in consolidated subsidiaries.

<i>(in millions of Korean won)</i>	January 1, 2008	Gain (loss) on valuation	Others ¹	December 31, 2008
Domestic companies				
Hankuk Electric Glass Co., Ltd.	₩ 82,608	₩ 6,913	₩ (5,515)	₩ 84,006
LG-Nortel Co., Ltd	231,934	75,061	(43,492)	263,503
Paju Electric Glass Co., Ltd.	24,705	6,897	(5,761)	25,841
TLI Inc.	-	(822)	13,387	12,565
AVACO Co., Ltd.	-	(36)	6,057	6,021
New Optics Ltd.	-	1,580	10,141	11,721
Korea Information Certificate Authority Inc.	1,940	310	(8)	2,242
System Air-Con Engineering Ltd.	1,854	-	-	1,854
	<u>343,041</u>	<u>89,903</u>	<u>(25,191)</u>	<u>407,753</u>
Overseas companies				
Hitachi-LG Data Storage Inc. (HLDS)	32,088	1,895	3,119	37,102
LG Electronics Argentina S.A. (LGEAR)	4,125	-	(4,125)	-
LG Electronics Egypt Cairo S.A.E. (LGEEC)	2,852	-	(2,852)	-
LG Mitr Electronics Co., Ltd. (LGEMT)	1,926	-	(1,926)	-
LG Electronics Antwerp Logistics N.V (LGEAL)	1,303	-	(1,303)	-
LG Electronics Middle East Co., Ltd. (LGEME)	462	-	-	462
LG Electronics Ukraine Co., Ltd. (LGEUR)	1,041	-	-	1,041
Electromagnetica Goldstar S.R.L.	508	-	-	508
SKT Vietnam PTE, Ltd.	42,805	(5,651)	13,249	50,403
Triveni Digital Inc.	899	-	-	899
LG Electronics RUS-Marketing, LLC (LGERM)	204	-	-	204
Hi Logistics China Company Limited	5,404	640	2,420	8,464

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Hi Logistics Europe B.V.	3,363	-	(3,363)	-
LG Innotek(Taiwan) Ltd. (LGITTW, formerly LG Micron(Taiwan) Ltd.)	126	(147)	25	4
GuangZhou New Vision Technology Research and Development Limited	-	(31)	4,600	4,569
LG-SHAKER Co., Ltd.(LGESR)	4,496	128	(5)	4,619
LG Electronics Africa Logistics FZE (LGEAF)	759	-	(759)	-
LG Electronics (Levant) – Jordan (LGELF)	-	-	5,541	5,541
LG Electronics Wales Ltd. (LGEWA)	-	(35,237)	35,237	-
	<u>102,361</u>	<u>(38,403)</u>	<u>49,858</u>	<u>113,816</u>
	<u>₩ 445,402</u>	<u>₩ 51,500</u>	<u>₩ 24,667</u>	<u>₩ 521,569</u>

¹ Includes changes resulting from acquisitions, disposals, dividends, capital adjustment and changes in consolidated subsidiaries.

A summary of financial information of major equity-method investees as of and for the years ended December 31, 2009 and 2008, follows:

<i>(in millions of Korean won)</i>	Total assets	Total liabilities	Sales	Net income (loss)
Investee				
LG-Nortel Co., Ltd.	₩ 768,533	₩ 334,836	₩ 742,237	₩ 42,948
Hankuk Electric Glass Co., Ltd.	358,127	21,514	128,889	(102,980)
Paju Electric Glass Co., Ltd.	207,269	116,628	636,832	23,407
TLI Inc.	117,680	39,590	89,765	19,385
AVACO Co., Ltd.	96,583	48,263	122,174	9,055
New Optics Ltd.	175,152	146,091	474,886	(882)
Hitachi-LG Data Storage Inc.(HLDS)	326,617	287,369	1,424,472	1,155
ADP Engineering Co., Ltd.	73,471	41,351	63,136	(19,334)
Others	285,481	131,382	341,668	12,712

<i>(in millions of Korean won)</i>	Total assets	Total liabilities	Sales	Net income (loss)
Investee				
LG-Nortel Co., Ltd.	₩ 1,149,409	₩ 579,916	₩ 1,111,719	₩ 157,546
Hankuk Electric Glass Co., Ltd.	475,332	55,302	136,221	17,557
Paju Electric Glass Co., Ltd.	162,669	95,436	458,548	18,026
TLI Inc.	68,442	12,215	40,536	(279)
AVACO Co., Ltd.	67,570	28,464	52,013	5,578
New Optics Ltd.	129,197	99,800	106,980	6,018
Hitachi-LG Data Storage Inc.(HLDS)	306,817	242,447	2,325,425	7,086
SKT Vietnam PTE, Ltd.	226,872	33,976	50	(21,975)
Others	161,906	92,281	161,366	2,917

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As of December 31, 2009, the market value of marketable equity-method investments owned by the Company are as follows:

	Number of shares owned	Market price per share (in won)	Market value (in millions)	Book value (in millions)
Hankuk Electric Glass Co., Ltd.	1,614,675	₩ 27,700	₩ 44,726	₩ 67,322
ADP Engineering Co., Ltd.	4,350,000	5,680	24,708	8,161

The changes in the respective accumulated losses of equity-method investees for which the application of the equity method of accounting has been suspended due to their accumulated losses as of December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	2009	
	Accumulated losses	Accumulated capital adjustment
Equity-method investees of LGEWA ¹	₩ 328,704	₩ (50,622)
LG Innotek(Taiwan) Ltd. (LGITTW, formerly LG Micron(Taiwan) Ltd.)	69	(179)

¹ The amounts include the accumulated losses on LG.Philips Display Holding B.V.

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10. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery and equipment	Vehicles	Tools	Others ²	Construction -in-progress	Total
Balance as of									
January 1, 2009	₩ 1,230,927	₩ 5,305,484	₩ 342,898	₩ 4,018,986	₩ 80,005	₩ 553,729	₩ 328,163	₩ 4,392,835	₩ 16,253,027
Acquisitions and capital expenditure	32,981	116,783	5,469	164,074	7,180	262,712	78,346	4,158,659	4,826,204
Transfer-in (out)	122,421	1,150,272	36,396	4,960,677	3,395	107,175	74,381	(6,488,496)	(33,779)
Disposals	(42,428)	(17,581)	(4,505)	(93,435)	(1,154)	(29,489)	(8,801)	(92,050)	(289,443)
Depreciation	-	(418,743)	(26,014)	(3,011,292)	(17,498)	(405,596)	(183,961)	-	(4,063,104)
Impairment	118	-	(1,666)	(53,123)	(99)	(1,820)	(1,843)	-	(58,433)
Others ¹	(8,347)	(18,902)	23,225	(62,744)	(1,805)	(14,073)	29,964	(23,025)	(78,707)
Balance as of									
December 31, 2009	₩ 1,335,672	₩ 6,117,313	₩ 375,803	₩ 5,923,143	₩ 70,024	₩ 472,638	₩ 313,249	₩ 1,947,923	₩ 16,555,765
Acquisition cost	₩ 1,335,672	₩ 7,580,127	₩ 559,364	₩ 23,862,760	₩ 133,200	₩ 2,398,904	1,370,112	₩ 1,947,923	₩ 39,188,062
Accumulated depreciation as of December 31, 2009	₩ -	₩ 1,445,707	₩ 181,734	₩ 17,917,129	₩ 63,141	₩ 1,921,840	₩ 1,054,473	₩ -	₩ 22,584,024
Accumulated impairment as of December 31, 2009	₩ -	₩ 17,107	₩ 1,827	₩ 22,488	₩ 35	₩ 4,426	₩ 2,390	₩ -	₩ 48,273
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery and equipment	Vehicles	Tools	Others	Construction -in-progress	Total
Balance as of									
January 1, 2008	₩ 1,157,308	₩ 4,891,463	₩ 294,334	₩ 5,903,475	₩ 36,686	₩ 569,173	₩ 378,289	₩ 1,175,603	₩ 14,406,331
Acquisitions and capital expenditure	49,561	101,449	22,021	466,304	125,398	308,312	164,311	3,985,956	5,223,312
Transfer-in (out)	41,023	186,089	18,904	579,558	4,163	49,247	20,168	(1,013,483)	(114,331)
Disposals	(26,081)	(25,400)	(746)	(350,178)	(78,274)	(81,916)	(41,065)	(1,725)	(605,385)
Depreciation	-	(199,312)	(25,237)	(2,812,401)	(15,796)	(270,187)	(179,704)	-	(3,502,637)
Impairment	(17,356)	(24,759)	(2,131)	(77,930)	(119)	(1,478)	(755)	(1,725)	(126,253)
Others ¹	26,472	375,954	35,753	310,158	7,947	(19,422)	(13,081)	248,209	971,990
Balance as of									
December 31, 2008	₩ 1,230,927	₩ 5,305,484	₩ 342,898	₩ 4,018,986	₩ 80,005	₩ 553,729	₩ 328,163	₩ 4,392,835	₩ 16,253,027
Acquisition cost	₩ 1,230,927	₩ 6,504,275	₩ 490,575	₩ 19,641,768	₩ 135,632	₩ 2,314,129	₩ 1,402,931	₩ 4,392,835	₩ 36,113,072
Accumulated depreciation as of December 31, 2008	₩ -	₩ 1,198,684	₩ 147,328	₩ 15,586,585	₩ 55,563	₩ 1,759,757	₩ 1,074,459	₩ -	₩ 19,822,376
Accumulated impairment as of December 31, 2008	₩ -	₩ 107	₩ 349	₩ 36,197	₩ 64	₩ 643	₩ 309	₩ -	₩ 37,669

¹ Includes changes in consolidated subsidiaries and changes resulting from foreign currency translation adjustments.

² In case the Company, as a tenant, is required to restore the leased assets to its original state when the lease contract expires, the Company accrues the present value of the estimated cost of restoration as provisions. As of December 31, 2009, provisions amount to ₩ 3,586 million.

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As of December 31, 2009 and 2008, the values of the Company's land located in the Republic of Korea, as determined by the local government in the Republic of Korea for property tax assessment purpose, are as follows:

<i>(in millions of Korean won)</i>	2009		2008	
	Book value	Assessed value	Book value	Assessed value
LG Electronics Inc.	₩ 642,779	₩ 1,009,257	₩ 615,354	₩ 1,130,588
LG Display Co., Ltd.	394,804	465,984	383,645	489,465
LG Innotek Co., Ltd.	147,340	113,290	16,480	24,055
LG Micron Ltd.	-	-	59,878	89,123
Hi Plaza Inc.	21,484	17,806	23,548	19,910
Hi Business Logistics	8,192	5,587	8,192	5,596
	<u>₩ 1,214,599</u>	<u>₩ 1,611,924</u>	<u>₩ 1,107,097</u>	<u>₩ 1,758,737</u>

As of December 31, 2009, the total book value of idle property, plant and equipment amounts to ₩202,375 million (2008: ₩108,803 million).

11. Intangible Assets

Changes in intangible assets for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	Goodwill	Negative goodwill	Industrial property rights	Development costs	Other intangible assets	Total
Balance as of January 1, 2009	₩ 43,815	₩ -	₩ 282,283	₩ 187,340	₩ 260,611	₩ 774,049
Additions	259	-	251,916	50,418	137,907	440,500
Disposals	-	-	(24,925)	(781)	(346)	(26,052)
Amortization	(21,759)	-	(49,657)	(62,998)	(75,188)	(209,602)
Impairment(Reversal)	12	-	-	-	(354)	(342)
Other ¹	(5,563)	-	1,594	(2,016)	(13,320)	(19,305)
Balance as of December 31, 2009	<u>₩ 16,764</u>	<u>₩ -</u>	<u>₩ 461,211</u>	<u>₩ 171,963</u>	<u>₩ 309,310</u>	<u>₩ 959,248</u>

<i>(in millions of Korean won)</i>	Goodwill	Negative goodwill	Industrial property rights	Development costs	Other intangible assets	Total
Balance as of January 1, 2008	₩ 60,339	₩ (5)	₩ 296,464	₩ 135,861	₩ 97,930	₩ 590,589
Additions	3,900	-	76,423	134,660	157,208	372,191
Disposals	(17)	-	(7,206)	(2,173)	(1,572)	(10,968)
Amortization	(24,811)	-	(78,384)	(52,909)	(19,985)	(176,089)
Impairment(Reversal)	-	-	-	-	(372)	(372)
Other ¹	4,404	5	(5,014)	(28,099)	27,402	(1,302)
Balance as of December 31, 2008	<u>₩ 43,815</u>	<u>₩ -</u>	<u>₩ 282,283</u>	<u>₩ 187,340</u>	<u>₩ 260,611</u>	<u>₩ 774,049</u>

¹ Includes changes in consolidated subsidiaries and changes resulting from foreign currency translation adjustments.

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Amortization of intangible assets was presented under manufacturing costs, and selling and administrative expenses. Total amortization expenses for the year ended December 31, 2009, amount to ₩209,602 million (2008: ₩176,089 million).

Research and development costs incurred for the years ended December 31, 2009 and 2008, were accounted for as follows:

<i>(in millions of Korean won)</i>	2009	2008
Expensed	₩ 2,922,357	₩ 2,368,966
Development costs capitalized	50,418	134,660
	<u>₩ 2,972,775</u>	<u>₩ 2,503,626</u>

12. Pledged Assets

As of December 31, 2009, a certain portion of property, plant and equipment is pledged as collateral for various borrowings from banks and its book value amounts to ₩692,571 million (Notes 14 and 15).

13. Insured Assets

Insured assets as of December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	Insured assets	Amount
Fire insurance	Inventory, building, structures, machinery and equipment and others	₩ 7,172,024
Package insurance ¹	Inventory, fixed assets, lease assets and others	47,442,182
Construction insurance	Building, machinery and equipment, tools and others	3,847,399
Transportation insurance	Subsidiaries' inventories, fixed assets and others in transit	63,221,469
Business interruption insurance		739,762
Others		14,504,121
		<u>₩ 136,926,957</u>

¹ Package insurance covers the Company against fire and other casualty losses for up to ₩36,543,472 million and business interruption losses of up to ₩10,898,710 million.

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14. Short-Term Borrowings and Current Maturities of Long-term Debts

Short-term borrowings as of December 31, 2009 and 2008, consist of:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at December 31, 2009	2009	2008
Korean won borrowings	3.47 ~ 6.52 CD+1.95, 3.42	211,321	264,544
Foreign currency borrowings	5.35 ~6.52 3M, 6M LIBOR+0.4~5.5	1,522,467	2,702,125
Borrowings on negotiated trade bills ¹		786,645	3,049,474
		<u>₩ 2,520,433</u>	<u>₩ 6,016,143</u>

¹ The Company negotiates trade receivables from overseas subsidiaries to banks and these amounts represent the receivables transferred, but not yet matured.

² Relating to the short-term borrowings above, a certain portion of property, plant and equipment is pledged as collateral (Note 12).

Current maturities of long-term debt as of December 31, 2009 and 2008, consist of:

<i>(in millions of Korean won)</i>	2009	2008
Long-term debt	₩ 435,655	₩ 702,097
Debentures	1,782,904	690,000
	<u>2,218,559</u>	<u>1,392,097</u>
Less : Discount on debentures	(68,645)	(2,171)
	<u>₩ 2,149,914</u>	<u>₩ 1,389,926</u>

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15. Debentures, Convertible Bonds and Long-Term Debts

Debentures and convertible bonds as of December 31, 2009 and 2008, consist of:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at December 31, 2009	2009	2008
Debentures			
Non-guaranteed debentures	4.30 ~ 8.30	₩ 2,175,000	₩ 1,980,000
Foreign currency, non-guaranteed debentures of USD 1,100 million (2008: USD 1,100 million)	5.00, 3M LIBOR + 0.65	1,284,360	1,383,250
		<u>3,459,360</u>	<u>3,363,250</u>
Convertible Bonds			
Convertible bonds ¹	-	47,065	-
Bonds with warrants ²	-	49,699	-
Foreign currency convertible bonds of USD 550 million (2008: USD 550 million) ³	-	511,555	511,555
		<u>608,319</u>	<u>511,555</u>
Less: Current maturities		(1,782,903)	(690,000)
Discount on debentures		(8,026)	(8,754)
Conversion rights adjustment		(13,667)	(93,111)
Redemption premium		96,451	85,787
		<u>₩ 2,359,534</u>	<u>₩ 3,168,727</u>

¹ On August 11, 2009, LG Innotek Co., Ltd., a subsidiary, issued convertible bonds with a zero coupon rate. On or after September 11, 2009 through July 11, 2012, the bonds are convertible into common shares at a conversion price of ₩97,300 per share of common stock, subject to adjustment based on certain events. The bonds will mature in three years from the issue date and will be repaid at 111.0202 % of their principal amount at maturity.

² On August 11, 2009, LG Innotek Co., Ltd., a subsidiary, issued bonds with warrants with a zero coupon rate. On or after September 11, 2009 through July 11, 2012, the warrants are separable and exercisable into common shares at a conversion price of ₩97,300 per share of common stock, subject to adjustment based on certain events. The bonds will mature in three years from the issue date and will be repaid at 111.0202 % of their principal amount at maturity.

³ On April 18, 2007, LG Display Co., Ltd., a subsidiary, issued US dollar-denominated convertible bonds totaling USD 550 million, with a zero coupon rate. On or after April 19, 2008 through April 3, 2012, the bonds are convertible into common shares at a conversion price of ₩48,251⁴ per share of common stock, subject to adjustment based on certain events. The bonds will mature in five years from the issue date and will be repaid at 116.77 % of their principal amount at maturity. The bondholders have a put option to be repaid at 109.75 % of their principal amount on or after April 18, 2010. In relation to this, LG Display Co., Ltd. reclassified this convertible bonds to current maturities of long-term debts. As of December 31, 2009, the number of non-converted common shares is 10,641,851. LG Display Co., Ltd., is entitled to exercise a call option after three years from the closing date at the amount of the principal and interests, calculated at 3.125% of the yield to maturity, from the closing date to the repayment date. The call option can be exercised only when the market price of the common shares on each of 20 trading days in 30 consecutive trading days ending on the trading day immediately prior to the date upon which notice of such redemption is published exceeds at least 130% of the conversion price. In addition, in the event that at least 90% of the initial principal amount of the bonds has been redeemed, converted,

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or purchased and cancelled, the remaining bonds may also be redeemed, at the Company's option, at the amount of the principal and interests from the closing date to the repayment date prior to their maturity.

- ⁴ Based on the terms and conditions of the bond, the conversion price was decreased from ₩48,760 to ₩48,251 per share due to payment of cash dividends of ₩500 per share during the year ended December 31, 2008. The number of common shares to be issued if the outstanding convertible bonds are fully converted was increased from 10,530,762 to 10,641,851.

Long-term debts as of December 31, 2009 and 2008, consist of:

<i>(in millions)</i>	2009		2008			
	Foreign currency	In Korean won	Foreign currency	In Korean won		
Long-term debts in won currency		₩ 948,920		₩ 369,048		
	USD	1,299	1,516,526	USD	1,607	2,020,257
Long-term debts in foreign currency	EUR	125	208,358	EUR	203	360,981
	CNY	1,081	184,987	CNY	70	12,886
	Others		77,015	Others		225,466
			2,935,806			2,988,638
Less: Current maturities			(435,655)			(702,097)
			₩ 2,500,151			₩ 2,286,541

- ¹ Relating to the long-term debts above, a certain portion of property, plant and equipment is pledged as collateral (Note 12).

The payment schedule of long-term debts and debentures outstanding as of December 31, 2009, is as follows:

<i>(in millions of Korean won)</i>	For the year ending December 31,		
	Long-term debts	Debentures ¹	Total
2011	₩ 1,331,822	₩ 620,000	₩ 1,951,822
2012	868,034	2,058,570	2,926,604
Thereafter	300,295	300,000	600,295
	₩ 2,500,151	₩ 2,978,570	₩ 5,478,721

- ¹ In the above payment schedule, it was assumed that the convertible bonds will be repaid in full at maturity with redemption premium amounting to ₩96,451 million.

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16. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Beginning balance	₩ 981,578	₩ 901,628
Severance payments	(276,122)	(194,804)
Others ¹	(5,368)	(3,610)
Provisions	269,849	278,364
	<u>969,937</u>	<u>981,578</u>
Less : Deposits to the National Pension Fund	(4,474)	(6,454)
Severance pension deposits	(423,819)	-
Severance insurance deposits	(208,151)	(605,919)
	<u>₩ 333,493</u>	<u>₩ 369,205</u>

¹ Includes the changes from transfer-in from (transfer-out to) associated companies, changes in consolidated subsidiaries and foreign currency translation adjustments.

As of December 31, 2009, the Company has contracts with banks, including Woori Bank, regarding defined benefit pension plan. In addition, severance insurance deposits which are funded at financial institutions, such as Mirae Asset Life Insurance, are presented as a deduction from accrued severance benefits.

17. Provisions for other liabilities and charges

Changes in provisions for other liabilities and charges during the year ended December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2008	Increase	Decrease	December 31, 2009
Product warranty reserve ¹	₩ 697,325	₩ 1,404,588	₩ (1,298,707)	₩ 803,206
Provisions for sales returns ²	-	79,209	(2,680)	76,529
Provisions for restoration ³	-	3,905	(319)	3,586
Provisions for contingencies ⁴	-	590,993	-	590,993

¹ As of December 31, 2009, the Company accrues product warranty reserve for the estimated costs of future service, repairs and recalls, based on historical experience and its terms of guarantees of one to two years.

² As returns of sold products are permitted, the Company makes estimated sales returns based upon the historical experience and records against sales and cost of sales. The Company reserves the gross profit from the sales return as provisions for sales returns.

³ In case the Company, as a tenant, is required to restore the leased assets to its original state when the lease contract expires. The Company recognizes the present value of the estimated cost of restoration as provisions for restoration (Note 10).

⁴ When there is a high probability that an outflow of economic benefits will occur from litigation or disputes, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements.

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The Company accrues a reserve for contingent losses relating to the estimated costs of future claims, recalls and others. This reserve is recorded as accrued expenses or other payables.

18. Commitments and Contingencies

As of December 31, 2009, the Controlling Company provided a note to financial institutions as collateral in relation to various borrowings and guarantees of indebtedness.

As of December 31, 2009, the Controlling Company has overdraft facility agreements with various banks including Shinhan Bank, with a limit of ₩240,500 million. Other subsidiaries including LG Display Co., Ltd. also have overdraft facility agreements.

As of December 31, 2009, the Controlling Company has sales agreements for export trade accounts receivable with various banks amounting to ₩7,114,885 million, and also has sales agreements for domestic trade accounts receivable with Woori Bank amounting to ₩50,000 million. The Controlling Company has corporate electronic settlement services contracts for collection of accounts receivable with two banks of up to ₩110,000 million.

LG Display Co., Ltd. has entered into trade accounts receivable sales agreement with financial institutions for up to USD 1,830 million. Subsidiaries including LG Display America, Inc., LG Display Germany GmbH, LG Display Shanghai Co., Ltd. have entered into trade accounts receivable sales agreement for up to USD 600 million (Note 6). In relation to domestic sales, trade accounts receivable sales agreement is agreed for up to ₩50,000 million.

LG Innotek has entered into trade accounts receivable under the terms of Document against Acceptance and Document against Payment for up to USD 223 million. Trade accounts receivable that were sold, but are outstanding as of December 31 2009, amount to USD 79 million. Maximum amount to discount notes is ₩ 70,000 million.

As of December 31, 2009, the Controlling Company has corporate electronic settlement services contracts with various banks up to ₩ 965,450 million which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

As of December 31, 2008, the Company has agreements with several banks in relation to the opening of letters of credit.

As of December 31, 2009, the Controlling Company is provided with a performance guarantee of ₩91,902 million from Seoul Guarantee Insurance Company relating to the sales contracts.

As of December 31, 2009, the Company has various agreements as follows:

Company	Counterparty	Agreements
All	LG Corporation	Trademark Licenses Agreement
The Controlling Company	Qualcomm	Technology Introduction Agreement
	Panasonic (formerly Matsushida)	Technology Sharing Agreement
LG Display Co.,Ltd.	Hitachi	LCD Patent Fee Payable Agreement

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As of December 31, 2009, the Controlling Company is contingently liable for guarantees of USD 2,620 million (equivalent to ₩3,059,314 million) (2008: USD 2,771 million, equivalent to ₩3,484,728 million) on the indebtedness of its subsidiaries and associates, as follows:

<i>(in millions of Korean won)</i>	2009	2008
LG Electronics European Shared Service Center B.V. (LGESC)	₩ 523,016	₩ 669,462
LG Electronics U.S.A., Inc. (LGEUS)	233,520	251,500
LG Electronics Thailand Co., Ltd. (LGETH)	219,976	236,865
LG Electronics (China) Co., Ltd. (LGECH)	212,334	124,629
LG Electronics Wroclaw Sp. Z o. o. (LGEWR)	193,380	72,825
LG Electronics Monterrey Mexico S.A. de C.V. (LGEMM)	163,688	143,990
LG Electronics TICARET A.S. (LGETK)	142,032	100,600
P.T. LG Electronics Indonesia (LGEIN)	134,274	279,637
LG Electronics Mexico S.A.DE C.V. (LGEMS)	126,402	56,088
LG Electronics Tianjin Appliances Co., Ltd. (LGETA)	107,771	200,656
LG Electronics Shenyang Inc. (LGESY)	91,654	82,366
LG Electronics Mlawa Sp. Z o. o. (LGEMA)	90,043	196,016
LG Electronics RUS, LLC (LGERA)	84,233	211,260
LG Electronics Vietnam Co., Ltd. (LGEVN),	75,894	60,360
LG Electronics (TaiZhou) Refrigeration Co., Ltd. (LGETR)	72,391	98,331
Others	588,706	700,143
	<u>₩ 3,059,314</u>	<u>₩ 3,484,728</u>

LG Display Co., Ltd. is provided with guarantees from ABN AMRO Bank of up to USD 8.5 million relating to value added tax payment in Poland. As of December 31, 2009, LG Display Co., Ltd. entered into a payment guarantee agreement with a syndicate of banks, including Kookmin Bank and Societe Generale, in connection with a EUR 70 million term loan credit facility. In relation to the payment on import value added tax of LG Display Poland Sp.zo.o., LG Display Co., Ltd. provides guarantee of PLN 180 million to PKO Bank. LG Display Singapore Pte. Ltd. is provided with guarantee for up to USD 17 million in relation to its borrowings. LG Display Japan Co., Ltd. has credit facility agreement with Mizuho Corporate Bank for up to USD 410 million, EUR 3.6 million, and JPY 3,700 million and with Bank of Tokyo Mitsubishi UFJ for up to USD 13 million, JPY 1,300 million, CNY 2,158 million in relation to the payment of consumption tax, import value added tax, and customs duty.

LG Innotek Co., Ltd. entered into a payment guarantee agreement amounting to ₩ 102,560 million in connection with the credit facility of its subsidiaries.

As of December 31, 2009, 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 USD 162 million and ₩2,845 million, as of December 31, 2009, excluding the claims without fixed amounts from 12 intellectual property cases and 12 cases claiming compensation for damages.

The Controlling Company is currently under investigation by the fair trade or antitrust authorities in Korea and the European Union with respect to possible anti-competitive activities among CRT

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manufacturers. The Controlling Company recognized a provision for loss regarding the abovementioned investigation, which could be different from the actual loss that the Controlling Company may be charged.

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 relating to anti-competitive activities among CRT manufacturers. As of December 31, 2009, the Controlling Company and LG Electronics Canada Inc. have been named as a defendant in a number of federal class action suites in Canada and the United States alleging that the defendants violated antitrust laws in connection with the anti-competitive activities among CRT manufacturers. Several federal class actions in Canada are pending at the Superior Court of Justice of the Court of Ontario in the Toronto Region, the Court of Vancouver in the British Columbia Region and the Court of Quebec in the Quebec Region and are consolidated in the Northern District of California in the United States. The subsidiaries, LG Electronics Canada, Inc. and LG Electronics USA, Inc. are also named as defendants in several class actions in Canada and the United States in connection with above class actions. The outcome of the cases could not be ascertained as of the report date.

As of December 31, 2009, the Controlling Company is a plaintiff in various legal actions arising from the normal course of business. The Controlling Company's management does not expect that the outcome of any of these legal proceedings, individually or collectively, will have any material impact on the Company's financial condition, results of operations or cash flows.

In December 2006, LG Display Co., Ltd. received notices of investigation by the Korea Fair Trade Commission, the Japan Fair Trade Commission, the U.S. Department of Justice, and the European Commission with respect to possible anti-competitive activities in the TFT-LCD industry. The Controlling Company subsequently received similar notices from the Canadian Competition Bureau and the Taiwan Fair Trade Commission.

In November 2008, LG Display Co., Ltd. executed an agreement with the U.S. Department of Justice ("DOJ") whereby LG Display Co., Ltd. and its U.S. subsidiary, LG Display America, Inc., pleaded guilty to a Sherman Antitrust Act violation and agreed to pay a single total fine of USD 400 million. In December 2008, the U.S. District Court for the Northern District of California accepted the terms of the plea agreement and entered a judgment against LG Display Co., Ltd. and LG Display America, Inc. and ordered the payment of USD 400 million according to the following schedule: USD 20 million plus any accrued interest by June 15, 2009, and USD 76 million plus any accrued interest by each of June 15, 2010, June 15, 2011, June 15, 2012, June 15, 2013 and December 15, 2013. The agreement resolved all federal criminal charges against LG Display Co., Ltd. and LG Display America, Inc. in the United States in connection with this matter.

On May 27, 2009, the European Commission issued a Statement of Objections ("SO") regarding alleged anti-competitive activities in the LCD industry. LG Display Co., Ltd. submitted its response to the SO on August 11, 2009, and a hearing before the European Commission was held on September 22 and 23, 2009. Similar investigations into possible anti-competitive practices in the LCD industry were announced by the Federal Competition Commission of Mexico in or about July 2009 and by the Secretariat of Economic Law of Brazil in December 2009.

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In November 2009, the Taiwan Fair Trade Commission terminated its investigation without any finding of violations or levying of fines.

Subsequent to the commencement of the DOJ investigation, a number of class action complaints were filed against LG Display Co., Ltd. and other TFT-LCD panel manufacturers in the U.S. and Canada alleging violation of respective antitrust laws and related laws. In a series of decisions in 2007 and 2008, the class action lawsuits in the U.S. were transferred to the Northern District of California for pretrial proceedings ("MDL Proceedings"). Additionally in 2009, separate claims were filed by ATS Claim, LLC, AT&T Corp., Motorola, Inc., Electrograph Technologies Corp., Nokia Corp., and their respective related entities, all of which have been transferred to the MDL Proceedings.

In February 2007, LG Display Co., Ltd. and certain of its current and former officers and directors were named as defendants in two purported class action complaints filed in the U.S. District Court for the Southern District of New York by the shareholders LG Display Co., Ltd., alleging that LG Display Co., Ltd. and certain of its officers and directors violated the U.S. Securities Exchange Act of 1934.

While LG Display Co., Ltd. continues its vigorous defense of the various pending proceedings described above, there is a possibility that one or more proceedings may result in an unfavorable outcome to LG Display Co., Ltd. LG Display Co., Ltd. has established reserves with respect to certain of the contingencies. However, actual liability may be materially different from the reserves estimated by the company.

On December 1, 2006, LG Display Co., Ltd. filed a complaint against Chi Mei Optoelectronics Corp. and AU Optronics Corp. alleging patent infringement related to liquid crystal display and manufacturing process for TFT-LCD in the United States District Court for the District of Delaware. On March 8, 2007, AU Optronics Corp. countersued LG Display Co., Ltd. in the United States District Court for the Western District of Wisconsin; however, on May 30, 2007, the case was transferred to the United States District Court for the District of Delaware due to LG Display Co., Ltd.'s motion to transfer. On May 4, 2007, Chi Mei Optoelectronics Corp. countersued LG Display Co., Ltd. for patent infringement in the United States District Court for the Eastern District of Texas; however, on March 31, 2008, the suit was transferred to the United States District Court for the District of Delaware according LG Display Co., Ltd.'s motion to transfer. LG Display Co., Ltd. is unable to predict the ultimate outcome of the above matters.

On February 2, 2007, Anvik Corporation filed a patent infringement case against LG Display Co., Ltd., along with other LCD manufacturing companies in the United States District Court for the Southern District of New York, in connection with the usage of photo-masking equipment manufactured by Nikon Corporation. LG Display Co., Ltd. is unable to predict the ultimate outcome of this case.

In January 2009, LG Display Co., Ltd. entered into a long-term supply agreement with Apple, Inc. to supply LCD panels for five years. In connection with the agreement, LG Display Co., Ltd. received a long-term prepayment of USD 500 million from Apple, Inc., which will offset against outstanding accounts receivable balance after a given period of time, as well as those arising from the supply of products thereafter.

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The Company leases equipment such as laptops under operating leases. The Company's liabilities according to operating lease agreements as of December 31, 2009, are as follows:

(in millions of Korean won)

Year ending December 31

2010	₩	76,723
2011~2014		136,975
Thereafter		9,506
Total lease payments	₩	<u>223,204</u>

In certain cases, the generally accepted accounting principles in Korea require the use of assumptions and measurements of specific assets, liabilities, income and expenses, mainly focusing on outstanding or post-statement of financial position date transactions. These assumptions and measurements are based on judgment and available information and, consequently, actual results could differ from those assumptions and measurements.

19. Derivative Transactions

In order to reduce the impact of changes in exchange rates and interest rates, the Controlling Company has entered into foreign currency swap and interest rate swap contracts. A summary of the terms of outstanding contracts as of December 31, 2009, follows:

Contracts	Amount (in millions)		Interest Rate		Contract due date
			Buy	Sell	
USD/EUR SWAP	USD 300	EUR 247	5.0%	3.7%	June 17, 2010

Contracts	Amount (in millions)		Interest Rate		Contract due date
			Buy	Sell	
Interest Rate SWAP	USD 500	3M LIBOR+0.65	5.62%		May 15, 2012
Interest Rate SWAP	₩ 190,000	3M CD	5.6%		October 6, 2011

LG Display Co., Ltd. enters into foreign currency forward contracts to manage the exposure to changes in the value of foreign currency denominated accounts receivable and accounts payable in accordance with its foreign currency risk management policy. Hedge accounting is not applied related to the abovementioned derivatives. Details of foreign currency forwards outstanding as of December 31, 2009, are as follows:

(in millions)

Bank	Maturity date	Buy	Sell	Forward rate
UBS and Others	January 22, 2010 ~ February 26, 2010	₩ 207,276	USD 175	₩1,177/USD1 ~ ₩1,200.5/USD1

During the year, LG Display Co., Ltd. liquidated two cross currency swap contracts amounting to USD 100 million and USD 50 million before maturities and has no outstanding contracts as of

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December 31 2009. Unrealized gains and losses arising from cross currency swap before liquidation, net of related taxes, are recorded as accumulated other comprehensive income.

In relation to the cross currency swap, unrealized losses recorded under accumulated other comprehensive income amounting to ₩4,523 million are expected to be charged to operations as losses within the next 12 months.

LG Display Co., Ltd. enters into interest rate swap contracts to manage the exposure to the changes in interest rates in relation to the foreign currency borrowings with floating rates. Details of interest rate swap outstanding as of December 31, 2009, are as follows:

(in millions)

Bank	Maturity date	Contract amount	Contract rate		Cashflow hedge requirements
			Buy	Sell	
SC First Bank	May 24, 2010	USD 100	6M Libor	5.644%	Fulfilled ¹

¹ In relation to the interest rate swap, unrealized losses recorded under accumulated other comprehensive income amounting to ₩3,047 million are expected to be charged to operations as losses within the next 12 months.

Details of interest rate swap entered into by Hi Plaza Inc. outstanding as of December 31, 2009, are as follows:

(in millions)

Bank	Maturity date	Contract amount	Contract rate		Cashflow hedge requirements
			Buy	Sell	
KDB	October 17, 2011	₩20,000	CD+1.26%	5.10%~6.50%	Fulfilled ²

² In relation to the interest rate swap, no unrealized losses recorded under accumulated other comprehensive income are expected to be charged to operations as losses within the next 12 months.

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Summary of transaction and valuation gains and losses related to derivative instruments for the year ended December 31, 2009, follows:

<i>(in millions of Korean won)</i>		Transactions		Valuation		Comprehensive Income ³
Hedge purpose	Type	Gains	Losses	Gains	Losses	
LG Electronics Inc.						
Fair value	Interest rate swap	₩ 17,920	₩ 44,949	₩ 24,653	₩ -	₩ -
Fair value	Foreign currency swap	21,406	31,461	-	12,143	-
Fair value	Foreign currency forwards	795	1,126	-	-	-
Fair value	Foreign currency option	-	1,123	-	-	-
LG Display Co., Ltd.						
Fair value	Foreign currency forwards	52,350	52,991	2,674	-	-
Cashflow	Foreign currency forwards	-	2,534	-	-	1,921
Cashflow	Foreign currency swap	55	13,645	-	-	2,622
Cashflow	Interest rate swap	-	5,422	-	-	3,880
Hi Plaza Co., Ltd.						
Cashflow	Interest rate swap	-	-	-	-	382
LGEWR						
Fair value	Foreign currency forwards	15,610	13,715	-	-	-
LGEMA						
Fair value	Foreign currency forwards	12,968	6,621	-	-	-
LGERA						
Fair value	Foreign currency forwards	19,989	3,390	-	-	-
Other overseas subsidiaries						
Fair value	Foreign currency forwards	18,730	51,755	7,984	8,680	-
		₩ 159,823	₩ 228,732	₩ 35,311	₩ 20,823	₩ 8,805

³ Valuation gains or losses arising from the contracts fulfilling cashflow hedge requirements are recorded under accumulated other comprehensive income, net of tax.

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20. Income Taxes

Details of income tax expense are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Current income taxes	₩ 786,195	₩ 658,282
Deferred income taxes from temporary differences	(40,651)	(114,417)
Deferred income taxes from tax credit	(209,174)	75,571
Deferred income taxes directly charged to the shareholders' equity	26,733	(151,747)
Deferred income tax due to tax loss carry-forwards	88,213	12,466
Income tax expense	<u>₩ 651,316</u>	<u>₩ 480,155</u>

Deferred income taxes charged directly to the shareholders' equity are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Gain on valuation of available-for-sale securities	₩ 5,747	₩ (6,477)
Loss on valuation of available-for-sale securities	(4)	(148)
Gain on valuation of equity-method investments	932	(4,213)
Loss on valuation of equity-method investments	28	(26,038)
Gain (loss) on valuation of derivative instruments	(2,448)	(593)
Consideration for convertible rights	(1,074)	-
Foreign currency translation adjustments and others	15,483	(168,147)
Capital surplus	8,069	53,870
	<u>₩ 26,733</u>	<u>₩ (151,746)</u>

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The reconciliation between net income before income tax and income tax expense for the years ended December 31, 2009 and 2008, follows:

<i>(in millions of Korean won)</i>	2009		2008	
	Amounts	Ratio	Amounts	Ratio
Income tax based on statutory rate	₩ 832,996	24.2%	₩ 445,233	27.5%
Non-deductible income	(12,802)	(-)0.4%	(4,398)	(-)0.3%
Non-deductible expense	65,025	1.9%	22,234	1.4%
Unused tax credit and tax deduction and exemption	(543,371)	(-)15.8%	(318,258)	(-)19.7%
Effect of decrease in tax rate	(39,174)	(-)1.1%	(47,763)	(-)3.0%
Changes in amount of unrealizable deferred tax assets	11,371	0.3%	258,219	15.9%
Tax rate differences in subsidiaries	56,178	1.6%	(5,495)	(-)0.3%
Effect of applying equity-method of accounting to subsidiaries	295,313	8.6%	125,336	7.8%
Others	(14,220)	(-)0.4%	5,047	0.3%
Income tax expense	<u>₩ 651,316</u>	<u>18.9%</u>	<u>₩ 480,155</u>	<u>29.6%</u>

Components of deferred income taxes as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	Deferred income tax assets (liabilities)	
	2009	2008
Depreciation	₩ 214,844	₩ 90,492
Product warranty	168,782	68,358
Foreign exchange gains	81,941	166,696
Equity-method investments	(686,865)	(528,388)
Accrued expenses	405,795	220,377
Inventories	76,550	19,054
Derivative transaction assets (liabilities)	17,410	(17,015)
Accrued severance benefits	17,520	5,174
Accrued income	(10,405)	(21,483)
Deferred income tax liabilities directly charged to shareholders' equity	(340,094)	(366,827)
Tax credits carryforwards	714,381	505,207
Loss carryforwards	207,216	295,429
Others	178,369	446,758
	<u>₩ 1,045,444</u>	<u>₩ 883,832</u>
Deferred income tax assets	<u>₩ 1,943,969</u>	<u>₩ 1,519,424</u>
Deferred income tax liabilities	<u>₩ (898,524)</u>	<u>₩ (635,592)</u>

The gross balances of deferred tax assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	2009		2008	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current	₩ 1,004,153	₩ (1,782)	₩ 668,781	₩ (850)
Non - current	939,816	(896,742)	850,643	(634,742)

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The tax effect of cumulative temporary differences was calculated based in future tax rates of the fiscal years when temporary differences are expected to reverse. For the Controlling Company and domestic subsidiaries, the 24.2% and 22% tax rates were used for temporary differences expected to reverse in year 2010 and 2011, and thereafter, respectively. As a result, tax expense was lower by ₩12,021 million as compared to the amount using the current tax rate of 24.2%.

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognized the deferred income tax asset since all the future (deductible) tax benefits are determined to be realizable as of December 31, 2009 except for certain deductible temporary differences as it is not certain that the difference will be reversed in the future.

As of December 31, 2009, deferred tax assets were not recognized for the temporary differences of ₩157,623 million from equity-method investments and ₩429,222 million from long-term other accounts payable (2008: ₩182,163 million and ₩406,156 million, respectively).

21. Capital Stock

Capital stock as of December 31, 2009 and 2008, consists of:

	Par value per share	2009		2008	
		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 ¹	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>

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

As of December 31, 2009 and 2008, the number of shares authorized is 600 million shares.

22. Capital Surplus

Capital surplus as of December 31, 2009 and 2008, consists of:

(in millions Korean won)	2009	2008
The Controlling Company's capital surplus		
Additional paid-in capital	₩ 2,207,919	₩ 2,207,919
Others	460,725	443,992
	<u>₩ 2,668,644</u>	<u>₩ 2,651,911</u>

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The Controlling Company's other capital surplus as of December 31, 2009 and 2008, consists of:

	2009	2008
Premium for conversion rights, net of tax	₩ 9,891	₩ 9,891
Gain on disposal of treasury stock, net of tax	2,183	2,183
Capital transaction with subsidiaries, net of tax	448,651	431,918
	<u>₩ 460,725</u>	<u>₩ 443,992</u>

23. Capital Adjustment

The Controlling Company has treasury stock consisting of 763,157 shares (2008: 763,156 shares) of common stock and 4,684 shares (2008: 4,682 shares) of preferred stock as of December 31, 2009. The Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

24. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as of December 31, 2009 and 2008, consists of:

<i>(in millions of Korean won)</i>	2009	2008
Net accumulated comprehensive income of equity-method investees	₩ 6,954	₩ 36,067
Net accumulated comprehensive expense of equity-method investees	(368)	(6,003)
Gain on valuation of available-for-sale securities	8,202	14,064
Loss on valuation of available-for-sale securities	(275)	(85)
Loss on valuation of derivatives, net	(3,382)	(6,957)
Foreign currency translation adjustments and others	646,429	824,461
	<u>₩ 657,560</u>	<u>₩ 861,547</u>

¹ These amounts were net of tax effects.

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25. Retained Earnings

Retained earnings as of December 31, 2009 and 2008, consist of:

<i>(in millions of Korean won)</i>	2009	2008
Legal reserve ¹	₩ 176,560	₩ 165,358
Discretionary reserve ²	4,129,481	3,487,859
Unappropriated retained earnings	1,736,640	388,507
Retained earnings	<u>₩ 6,042,681</u>	<u>₩ 4,041,724</u>

¹ The Commercial Code of the Republic of Korea requires the Controlling 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 through an appropriate resolution by the Controlling Company's Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the Controlling Company's majority shareholders.

² In accordance with the Regulation for Securities Issuance and Disclosure, the Controlling Company had appropriated a certain portion of its retained earnings as a reserve for improvement of financial structure. After the amendment of that regulation, the Controlling Company is no longer required to maintain the reserve and there is no restriction as to its use.

26. Stock Options

LG Electronics Inc. and LG Display Co., Ltd. grant stock options to their executives and employees who contribute to their development in accordance with the approval of their respective Board of Directors or shareholders.

	<u>LG Electronics Inc.</u>	<u>LG Display Co., Ltd.</u>
Grant date	March 22, 2005	April 7, 2005
Grant method	To compensate the difference between market price of the stock and exercise price of the option	To compensate the difference between market price of the stock and exercise price of the option
Exercisable period	Within 4 years from the day after 3 years from grant date.	Within 4 years from the day after 3 years from grant date.
Number of shares initially granted	766,000 shares. However, if the rate of increase in the stock price for three years from grant date of the stock options is not higher than that of the Korea Composite Stock Price Index(KOSPI), the final number of shares to be exercised shall be 50% of number of shares to be exercised at grant date.	450,000 shares. However, if the rate of increase in the stock price for three years from grant date of the stock options is not higher than that of the Korea Composite Stock Price Index(KOSPI), the final number of shares to be exercised shall be 50% of number of shares to be exercised at grant date.
Exercise price	₩71,130 per share	₩44,050 per share
Exercisable condition	For executives and employees who have worked for LG Electronics Inc. for more than two years from grant date.	For executives who have worked for LG Display Co., Ltd. for more than two years from grant date.

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Since the increase in the price of LG Electronics Inc.'s share and that of LG Display Co., Ltd.'s share were less than the market index increase over the three-year period following the grant date, the exercisable rights decreased to 361,000 and 110,000 shares, respectively, representing 50% each of their existing granted shares, net of cancelled options.

During the year ended December 31, 2009, 2,000 stock options of the Controlling Company were exercised (accumulated exercised shares: 55,500, accumulated canceled shares: 44,000). There was no option exercised for LG Display Co., Ltd. (accumulated canceled shares: 230,000). As of December 31, 2009, the remaining number of options to be exercised as granted by the Controlling Company and by LG Display Co., Ltd. are 305,500 and 110,000, respectively. The exercise price of LG Display Co., Ltd.'s stock option decreased from ₩44,260 to ₩44,050 per share due to the additional issuance of common stock in 2005.

The Controlling Company recognized compensation costs of ₩11,772 million for the year ended December 31, 2009 (2008: reversal of compensation cost of ₩6,082 million). LG Display Co., Ltd., a subsidiary, recognized no compensation costs (2008: reversal of compensation cost of ₩560 million) for the year ended December 31, 2009.

27. Sales

Sales for the years ended December 31, 2009 and 2008, consist of:

	<u>2009</u>	<u>2008</u>
<i>(in millions of Korean won)</i>		
Total sales	₩ 79,397,344	₩ 67,899,342
Sales deduction	(6,444,998)	(4,618,951)
Net sales	<u>₩ 72,952,346</u>	<u>₩ 63,280,391</u>

28. Cost of sales

Cost of sales for the years ended December 31, 2009 and 2008, consists of:

	<u>2009</u>	<u>2008</u>
<i>(in millions of Korean won)</i>		
Beginning balance of inventories	₩ 3,964,483	₩ 3,331,623
Cost of goods manufactured or merchandise purchased ¹	55,782,269	48,339,945
Ending balance of inventories	3,748,875	3,964,483
Cost of sales	<u>₩ 55,997,877</u>	<u>₩ 47,707,085</u>

¹ Cost of goods manufactured or merchandise purchased includes loss on valuation of inventories (Note 7)

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29. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2009 and 2008, consist of:

<i>(in millions of Korean won)</i>	<u>2009</u>	<u>2008</u>
Salaries	₩ 2,151,222	₩ 1,852,615
Severance benefits	107,017	101,727
Employee benefits	453,927	380,846
Freight expense	1,853,755	1,901,173
Rental expense	348,161	328,966
Commission expense	1,963,502	1,487,083
Depreciation	221,542	236,484
Amortization	127,912	83,247
Taxes and dues	118,064	96,977
Advertising expense	1,595,747	1,924,920
Promotional expense	923,102	490,752
Research and development costs	539,950	455,459
Product warranty expense	1,537,313	1,352,049
Other	809,844	826,961
	<u>₩ 12,751,058</u>	<u>₩ 11,519,259</u>

30. Comprehensive Income

Comprehensive income for the years ended December 31, 2009 and 2008, consists of:

<i>(in millions of Korean won)</i>	<u>2009</u>	<u>2008</u>
Net income	₩ 2,790,814	₩ 1,138,872
Other comprehensive income and expense		
Gain on valuation of equity-method investments		
Tax effects: ₩932 (2008: ₩(4,213))	(53,734)	60,097
Loss on valuation of equity-method investments		
Tax effects: ₩28 (2008: ₩(26,038))	5,600	62,645
Gain on valuation of available-for-sale securities		
Tax effects: ₩5,747 (2008: ₩(6,477))	(15,798)	24,810
Loss on valuation of available-for-sale securities		
Tax effects: ₩(4) (2008: ₩(148))	(212)	390
Loss on valuation of derivatives, net		
Tax effects: ₩(2,448) (2008: ₩(593))	8,805	(2,914)
Others		
Tax effects: ₩25,362 (2008: ₩(168,147))	(186,442)	867,129
Comprehensive income	<u>₩ 2,549,033</u>	<u>₩ 2,151,029</u>
Controlling interest in comprehensive income	₩ 1,854,202	₩ 1,201,438
Minority interest in comprehensive income	694,831	949,591

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31. Earnings Per Share

Basic earnings per share for the years ended December 31, 2009 and 2008, is calculated as follows:

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

	2009	2008
Controlling interest net income attributable to common stock ¹	₩ 1,837,870	₩ 390,988
Weighted average number of common stock outstanding ²	143,884,657	143,884,658
Basic earnings per share	<u>₩ 12,773</u>	<u>₩ 2,717</u>

¹ Controlling interest in net income attributable to common stock follows:

<i>(in millions of Korean won)</i>	2009	2008
Controlling interest in net income	₩ 2,058,189	₩ 438,535
Preferred stock dividends	(30,926)	(6,873)
Additional income available for dividends allocated to preferred stock	<u>(189,393)</u>	<u>(40,674)</u>
Controlling interest in net income attributable to common stock	<u>₩ 1,837,870</u>	<u>₩ 390,988</u>

² Weighted average number of common stock are as follows:

	2009	2008
Total issued shares	144,647,814	144,647,814
Treasury shares	<u>(763,157)</u>	<u>(763,156)</u>
Weighted average number of common stock outstanding	<u>143,884,657</u>	<u>143,884,658</u>

32. Dividends

Details of the Controlling Company's dividends declared for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009		2008	
	Dividend ratio (%)	Dividend amount	Dividend ratio (%)	Dividend amount
Common stock	35%	₩ 251,798	7%	₩ 50,360
Preferred stock	36%	30,926	8%	6,872
		<u>₩ 282,725</u>		<u>₩ 57,232</u>

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The Controlling Company's dividend payout ratios for the years ended December 31, 2009 and 2008, are computed as follows:

<i>(in millions of Korean won, except for ratios)</i>	2009	2008
Total dividends (A)	₩ 282,725	₩ 57,232
Net income (B)	2,052,835	482,786
Dividend payout ratio ((A)/(B))	13.77%	11.85%

The Controlling Company's dividend yield ratios for the years ended December 31, 2009 and 2008, are computed as follows:

<i>(in Korean won)</i>	2009		2008	
	Common stock	Preferred stock	Common stock	Preferred stock
Dividend per share (A)	₩ 1,750	₩ 1,800	₩ 350	₩ 400
Market price as of Statement of financial position date (B)	121,500	50,000	74,800	32,650
Dividend yield ratio ((A)/(B))	1.44%	3.60%	0.47%	1.23%

33. Related Party Transactions

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

Details of the related parties are as follows:

	2009
Parent company	LG Corporation
Consolidated subsidiaries	LG Display Co., Ltd., LG Innotek Co., Ltd., Hi Plaza Inc., Innovation Investment Fund, Hi Business Logistics, LG Fund for Enterprises, Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT), Beijing LG Building Development Company(LG BUILDING), LG Electronics (China) Co., Ltd.(LGECH),EIC PROPERTIES PTE, LTD.(LGE-EIC), Global OLED Technology LLC.,LG Electronics MobileComm. France S.A.S.(LGEMF), HI LOGISTICS Europe B.V., LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS), INSPUR LG Digital Mobile Communication Co.,Ltd.(LGEYT), LG Alina Electronics(LGERI), LG Display America,Inc.(LGDUS), LG Display Germany GmbH(LGDDG), LG Display Guang Zhou Co., Ltd.(LGDGZ), LG Display Japan Co.,Ltd.(LGDJP), LG Display Nanjing Co.,Ltd.(LGDNJ), LG Display Poland Sp.z o.o.(LGDWR), LG Display Shanghai Co.,Ltd.(LGDSH), LG Display Shen Zhen Co., Ltd.(LGDSZ), LG Display Singapore Pte. Ltd.(LGD SG), LG Display Taiwan Co.,Ltd.(LGD TW), LG Electronics (Levant) Jordan(LGELF), LG Electronics(Nanjing) plasma Co., Ltd(LGENP), LG Electronics (TaiZhou) Refrigeration Co.,Ltd(LGETR), LG Electronics Africa, LLC.(LGEAF), LG Electronics Alabama Inc.(LGEAI), LG Electronics Almaty Kazakstan(LGEAK), LG Electronics Argentina S.A.(LGEAR), LG Electronics Australia Pty, Ltd.(LGEAP), LG Electronics Austria GmbH(LGEAG), LG Electronics Benelux Sales B.V.(LGEBN), LG Electronics Canada, Inc.(LGECL), LG Electronics Colombia Ltda(LGECB), LG ELECTRONICS Czech S.R.O.(LGECZ), LG Electronics da Amazonia Ltda.(LGEAZ), LG Electronics de Sao Paulo

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Consolidated subsidiaries	<p>Ltda.(LGESP), LG Electronics Deutschland GmbH(LGEDG), LG Electronics Egypt S.A.E.(LGEEG), LG Electronics Espana S.A(LGEES), LG Electronics European Holdings B.V.(LGEEH), LG Electronics European Logistics & Services B.V.(LGELS), LG Electronics European Shared Service Center B.V.(LGESC), LG Electronics France S.A.R.L(LGEFS), LG Electronics Gulf FZE(LGEGF), LG Electronics Hellas S.A.(LGEHS), LG Electronics HK Ltd.(LGEHK), LG Electronics Huizhou Ltd.(LGEHZ), LG Electronics Inc. Chile Ltda.(LGECL), LG Electronics India Pvt. Ltd.(LGEIL), LG Electronics Italia S.p.A.(LGEIS), LG Electronics Japan, Inc.(LGEJP), LG Electronics JIT EUROPE B.V.(LGEJE), LG Electronics Latvia, LLC.(LGELV), LG Electronics Magyar KFT(LGEMK), LG Electronics Malaysia SDN.BHD(LGEML), LG Electronics Mexicali S.A.DE C.V.(LGEMX), LG Electronics Mexico S.A.DE C.V.(LGEMS), LG Electronics Mlawa Sp. z.o.o.(LGEMA), LG Electronics Mobile Research U.S.A.,LLC.(LGEMR), LG Electronics Mobilecomm U.S.A.,Inc.(LGEMU), LG Electronics Monterrey Mexico S.A. de C.V(LGEMM), LG Electronics Morocco S.A.R.L.(LGEMC), LG Electronics Nanjing Display Co., Ltd.(LGEND), LG Electronics Nature(Hangzhou) Recording Media Co., Ltd.(LGEHN), LG Electronics Nordic AB(LGESW), LG Electronics Overseas Trading FZE(LGEOT), LG Electronics Panama S.A.(LGEPS), LG Electronics Peru S.A.(LGEPR), LG Electronics Philipine Inc.(LGEPH), LG Electronics Polska Sp. Zo.o.(LGEPL), LG Electronics Portugal S.A.(LGEPT), LG Electronics Qinhuangdao Inc.(LGEQH), LG Electronics Reynosa, Inc.(LGERs), LG Electronics Romania S.R.L.(LGERO), LG Electronics RUS, LLC.(LGERA), LG Electronics S.A. (Pty) Ltd.(LGESA), LG Electronics Shenyang Inc.(LGESY), LG Electronics Singapore PTE LTD(LGESL), LG Electronics Taiwan Taipei Co., Ltd.(LGETT), LG Electronics Thailand Co., Ltd.(LGETH), LG Electronics Tianjin Appliances Co., Ltd.(LGETA), LG Electronics TICARET A.S.(LGETK),LG Electronics U.S.A., Inc.(LGEUS), LG Electronics Ukraine Inc.(LGEUR), LG Electronics United Kingdom Ltd.(LGEUK), LG Electronics Vietnam co., Ltd.(LGEVN), LG Electronics Wroclaw Sp. zo.o(LGEWR), LG HOLDINGS (HK) LIMITED, LG Innotec(huiZhou) Inc.(LGITHZ), LG Innoteck Poland., LTD(LGITPL), LG Innoteck Yantai co., LTD(LGITYT), LG Innoteck(Fujian) Electronics Co., Ltd. (LGITFJ), LG Innoteck(Yantai) Electronic.Co., Ltd.(LGITYT_FPCB), LG Soft India Private Limited(LGSI), Nanjing LG-Panda Appliances Co., Ltd.(LGEPN), PT LG Electronics Indonesia(LGEIN), PT LG Innoteck Indonesia(LGITIN), Qingdao LG Inspur Digital Communications Co., Ltd (LGEQD), Shanghai LG Electronics Co., Ltd.(LGESH), Suzhou Raken Technology co., Ltd.(RAKEN), Zenith Electronics Corporation(Zenith)</p>
Equity-method investees	<p>Hankuk Electric Glass Co., Ltd., LG-Nortel Co., Korea Information Certificate Authority Inc., System Air-con Engineering Ltd., ADP Engineering CO.,LTD., MTH CO.,LTD., Paju Electric Glass, New Optics Ltd., AVACO CO., LTD. , TLi Inc., Dynamic Solar Design, WooRee LED. Co., Ltd. RPO, Inc., LB Gemini Fund, ElectroMagnetica Goldstar S.R.L, SKT Vietnam PTE., Ltd.(formerly SLD Telecom Pte. Ltd.), Guangzhou New Vision Display Technology Research and Development Limited, Hi logistics China Company Limited, Hitachi-LG Data Storage Inc.(HLDS), Triveni, LG Innoteck(Taiwan) Ltd.(LGITTW, formerly LG Micron(Taiwan) Ltd., LG Electronics Algeria SARL(LGEAS), LG Electronics (China) Research and Development Center Co.(LGERD), LG Electronics Wales Ltd.(LGEWA), LG. Philips Displays Holding B.V.(LGPDH), LG Electronics Venezuela S.A.(LGEVZ), LG-Shaker Company Ltd.(LGESR), LG Electronics Middle East Co., Ltd.(LGEME), LG Electronics Dubai FZE(LGEDF), LG Innotec USA, Inc.(LGITUS), LG Electronics RUS-Marketing, LLC.(LGERM), C&S America Solution, LG Electronics Guatemala S.A.</p>

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Other related parties LG Siltron, Rusem, LG Chem, LG Household & Health Care Ltd., LG Life Sciences Ltd., LGMMA, LG Telecom, LG-Dacom, LG CNS, Serveone, LG Economic Research Institute, LG Sports, LG Solar Energy Co., G I I R Inc., LG international Corp., LG N-Sys Inc, LG Powercom Corporation, LG-Hitachi, LG Hausys, Ltd.

Significant transactions, which occurred in the normal course of business with related companies and their related balances are as follows:

Transactions between the Controlling Company and its consolidated subsidiaries

<i>(in millions of Korean won)</i>	2009	2008
Receivables	₩ 3,712,017	₩ 3,337,356
Payables	2,026,926	892,799
Sales and other income ¹	23,811,056	20,180,384
Purchases and other expenses ¹	3,754,931	3,727,126

¹ The sales amount for 2009 above includes sale of certain property, plant and equipment to a subsidiary totaling ₩74,504 million (2008: ₩76,185 million), while the purchase amount for 2009 above includes purchases of certain property, plant and equipment from a subsidiary totaling ₩12 million.

Transactions among consolidated subsidiaries

<i>(in millions of Korean won)</i>	2009	2008
Receivables and payables	₩ 3,171,044	₩ 2,751,643
Sales, purchases and others ¹	16,962,640	19,420,796

¹ The sales, purchases and others amount for 2009 above includes sale of certain property, plant and equipment among subsidiaries totaling ₩267 million.

Transactions between the Company and equity-method investees

<i>(in millions of Korean won)</i>	2009	2008
Receivables	₩ 590,456	₩ 545,200
Payables	1,825,268	1,282,732
Sales and other income ¹	3,148,388	3,009,591
Purchases and other expenses ¹	7,098,456	5,794,178

¹ The sales amount above includes sale of certain property, plant and equipment to a subsidiary totaling ₩3,645 million (2008: ₩9,912 million), while the purchases amount includes the purchase of property, plant and equipment from a subsidiary totaling ₩90,992 million (2008: ₩89,039 million).

Key management compensation costs of the Company for the years ended December 31, 2009 and 2008, consist of:

<i>(in millions of Korean won)</i>	2009	2008
Short-term salaries	₩ 18,120	₩ 27,933
Long-term salaries	2,342	-
Provision for severance benefits	6,282	3,357
Share-based compensation	4,913	(1,902)
	<u>₩ 31,657</u>	<u>₩ 29,388</u>

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

34. Segment Information

The Company has five business divisions: Home Entertainment, Mobile Communications, Home Appliance, Air Conditioning and Business Solutions. 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. Overview of the segment information is as follows:

Divisions	Products
Home Entertainment	TV, PDP Module, Audio, Video, Storage Device and others
Mobile Communications	Mobile communication phone, Mobile communication system, PC and others
Home Appliance	Refrigerator, Washing machine, Microwave, Vacuum and others
Air Conditioning	Air conditioner
Business Solutions	LCD Monitor, TVs for hotel, Security device and others

Financial data by business division for the years ended December 31, 2009 and 2008, are as follows:

	2009		2008	
	External sales	Operating Income (loss)	External sales	Operating Income (loss)
<i>(in millions of Korean won)</i>				
Business Division				
Home Entertainment	₩ 19,618,872	₩ 764,186	₩ 16,367,861	₩ 15,556
Mobile Communications	18,199,266	1,245,807	16,030,386	1,544,308
Home Appliance	9,537,864	528,487	8,599,534	248,052
Air Conditioning	4,464,756	240,612	4,527,434	241,384
Business Solution	4,628,636	123,857	4,644,582	1003,346
LCD	20,613,571	1,067,241	16,263,635	1,735,441
Other businesses and supporting divisions	3,934,631	185,482	3,192,784	114,329
Elimination of internal transactions	(8,045,250)	47,739	(6,345,824)	51,631
	<u>₩ 72,952,346</u>	<u>₩ 4,203,411</u>	<u>₩ 63,280,391</u>	<u>₩ 4,054,047</u>

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Financial data by geographic area for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009		2008	
	External sales	Ratio	External sales	Ratio
Domestic	₩ 8,876,278	12%	₩ 7,962,392	13%
North America	18,225,043	25%	16,601,669	26%
Europe	16,374,029	22%	14,039,292	22%
Central & South America	5,105,521	7%	4,760,322	7%
Asia	9,882,695	14%	8,155,143	13%
China	14,464,083	20%	11,736,449	19%
Others	24,697	-	25,124	-
	<u>₩ 72,952,346</u>	<u>100%</u>	<u>₩ 63,280,391</u>	<u>100%</u>

35. Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 2009 and 2008, monetary assets and liabilities denominated in foreign currencies, other than those disclosed in Notes 14 and 15, are as follows:

<i>(in millions)</i>	2009		2008			
	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent		
Cash and cash equivalents	EUR	297 ₩	497,297	EUR	123 ₩	217,749
	CNY	2,252	385,305	CNY	2,341	430,994
	USD	527	615,633	USD	502	631,491
	GBP	7	13,176	GBP	31	56,591
	Others	-	517,213	Others	-	454,646
			<u>₩ 2,028,624</u>			<u>₩ 1,791,471</u>
Trade accounts receivable	USD	3,513 ₩	4,101,248	USD	1,098 ₩	1,380,714
	CNY	4,120	705,155	CNY	3,585	660,023
	BRL	925	621,754	BRL	690	372,145
	EUR	395	661,792	EUR	99	176,642
	MXN	3,826	341,245	MXN	3,624	330,553
	Others	-	1,679,838	Others	-	1,450,876
		<u>₩ 8,111,032</u>			<u>₩ 4,370,953</u>	
Other accounts receivable	EUR	153 ₩	256,552	EUR	269 ₩	477,791
	INR	2,843	71,301	INR	8,932	234,104
	PLN	61	24,777	PLN	335	142,784
	Others	-	415,293	Others	-	525,673
			<u>₩ 767,923</u>			<u>₩ 1,380,352</u>
Trade accounts payable	CNY	8,175 ₩	1,398,435	CNY	6,093 ₩	1,121,573
	USD	2,579	3,010,747	USD	691	869,052
	EUR	47	79,054	EUR	52	92,373
	Others	-	837,444	Others	-	444,752
			<u>₩ 5,325,680</u>			<u>₩ 2,527,750</u>
Other accounts payable	EUR	114 ₩	191,747	EUR	51 ₩	90,308
	CNY	1,572	268,935	CNY	958	176,271
	USD	607	708,428	USD	349	438,875
	Others	-	546,298	Others	-	248,207
			<u>₩ 1,715,408</u>			<u>₩ 953,661</u>

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36. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Reclassification of current maturities of debentures	₩ 1,714,259	₩ 686,781
Reclassification of current maturities of long-term debts	435,655	702,097
Reclassification of severance pension deposits and severance insurance deposits	390,928	-
Increase (decrease) in assets due to changes in the consolidated entities	12,215	110,256
Increase (decrease) in liabilities due to changes in the consolidated entities	9,461	106,110

37. Merger

According to a merger contract dated April 2, 2009, and upon the approval by their respective shareholders on May 19, 2009, LG Innotek Co., Ltd. merged with LG Micron Ltd. on July 1, 2009.

Summaries of the participant companies are as follows:

Name	LG Innotek Co., Ltd.	LG Micron Ltd.
Location	20 Yeouido-dong Yeongdeungpo-gu, Seoul, Korea	624 Gupo-Dong Gumi, Gyeongsangbuk-do, Korea
CEO	Heo Young-ho	Heo Young-ho
Business	Manufacturing and merchandising of general electric and electromagnetic parts	Manufacturing and merchandising of flat display parts, PCB products
Role	Acquiring company	Acquired company

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.

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Summary of consolidated financial information of LG Innotek Co., Ltd. and LG Micron Ltd. as of July 1, 2009, follows:

<i>(in millions of Korean won)</i>	LG Innotek Co., Ltd.		LG Micron Ltd.	
Current assets	₩	898,066	₩	404,946
Non-current assets		486,835		688,735
Total assets	₩	<u>1,384,901</u>	₩	<u>1,093,681</u>
Current liabilities	₩	690,204	₩	527,401
Non-current liabilities		180,710		213,403
Total liabilities		<u>870,914</u>		<u>740,804</u>
Total Shareholders' Equity		<u>513,987</u>		<u>352,877</u>
Liabilities and Shareholders' Equity	₩	<u>1,384,901</u>	₩	<u>1,093,681</u>

<i>(in millions of Korean won)</i>	LG Innotek Co., Ltd.		LG Micron Ltd.	
Sales	₩	1,181,485	₩	584,970
Cost of sales		<u>1,018,806</u>		<u>488,777</u>
Gross profit		162,679		96,193
Selling and administrative expenses		<u>106,285</u>		<u>31,658</u>
Operating income		56,394		64,535
Non-operating expenses		(5,648)		(44,744)
Income tax expense		<u>12,088</u>		<u>16,433</u>
Net income for the period	₩	<u>38,658</u>	₩	<u>3,358</u>
Controlling interest net income	₩	38,658	₩	11,916
Minority interest net loss	₩	-	₩	(8,558)

38. Early Adoption of K-IFRS

On January 1, 2010, the Company adopted the International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRS") which shall be adopted by all listed companies in Korea by the fiscal year 2011. Preparation plans and progress status are as follows:

Preparation Plans and Progress Status

A separate task force team has been organized to perform in-depth impact assessment concerning the adoption of K-IFRS. The task force team reports the assessment to the management. The Company has engaged external advisory firms which completed their analysis on the significant differences between K-IFRS and current accounting policies of the Company. The new accounting policies under K-IFRS have been selected and determined based on this analysis. Currently, the Company is preparing the financial information as of the date of transition and for the reporting periods after the date of transition.

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The following table shows the main differences between current accounting policies and new policies adopted by the Company based on the K-IFRS:

		Current Policies	New Policies under K-IFRS
The first adoption of K-IFRS	Business combination	N/A	The exemptions for business combination apply to all business combinations that occurred before the date of transition (2009.1.1).
	Cumulative translation differences	N/A	The cumulative translation differences for all foreign operations are deemed to be nil at the date of transition .
	Deemed cost	N/A	Certain land is measured at the date of transition at its fair value.
	Investments in subsidiaries	N/A	Carrying amount of investments in subsidiaries, joint ventures and associates under previous GAAP for separate financial statements are recorded at cost on the date of transition.
	Capitalization of borrowing cost	N/A	Capitalize borrowing cost on qualifying assets acquired after the date of transition
Investments in subsidiaries, joint ventures and associates under separate financial statements.	Apply equity method.	Apply cost method.	
Changes in consolidated companies	A subsidiary whose total assets are less than ₩10 billion is excluded from consolidation.	Regardless of amount of total assets, a subsidiary over which a parent company has control is consolidated.	
Capitalization of borrowing cost	Borrowing costs are expensed.	Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets shall be capitalized as part of the cost of that asset.	
Financial asset sales	Derecognized when its right and obligation are transferred.	Derecognized when the Company has substantially transferred all risks and rewards.	
Loans and receivables	Loans and receivables with long-term maturities are recognized at the present value.	Loans and receivables are recognized at the amortized cost using the effective interest method.	
Post-employment benefits	Accrued severance benefits represent the amount which would be payable assuming all eligible directors and employees were to terminate their employment at each closing date.	Defined benefit obligation is estimated using actuarial valuation.	
Goodwill	Goodwill is amortized using the straight -line method.	Goodwill shall not be amortized, but be subject to regular impairment testing. The gain from a bargain purchase is recognized in profit or loss on the acquisition date.	

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	Current Policies	New Policies under K-IFRS
Investment property	Classify as fixed asset	Property held to earn rentals or for capital appreciation or both shall be classified as an investment property.
Intangible asset with indefinite useful life	Amortize over reasonable period less than 20 years unless it is defined otherwise by law or contract.	An intangible asset with an indefinite useful life shall not be amortized, but be subject to regular impairment testing.
Contingent liability	When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements.	When it is more likely than not that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements.
Capitalization of development expenses	Internally generated development expenses shall be recognized as expense.	Internally generated development expenses shall be capitalized as intangible assets when appropriate.
Membership	Classify as long-term deposit in non-current asset.	Classify as intangible assets with indefinite useful life or as a financial asset.
Deferred taxes on investments in subsidiaries and associates	Deferred tax asset or liability is determined and recognized by the net amount of temporary differences from each investment.	Deferred tax asset and liability are recognized by reflecting the tax consequences of each temporary differences.

Changes in Consolidation under K-IFRS

The following entities are excluded from the consolidation because the Controlling Company owns 50% or less in their equity as of December 31, 2009:

LG Display Co., Ltd. and 12 subsidiaries (including LG Electronics (Nanjing) Plasma Co., Ltd.(LGENP)), LG Fund for Enterprises, EIC PROPERTIES PTE, LTD.(LGE-EIC), Beijing LG Building Development Company(LG BUILDING), LG HOLDINGS (HK) LIMITED, Arcelik-LG Klima Sanayive Ticaret A.S. (LGEAT), Global OLED Technology LLC

The following entities are newly included in the consolidation as of December 31, 2009. The entities were excluded from the consolidation as their total assets did not qualify them under the current K-GAAP:

System Air-con Engineering, Ltd., LG Electronics(China) Research and Development Center Co. (LGERD), LG Electronics Middle East Co., Ltd. (LGEME), LG Electronics RUS-Marketing, LLC.(LGERM), LG Innotek (Taiwan) Ltd. (LGITTW, formerly LG Micron(Taiwan) Ltd.), Hi Logistics China, Triveni, LG Electronics Venezuela S.A.(LGEVZ), LG Electronics Dubai FZE(LGEDF), C & S America Solution, LG Electronics Guatemala S.A., LG Electronics Wales Ltd. (LGEWA), LG Innotek USA, Inc. (LGITUS), KTB Investment Fund.

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Effects on Total Assets, Total Liabilities and Shareholders' Equity

Effects on the consolidated total assets, total liabilities and shareholders' equity as of January 1, 2009, the date of IFRS transition, are as follows:

<i>(in millions of Korean won)</i>	Total assets		Total liabilities		Total shareholders' equity
Reported amount under K-GAAP	₩	42,372,298	₩	27,579,726	₩ 14,792,572
Adjustments					
Change in consolidation scope		(13,446,554)		(7,556,047)	(5,890,507)
Sold receivables ¹		2,026,071		2,010,256	15,815
Post-employment benefits ²		-		8,549	(8,549)
Revaluation of land ³		1,085,137		-	1,085,137
Equity method Investments ⁴		(30,388)		-	(30,388)
Deferred tax ⁷		(226,031)		(629,445)	403,414
Others		1,351		6,191	(4,840)
Total		(10,590,414)		(6,160,496)	(4,429,918)
Adjusted amount under K-IFRS	₩	31,781,884	₩	21,419,230	₩ 10,362,654

Effects on the consolidated total assets, total liabilities and shareholders' equity as of December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	Total assets		Total liabilities		Total shareholders' equity
Reported amount under K-GAAP	₩	44,756,799	₩	27,522,834	₩ 17,233,965
Adjustments					
Change in consolidation scope		(14,954,193)		(8,459,329)	(6,494,864)
Sold receivables ¹		1,409,132		1,407,609	1,523
Post-employment benefits ²		-		57,479	(57,479)
Revaluation of land ³		1,085,137		-	1,085,137
Equity method Investments ⁴		44,718		-	44,718
Goodwill ⁵		20,124		-	20,124
Convertible right and warrant ⁶		-		24,818	(24,818)
Development costs		100,952		-	100,952
Deferred tax ⁷		(352,610)		(877,179)	524,569
Others		4,453		13,034	(8,581)
Total		(12,642,287)		(7,833,568)	(4,808,719)
Adjusted amount under K-IFRS	₩	32,114,512	₩	19,689,266	₩ 12,425,246

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Effects on Consolidated Net Income and Comprehensive Income

Effects on the consolidated net income and total comprehensive income for the year ended December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	Net income		Total comprehensive income	
	₩		₩	
Reported amount under K-GAAP	₩	2,790,814	₩	2,549,033
Adjustments				
Change in consolidation scope		(672,888)		(641,353)
Sold receivables ¹		(14,117)		(14,117)
Post-employment benefits ²		(28,004)		(48,192)
Equity method investments ⁴		31,728		79,176
Goodwill ⁵		20,145		20,145
Convertible right and warrant ⁶		(20,825)		(20,825)
Capitalization of development costs		100,952		100,952
Deferred tax ⁷		146,382		146,382
Others		(4,059)		(4,059)
Total		(440,686)		(381,891)
Adjusted amount under K-IFRS	₩	2,350,128	₩	2,167,142

¹ The notes receivables which are transferred and sold, but cannot be derecognized under K-IFRS are treated as borrowings with the collaterals.

² Defined benefit obligation and other long-term employee benefits are calculated by using an actuarial method.

³ Certain land is revalued at its fair value and recorded as its deemed cost under the exemption rule for first time adopters.

⁴ The effects on the changes in associates' financial statements according to new accounting policies

⁵ Goodwill amortization is reversed.

⁶ Reclassification of convertible right and warrant from equity to liabilities and fair value measurement.

⁷ Deferred tax effects from the above adjustments and deferred tax differences.

The above effects on the financial position and the results of operations may differ from the financial statements to be prepared in the future since the above effects are based on the current analysis of GAAP differences effective as of December 31, 2009.