

LG Electronics Inc.

**Non-Consolidated Financial Statements
December 31, 2009 and 2008**

LG Electronics Inc.
Index
December 31, 2009 and 2008

	Page(s)
Report of Independent Auditors	1 - 2
Non-Consolidated Financial Statements	
Statements of Financial Position.....	3 - 4
Statements of Income	5
Statements of Appropriations of Retained Earnings	6
Statements of Changes in Shareholders' Equity	7
Statements of Cash Flows	8 - 9
Notes to the Non-Consolidated Financial Statements	10 - 63
Report on the Review of Internal Accounting Control System	64
Report on the Operations of the Internal Accounting Control System	65

Report of Independent Auditors

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

We have audited the accompanying non-consolidated statements of financial position of LG Electronics Inc. (the "Company") as of December 31, 2009 and 2008, and the related non-consolidated statements of income, appropriations of retained earnings, 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 certain subsidiaries, the investments in which are reflected in the accompanying non-consolidated financial statements using the equity method of accounting. The investments in those subsidiaries represent 35.1% and 39.9% of the Company's total assets as of December 31, 2009 and 2008, respectively. These financial statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the subsidiaries, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material 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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of LG Electronics Inc. as of December 31, 2009 and 2008, and the results of its operations, the changes in its retained earnings, the changes in its shareholders' equity and cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea

Samil PricewaterhouseCoopers

LS Yongsan Tower, 191, Hangangno 2-ga, Yongsan-gu, Seoul 140-702, Korea (Yongsan P.O. Box 266, 140-600) www.samil.com

Samil PricewaterhouseCoopers is the Korean network firm of PricewaterhouseCoopers International Limited (PwCIL). "PricewaterhouseCoopers" and "PwC" refer to the network of member firms of PwCIL. Each member firm is a separate legal entity and does not act as an agent of PwCIL or any other member firm.

As discussed in Note 36 to the accompanying non-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 in Korea by the fiscal year 2011.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-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 financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

Samil PricewaterhouseCoopers

Seoul, Korea
February 25, 2010

This report is effective as of February 25, 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 non-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.
Non-Consolidated Statements of Financial Position
December 31, 2009 and 2008

(in millions of Korean won)

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	₩ 789,966	₩ 1,156,645
Short-term financial instruments	223,000	50,000
Trade accounts and notes receivable, net (Notes 4 and 31)	4,537,314	1,434,280
Other accounts receivable, net (Note 4)	205,575	237,940
Prepaid expenses	215,628	154,323
Accrued income, net (Note 4)	97,807	134,137
Advances, net (Note 4)	117,521	79,471
Short-term loans receivable (Note 4)	16,552	12,392
Derivative instrument assets (Note 17)	-	5,371
Deferred income tax assets (Note 18)	380,518	290,323
Inventories, net (Note 6)	767,019	901,121
Other current assets, net	94,827	61,635
Total current assets	7,445,727	4,517,638
Long-term financial instruments (Note 3)	23,023	25,037
Long-term investment securities (Note 7)	78,367	12,079
Equity-method investments (Note 8)	8,764,147	7,760,488
Long-term loans receivable, net (Note 4)	103,674	75,900
Property, plant and equipment, net (Notes 9 and 32)	3,644,343	3,710,704
Intangible assets, net (Notes 10 and 32)	448,250	470,610
Refundable deposits	317,198	325,201
Long-term advance payments	272,145	233,256
Long-term prepaid expenses	474,360	201,029
Other investment assets	5,942	5,939
Total other assets	14,131,449	12,820,243
Total assets	₩ 21,577,176	₩ 17,337,881

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

(in millions of Korean won)

	2009	2008
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts and notes payable (Note 31)	₩ 3,819,977	₩ 2,149,433
Short-term borrowings (Note 12)	187,246	302,305
Current maturities of long-term debts, net (Note 12)	700,052	275,378
Other accounts payable	1,313,016	1,286,398
Advances from customers	310,372	263,159
Unearned income	53,776	63,054
Withholdings	146,746	70,403
Accrued expenses	1,166,336	1,160,641
Income taxes payable	57,088	96,751
Derivative instrument liabilities (Note 17)	61,722	53,182
Product warranty reserve (Note 15)	195,853	220,884
Provisions for sales return (Note 15)	1,037	-
Total current liabilities	8,013,221	5,941,588
Debentures, net (Note 13)	1,340,093	1,568,435
Long-term debts, net (Note 13)	613,520	441,500
Accrued severance benefits, net (Note 14)	182,721	228,984
Deferred income tax liabilities (Note 18)	887,133	621,153
Derivative instrument liabilities (Note 17)	55,183	129,416
Provisions for restoration (Notes 9 and 15)	3,188	-
Provisions for contingencies (Note 15)	322,324	-
Total liabilities	11,417,383	8,931,076
Commitments and contingencies (Note 16)		
Shareholders' equity		
Capital stock (Notes 1 and 19)	809,169	809,169
Capital surplus (Note 20)		
Paid-in capital in excess of par value	2,207,919	2,207,919
Other capital surplus	460,725	443,992
Capital adjustment (Note 21)		
Treasury stock	(44,893)	(44,893)
Accumulated other comprehensive income (Note 28)		
Gain on valuation of available-for-sale securities	3,544	4,235
Gain on valuation of equity-method investments	708,496	886,794
Loss on valuation of equity-method investments	(50,509)	(17,634)
Retained earnings (Note 22)		
Legal reserve	110,549	104,826
Discretionary reserve	3,949,343	3,280,276
Unappropriated retained earnings	2,005,450	732,121
Total shareholders' equity	10,159,793	8,406,805
Total liabilities and shareholders' equity	₩ 21,577,176	₩ 17,337,881

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

LG Electronics Inc.
Non-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, net (Notes 24, 31 and 32)	₩	30,513,436	₩	27,638,515
Cost of sales (Note 25)		<u>23,418,287</u>		<u>20,822,187</u>
Gross profit		7,095,149		6,816,328
Selling and administrative expenses (Note 26)		<u>5,480,328</u>		<u>5,589,438</u>
Operating income		<u>1,614,821</u>		<u>1,226,890</u>
Non-operating income				
Interest income		59,153		82,056
Rent income		23,965		32,238
Foreign exchange gains		1,856,955		1,381,577
Gain on disposal of investment securities		405		53,626
Gain on disposal of property, plant and equipment		7,716		20,696
Gain on valuation of equity-method investments (Note 8)		1,377,260		983,424
Gain on settlement of derivatives (Note 17)		40,121		73,892
Gain on valuation of derivatives (Note 17)		24,653		5,371
Others		102,181		37,655
		<u>3,492,409</u>		<u>2,670,535</u>
Non-operating expenses				
Interest expense		107,756		107,425
Foreign exchange losses		1,764,501		2,229,935
Donations		14,828		11,945
Loss from disposal of property, plant and equipment		29,589		13,648
Loss from disposal of intangible assets		21,770		4,452
Loss from transfer of trade accounts receivable		70,466		151,878
Loss on impairment of investment securities		37,577		3,062
Loss on impairment of property, plant and equipment (Note 9)		92		90,292
Loss on valuation of equity-method investments (Note 8)		129,573		392,638
Loss on settlement of derivatives (Note 17)		78,659		172,422
Loss on valuation of derivatives (Note 17)		12,143		129,625
Other depreciation		38,851		30,106
Others		284,806		44,973
		<u>2,590,611</u>		<u>3,382,401</u>
Income before income taxes		2,516,619		515,024
Income tax expense (Note 18)		<u>463,784</u>		<u>32,238</u>
Net income	₩	<u>2,052,835</u>	₩	<u>482,786</u>
Basic earnings per share (in won) (Note 29)	₩	12,740	₩	2,992

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

LG Electronics Inc.**Non-Consolidated Statements of Appropriations of Retained Earnings****Years Ended December 31, 2009 and 2008****(Date of Appropriations: March 19, 2010 and March 13, 2009****for the years ended December 31, 2009 and 2008, respectively)**

<i>(in millions of Korean won)</i>	2009	2008
Retained earnings before appropriations		
Unappropriated retained earnings carried over from prior year	₩ 99	₩ 263,799
Cumulative effect of change in accounting principle (Note 2)	-	26,423
Transfer to other comprehensive income	-	(40,887)
Loss on valuation of equity-method investments exceeding book value (Note 8)	(47,484)	-
Net income	<u>2,052,835</u>	<u>482,786</u>
	2,005,450	732,121
Transfer from discretionary reserve		
Reserve for research and manpower development	<u>3,949,343</u>	<u>3,252,504</u>
	<u>5,954,793</u>	<u>3,984,625</u>
Appropriations of retained earnings		
Discretionary reserve	28,272	5,723
Reserve for research and manpower development	5,643,697	3,921,571
Cash dividends (Note 30)	282,725	57,232
Dividends(ratio) per share		
Common stock :		
₩ 1,750 (35%) in 2009,		
₩ 350 (7%) in 2008		
Preferred stock :		
₩ 1,800 (36%) in 2009,		
₩ 400 (8%) in 2008		
	<u>5,954,694</u>	<u>3,984,526</u>
Unappropriated retained earnings to be carried forward to subsequent year	<u>₩ 99</u>	<u>₩ 99</u>

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

LG Electronics Inc.
Non-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(expense)	Retained earnings	Total
Balances as of						
January 1, 2008	₩ 809,169	₩ 2,219,993	₩ (44,893)	₩ 703,467	₩ 3,522,966	₩ 7,210,702
Cumulative effect of accounting change (Note 2)	-	339,612	-	(604,499)	290,123	25,236
Adjusted retained earnings	809,169	2,559,605	(44,893)	98,968	3,813,089	7,235,938
Cash dividends	-	-	-	-	(137,765)	(137,765)
Retained earnings after appropriation	-	-	-	-	3,675,324	7,098,173
Net income	-	-	-	-	482,786	482,786
Change in capital surplus	-	92,306	-	-	-	92,306
Change in equity method investees with accumulated comprehensive income	-	-	-	603,106	-	603,106
Change in equity method investees with accumulated comprehensive expense	-	-	-	130,998	-	130,998
Loss on valuation of available-for-sale securities	-	-	-	(564)	-	(564)
Transfer to other comprehensive income	-	-	-	40,887	(40,887)	-
Balances as of						
December 31, 2008	₩ 809,169	₩ 2,651,911	₩ (44,893)	₩ 873,395	₩ 4,117,223	₩ 8,406,805
Balances as of						
January 1, 2009	₩ 809,169	₩ 2,651,911	₩ (44,893)	₩ 873,395	₩ 4,117,223	₩ 8,406,805
Cash dividends	-	-	-	-	(57,232)	(57,232)
Retained earnings after appropriation	-	-	-	-	4,059,991	8,349,573
Net income	-	-	-	-	2,052,835	2,052,835
Change in capital surplus	-	16,733	-	-	-	16,733
Change in equity method investees with accumulated comprehensive income	-	-	-	(178,298)	-	(178,298)
Change in equity method investees with accumulated comprehensive expense	-	-	-	(32,875)	-	(32,875)
Loss on valuation of available-for-sale securities	-	-	-	(691)	-	(691)
Loss on valuation of equity-method investments exceeding book value (Note 8)	-	-	-	-	(47,484)	(47,484)
Balances as of						
December 31, 2009	₩ 809,169	₩ 2,668,644	₩ (44,893)	₩ 661,531	₩ 6,065,342	₩ 10,159,793

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

LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Years ended December 31, 2009 and 2008

<i>(in millions of Korean won)</i>	2009	2008
Cash flows from operating activities		
Net income	₩ 2,052,835	₩ 482,786
Adjustments to reconcile net income		
to net cash provided by operating activities		
Depreciation	531,954	588,793
Amortization of intangible assets	137,716	124,106
Loss (gain) on foreign currency translation, net	(115,854)	393,684
Provisions for severance benefits	153,688	166,715
Loss from sales of trade accounts receivable	70,466	151,878
Gain from disposal of investment securities, net	(405)	(53,626)
Loss on impairment of investment securities	37,577	3,062
Gain on valuation of equity-method investments, net	(1,247,687)	(590,786)
Loss (gain) on disposal of property, plant and equipment, net	21,873	(7,048)
Loss on impairment of property, plant and equipment	92	90,292
Loss on disposal of intangible assets, net	16,470	1,637
Loss on settlement of derivatives, net	38,538	98,530
Loss (gain) on valuation of derivatives, net	(12,510)	124,254
Provisions for product warranty	321,441	385,582
Provisions for contingencies	280,943	-
Others	(7,224)	14,152
	<u>227,078</u>	<u>1,491,225</u>
Changes in operating assets and liabilities		
Increase in trade accounts and notes receivable	(3,213,147)	(1,074,136)
Decrease (increase) in other accounts receivable	37,611	(5,302)
Decrease (increase) in accrued income	15,777	(88,909)
Increase in advances	(38,535)	(5,614)
Decrease (increase) in other current assets	(33,191)	9,388
Decrease in inventories	134,103	13,557
Increase in prepaid expenses	(61,278)	(43,249)
Increase in long-term advance payments	(91,143)	(98,624)
Increase in long-term prepaid expenses	(273,330)	(88,840)
Increase in deferred income tax assets	(90,195)	(51,332)
Increase in trade accounts and notes payable	1,669,489	435,828
Increase in other accounts payable	37,648	249,900
Increase in advances from customers	47,213	113,752
Increase in withholdings	76,344	24,488
Increase in accrued expenses	74,565	293,355
Increase (decrease) in income taxes payable	(39,663)	54,555
Decrease in product warranty reserve	(346,472)	(329,729)
Decrease in provisions for sales return	(1,143)	-
Payment of severance benefits	(212,986)	(152,514)
Decrease (increase) in severance insurance deposits	73,133	(80)
Increase in severance fund assets	(32,699)	-
Decrease in contribution to the National Pension Fund	1,824	2,554
Increase (decrease) in deferred income tax liabilities	305,749	(69,064)
Decrease in provisions for restoration	(320)	-
Dividends received	191,507	168,489
Others	(17,967)	15,409
	<u>(1,787,106)</u>	<u>(626,118)</u>
Net cash provided by operating activities	<u>492,807</u>	<u>1,347,893</u>

LG Electronics Inc.
Non-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		
Proceeds from disposal of long-term financial instruments	38,352	30,323
Disposal of short-term and long-term loans	30,710	57,793
Return of refundable deposits	47,651	66,347
Proceeds from disposal of long-term investment securities	486	56,773
Proceeds from disposal of equity-method investments	-	23,375
Proceeds from disposal of property, plant and equipment	89,702	139,266
Proceeds from disposal of intangible assets	8,516	5,078
Proceeds from disposal of derivatives	45,492	74,558
Proceeds from business transfer	-	56,859
Acquisition of short-term financial instruments	(173,000)	(50,000)
Acquisition of long-term financial instruments	(36,338)	(40,505)
Increase in short-term and long-term loans	(62,780)	(42,595)
Acquisition of long-term investment securities	(66,978)	(1,415)
Acquisition of equity-method investments	(268,467)	(64,413)
Payment of refundable deposits	(39,730)	(61,253)
Acquisition of property, plant and equipment	(605,893)	(636,252)
Acquisition of intangible assets	(47,094)	(56,669)
Acquisition of derivatives	(131,841)	(210,210)
Others	403	1,144
Net cash used in investing activities	<u>(1,170,809)</u>	<u>(651,796)</u>
Cash flows from financing activities		
Issuance of short-term borrowings	188,585	386,809
Issuance of debentures	568,025	-
Issuance of long-term debts	190,000	190,000
Payment of short-term borrowings	(302,305)	(140,000)
Payment of dividends	(57,232)	(137,765)
Payment of current maturities of long-term debts	(275,750)	(370,867)
Net cash provided by (used in) financing activities	<u>311,323</u>	<u>(71,823)</u>
Net increase (decrease) in cash and cash equivalents	(366,679)	624,274
Cash and cash equivalents (Note 34)		
Beginning of the year	1,156,645	532,371
End of the year	<u>₩ 789,966</u>	<u>₩ 1,156,645</u>

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

LG Electronics Inc.

Notes to the Non-Consolidated Financial Statements

December 31, 2009 and 2008

1. The Company

LG Electronics Inc. (the "Company") was spun-off from LG Electronics Investment Ltd. (formerly LG Electronics Inc.) on April 1, 2002, to engage in the manufacture and sale of 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 Company's main manufacturing facilities are in Guro, Pyeongtaek, Cheongju, Gumi and Changwon in the Republic of Korea.

As of December 31, 2009, the Company has outstanding capital stock amounting to ₩809,169 million, including non-voting preferred stock. The Company's stock was relisted on the Korea 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 Company's total stocks including common stock and preferred stock, while financial institutions, foreign investors and others own the rest.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below.

Basis of Financial Statement Presentation

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

LG Electronics Inc.

Notes to the Non-Consolidated Financial Statements

December 31, 2009 and 2008

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

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

The Company adopted Korea Accounting Institute Opinion 06-2, revised on February 22, 2008. The effect of the change was an increase in retained earnings as of January 1, 2008, by ₩26,423 million.

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

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

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 said 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.

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of goods are transferred to the buyer. Revenue from service contracts is recognized using the percentage-of-completion method.

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 maturities 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.

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

Inventories

The quantities of inventories are determined using the perpetual method and periodic inventory counts, 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 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.

In case the investee is also a subsidiary of the Company, the net income and net assets of the investee in its non-consolidated financial statements should be equal to the corresponding share of the Company presented in the consolidated financial statements, unless the equity method of accounting has been discontinued on the said investee.

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

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. It also includes the present value of the estimated cost of dismantling and removing the asset, and restoring the site after the termination of the asset's useful life, provided it meets the criteria for recognition of provisions

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

	<u>Estimated Useful Lives</u>	<u>Depreciation Method</u>
Buildings	20 - 40 years	Straight-line method
Structures	20 - 40 years	Straight-line method
Machinery and equipment	5 - 10 years	Straight-line method
Tools	1 - 5 years	Straight-line method
Furniture and fixtures, vehicles	5 years	Straight-line method

Expenditures incurred after the acquisition or completion of assets are capitalized if they enhance the economical benefits of the related assets 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 based on using the following depreciation method and estimated useful lives:

	<u>Estimated Useful Lives</u>	<u>Depreciation Method</u>
Goodwill	5 - 10 years	Straight-line method
Industrial property rights	5 - 10 years	Straight-line method
Development cost	5 years	Straight-line method
Other intangible assets	5 years	Straight-line method

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.

LG Electronics Inc.

Notes to the Non-Consolidated Financial Statements

December 31, 2009 and 2008

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 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. Reversal of impairment of goodwill is not allowed.

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.

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.

Accrued severance benefits

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 Company based on their length of service and rate of pay at the time of termination. 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.

LG Electronics Inc.

Notes to the Non-Consolidated Financial Statements

December 31, 2009 and 2008

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.

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.

Currency Translation for Foreign Operations

Assets and liabilities of a company subject to the equity method of accounting for investments are translated into Korean won at the rates of exchange in effect at the date of the statement of financial position, while their equity is translated at the exchange rate at the time of transaction, and income statement accounts at the average rate over the period. Resulting translation gains and losses are recorded as accumulated other comprehensive income and expense.

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 the 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 of the receivables, 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.

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

Duty Refunds

The Company records duty refunds as a deduction from cost of sales. For the year ended December 31, 2009, in accordance with the policy, the Company recorded duty refunds amounting to ₩139,421 million.

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.

Government grants

Government grants received, which are to be repaid, are recorded as liability, while grants without obligation to be repaid are offset against the cost of the 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 gain for the period.

Approval of Financial Statements

The December 31, 2009 audited financial statements were approved by the Board of Directors on February 24, 2010.

3. Long-Term Financial Instruments

As of December 31, 2009, long-term financial instruments amounting to ₩23,023 million (2008: ₩25,037 million) are deposited in connection with maintaining checking accounts or research and development projects funded by the government. The withdrawal of these financial instruments is restricted.

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

4. 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		
	Original amount	Allowance for doubtful accounts	Carrying value
Trade accounts and notes receivable	₩ 4,558,470	₩ (21,156)	₩ 4,537,314
Other accounts receivable	256,297	(50,722)	205,575
Accrued income	97,826	(19)	97,807
Advances	118,615	(1,094)	117,521
Short-term loans receivable	17,814	(1,262)	16,552
Long-term loans receivable	103,828	(154)	103,674
	<u>₩ 5,152,850</u>	<u>₩ (74,407)</u>	<u>₩ 5,078,443</u>

<i>(in millions of Korean won)</i>	2008		
	Original amount	Allowance for doubtful accounts	Carrying value
Trade accounts and notes receivable	₩ 1,451,537	₩ (17,257)	₩ 1,434,280
Other accounts receivable	288,181	(50,241)	237,940
Accrued income	134,164	(27)	134,137
Advances	80,080	(609)	79,471
Short-term loans receivable	13,656	(1,264)	12,392
Long-term loans receivable	75,915	(15)	75,900
	<u>₩ 2,043,533</u>	<u>₩ (69,413)</u>	<u>₩ 1,974,120</u>

As of December 31, 2009 and 2008, trade bills negotiated through banks that have not yet matured are as follows (Note 16):

<i>(in millions of Korea won)</i>	2009		2008		
Financing of export receivables	₩	577,532	₩	2,399,197	With recourse
		35,117		520,183	Without recourse
Discount of domestic receivables		-		31,299	Without recourse
	<u>₩</u>	<u>612,649</u>	<u>₩</u>	<u>2,950,679</u>	

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

5. 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 12 and 13, are as follows:

<i>(in millions)</i>	2009				2008			
	Foreign currency		Korean won equivalent		Foreign currency		Korean won equivalent	
Cash and cash equivalents	USD	105	₩	122,674	USD	57	₩	71,401
	JPY	335		4,231	JPY	14,667		204,446
	EUR	13		22,121	EUR	102		181,514
	Others	124		17,086	Others	24		19,116
				₩	166,112			₩
Trade accounts receivable	USD	2,143		2,501,919	USD	540		679,443
	JPY	6,208		78,390	JPY	746		10,400
	EUR	504		844,642	EUR	68		121,651
	GBP	65		122,920	GBP	14		24,965
	AUD	47		48,843	AUD	46		39,988
	Others	1,460		350,574	Others	359		96,712
				₩	3,947,288			₩
Other accounts receivable	USD	86		99,948	USD	132		165,765
	EUR	9		15,779	EUR	-		114
	Others	-		-	Others	11		5,299
				₩	115,727			₩
Refundable deposits	USD	1		706	USD	1		1,820
	Others	58		772	Others	58		835
				₩	1,478			₩
Trade accounts payable	USD	2,380		2,779,120	USD	1,147		1,442,842
	JPY	1,431		18,073	JPY	1,525		21,260
	EUR	24		39,906	EUR	6		9,790
	Others	118		47,776	Others	1		233
				₩	2,884,875			₩
Other accounts payable	USD	431		503,088	USD	427		537,019
	JPY	505		6,377	JPY	797		11,113
	EUR	67		111,607	EUR	49		86,253
	AUD	17		17,655	AUD	2		1,725
	CAD	10		10,727	CAD	23		23,683
	Others	4		7,888	Others	8		14,098
				₩	657,342			₩
Accrued expenses	USD	282		329,689	USD	200		251,671
	JPY	12		151	JPY	146		2,035
	Others	19		31,131	Others	7		11,563
				₩	360,971			₩

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

6. 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	₩ 49,976	₩ (4,015)	₩ 45,961
Finished products	322,128	(23,474)	298,654
Work-in-process	76,350	(1,591)	74,759
Raw materials	307,814	(23,212)	284,602
Parts and supplies	78,826	(15,783)	63,043
	<u>₩ 835,094</u>	<u>₩ (68,075)</u>	<u>₩ 767,019</u>

<i>(in millions of Korean won)</i>	2008		
	Acquisition cost	Inventory valuation allowance	Carrying value
Merchandise	₩ 62,496	₩ (4,481)	₩ 58,015
Finished products	361,324	(31,344)	329,980
Work-in-process	87,739	(2,673)	85,066
Raw materials	352,083	(13,357)	338,726
Parts and supplies	95,379	(6,045)	89,334
	<u>₩ 959,021</u>	<u>₩ (57,900)</u>	<u>₩ 901,121</u>

Inventories in-transit are included in the above amount. In addition, see Note 11 for inventories insured against various property risks.

7. Long-Term Investment Securities

Long-term 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	₩ 20,237	₩ 12,079
Held-to-maturity securities	58,130	-
	<u>₩ 78,367</u>	<u>₩ 12,079</u>

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

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				
Marketable equity securities	₩	5,355	₩	6,317
Non-marketable equity securities ¹		14,882		5,762
	₩	<u>20,237</u>	₩	<u>12,079</u>

¹ The fair values of non-marketable equity securities could not be reliably estimated due to the lack of financial information of the investment securities. Accordingly, these equities were presented at their acquisition cost.

Held-to-maturity equity securities with maturities of 1- 5 years as of December 31, 2009, amount to ₩ 58,130 million (2008: nil).

The interest income from the held-to-maturity securities for the year ended December 31, 2009, is ₩ 584 million and is recorded as accrued income.

8. Equity Method Investments

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

<i>(in millions of Korean won)</i>	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							
LG Display Co., Ltd.	37.90	₩ 679,218	₩ 3,871,824	₩ 3,810,333	₩ 679,218	₩ 3,515,612	₩ 3,480,623
LG Innotek Co., Ltd. ³	50.56	252,102	442,394	442,937	59,825	243,929	250,191
Hankuk Electric Glass Co., Ltd.	20.00	119,282	67,322	67,322	119,282	84,006	84,006
LG Micron Ltd. ³	-	-	-	-	192,277	177,896	161,653
Hi Plaza Inc.	100.00	100,511	116,900	106,708	100,511	118,375	104,459
Hi Business Logistics	100.00	8,000	40,943	38,198	8,000	32,539	31,996
LG-Nortel Co., Ltd.	50.00	153,254	216,848	212,275	153,254	284,747	263,503
Korea Information Certificate Authority Inc. ⁹	9.27	1,852	2,497	2,499	1,852	2,242	2,242
LG Fund for Enterprises.	50.00	12,500	14,545	14,537	12,500	10,993	10,958
Innovation Investment Fund. ⁶	83.33	20,000	18,579	18,579	15,000	14,386	14,803
System Air-con Engineering Ltd. ²	100.00	1,854	1,972	1,854	1,854	1,854	1,854
Mobile Technology of Human Inc. ^{2,6}	21.01	2,000	715	2,000	-	-	-
ADP Engineering Co.,Ltd. ^{4,9}	5.82	5,549	1,869	4,037	-	-	-
		<u>1,356,122</u>	<u>4,796,408</u>	<u>4,721,279</u>	<u>1,343,573</u>	<u>4,486,579</u>	<u>4,406,288</u>

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

Overseas companies

LG Electronics Africa Logistic FZE(LGEAF)	100.00	759	12,276	12,187	759	16,550	16,378
LG Electronics Austria GmbH (LGEAG)	100.00	116	19,003	216	116	16,180	167
LG Electronics Almaty Kazakhstan (LGEAK) ¹	100.00	3,746	437	-	3,746	4,523	816
LG Electronics Australia Pty, Ltd. (LGEAP)	100.00	1,558	72,202	52,763	1,558	52,103	50,664
LG Electronics Argentina S.A. (LGEAR) ¹	100.00	844	7,565	-	844	-	-
LG Electronics Algeria SARL (LGEAS) ^{2,6}	70.00	406	406	406	-	-	-
Arcelik-LG Klima Sanayive Ticaret A.S. (LGEAT)	50.00	14,718	43,689	41,433	14,718	43,607	40,844
LG Electronics Colombia Ltda. (LGECEB)	100.00	27,577	53,708	28,583	27,577	47,371	25,215
LG Electronics (China) Co., Ltd. (LGECH)	100.00	75,002	142,684	77,010	75,002	-	-
LG Electronics Canada, Inc. (LGECL)	100.00	13,779	28,073	13,524	13,779	16,503	5,291
LG Electronics Inc. Chile Ltda. (LGECL)	100.00	29,574	36,505	23,581	29,574	24,426	12,992
LG Electronics Dubai FZE. (LGEDF) ^{2,6}	100.00	7,912	7,998	7,912	-	-	-
LG Electronics Egypt Cairo S.A.E. (LGECE) ⁵	-	-	-	-	4,382	9,066	7,720
LG Electronics Egypt S.A.E. (LGECE) ^{5,6}	100.00	10,341	21,554	18,294	4,773	12,054	11,417
LG Electronics European Holdings B.V. (LGECH)	100.00	83,324	299,664	178,721	83,324	244,587	148,552
LG Electronics Gulf FZE (LGECH) ¹	100.00	11,065	9,389	-	11,065	21,159	18,783
LG Electronics HK Limited (LGEHK)	100.00	9,398	1,769	1,093	9,398	-	-
LG Electronics (Hangzhou) Recording Media Co.,Ltd. (LGEHN)	70.00	8,676	11,200	10,976	8,676	13,450	12,901
LG Electronics Huizhou Inc. (LGEHZ)	80.00	1,277	36,584	46,096	1,277	34,122	41,984
LG Electronics India Pvt. Ltd. (LGEIL)	100.00	38,476	386,288	384,032	38,476	305,728	311,746
PT LG Electronics Indonesia (LGEIN)	100.00	79,946	128,609	112,988	79,946	111,810	94,124
LG Electronics Japan, Inc. (LGEJP)	100.00	12,978	20,109	19,438	12,978	11,255	10,529
LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS)	100.00	5,630	12,032	8,519	5,630	14,693	13,508
LG Electronics (Levant) Jordan (LGELE)	100.00	5,541	7,129	7,085	5,541	5,541	5,541
LG Electronics Latvia, LLC (LGELE)	100.00	4,936	4,231	3,987	4,936	1,685	1,655
LG Electronics Miawa Sp.Zo.o. (LGELE)	100.00	133,618	267,933	261,810	133,618	223,840	214,091
LG Electronics Morocco S.A.R.L. (LGELE)	100.00	3,352	13,811	8,115	3,352	15,582	13,090
LG Electronics Middle East Co., Ltd. (LGELE) ²	100.00	462	5,445	462	462	462	462
LG Electronics Mobilecomm France S.A.S. (LGELE)	100.00	5,621	9,625	9,625	5,621	8,782	8,782
LG Electronics Malaysia SDN.BHD (LGELE) ¹	100.00	7,869	-	-	7,869	1,564	615
LG Electronics Mexico S.A. de C.V. (LGELE)	100.00	103,808	100,263	94,230	103,808	75,754	68,720

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

LG Electronics Nanjing Display Co., Ltd. (LGEND)	70.00	9,367	38,030	39,160	9,367	37,966	38,744
LG Electronics (Nanjing) Plasma Co., Ltd. (LGENP) ⁷	-	-	-	-	13,241	17,374	13,950
LG Electronics Overseas Trading FZE (LGEOT) ⁶	100.00	93,669	501	22,538	311	-	-
LG Electronics Philippines, Inc. (LGEPH)	100.00	23,524	3,046	2,713	23,524	791	694
Nanjing LG Panda Appliance Co., Ltd.(LGEPN)	70.00	7,596	31,276	31,918	7,596	28,559	26,614
LG Electronics Peru S.A. (LGEPR)	100.00	18,805	28,252	26,751	18,805	24,946	25,043
LG Electronics Panama S.A. (LGEPS)	100.00	18,222	80,272	78,532	18,222	82,052	79,222
Qingdao LG Inspur Digital Communications Co., Ltd. (LGEQD)	70.00	11,670	30,559	21,748	11,670	27,082	22,142
LG Electronics Qinhuangdao Inc. (LGEQH)	100.00	3,284	5,522	5,518	3,284	7,923	9,467
LG Electronics RUS, LLC(LGERA) ⁶	100.00	120,038	135,978	126,927	76,393	-	-
LG Electronics Russia Inc. (LGERI)	95.02	391	12,566	12,481	391	13,045	12,803
LG Electronics RUS-Marketing, LLC (LGERM) ²	100.00	204	2,101	204	204	204	204
LG Electronics S.A. (Pty) Ltd. (LGESA) ¹	100.00	42,974	-	-	42,974	-	-
Shanghai LG Electronics Co., Ltd. (LGESH)	70.00	5,744	11,196	12,260	5,744	12,410	14,267
LG Electronics Singapore Pte Ltd. (LGESL)	100.00	7,027	12,206	11,675	7,027	8,482	7,925
LG Electronics de Sao Paulo Ltda. (LGESP)	100.00	112,491	316,293	348,142	112,491	246,645	270,631
LG-SHAKER Co., Ltd. (LGESR)	49.00	4,496	8,947	8,105	4,496	6,372	4,619
LG Electronics Shenyang Inc.(LGESY)	78.87	11,149	67,614	63,106	11,149	71,702	66,668
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	42,948	171,575	169,868	42,948	169,836	161,331
LG Electronics Thailand Co., Ltd. (LGETH)	100.00	19,337	85,119	82,466	19,337	61,312	55,578
LG Electronics Ticaret A.S. (LGETK)	100.00	33,372	15,568	15,010	33,372	9,510	9,418
Taizhou LG Electronics refrigeration Co., Ltd. (LGETR)	100.00	72,129	108,537	97,887	72,129	107,459	97,608
LG Electronics Taiwan Taipei Co., Ltd. (LGETT)	100.00	19,846	18,678	15,996	19,846	11,986	10,853
LG Electronics Ukraine Co., Ltd. (LGEUR)	100.00	1,041	5,591	4,275	1,041	1,041	1,041
LG Electronics U.S.A., Inc. (LGEUS)	100.00	148,109	1,121,449	1,019,779	148,109	1,029,876	955,542
LG Electronics Vietnam Co., Ltd. (LGEVN)	100.00	8,937	3,083	2,403	8,937	869	290
LG Electronics Venezuela S.A (LGEVZ) ^{2,6}	100.00	29	27	29	-	-	-
LG Electronics Wroclaw Sp.Zo.o. (LGEWR)	100.00	55,364	125,867	123,884	55,364	78,535	70,014
Inspur LG Digital Mobile Communications Co., LTD. (LGEYT)	70.00	18,772	50,869	49,748	18,772	50,216	48,624
LG Soft India PVT, Ltd. (LGSi)	100.00	5,084	23,776	23,776	5,084	20,105	20,105

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

EIC Properties PTE, Ltd.	38.20	9,636	7,728	7,728	9,636	7,881	7,881
LGE (China) R&D Center	100.00	8,201	7,353	7,353	8,201	8,367	8,367
LG Holdings (HK) Ltd.	49.00	115,234	110,641	51,813	72,787	135,708	86,940
Electromagnetica Goldstar S.R.L. ²	50.00	508	508	508	508	508	508
SKT Vietnam PTE., Ltd. ⁸	25.37	72,194	-	-	72,194	50,352	50,403
Triveni Digital Inc. ²	87.10	899	1,958	899	899	899	899
Hitachi-LG Data Storage Inc. (HLDS)	49.00	7,684	51,009	59,830	7,684	28,321	37,102
Hi Logistics China Company Limited	100.00	1,294	9,066	2,266	1,294	8,464	2,116
Global OLED Technology LLC. ⁶	49.00	72,483	71,518	72,486	-	-	-
		<u>1,906,061</u>	<u>4,534,460</u>	<u>4,042,868</u>	<u>1,657,836</u>	<u>3,699,195</u>	<u>3,354,200</u>
		<u>₩ 3,262,183</u>	<u>₩ 9,330,868</u>	<u>₩8,764,147</u>	<u>₩ 3,001,409</u>	<u>₩8,185,774</u>	<u>₩ 7,760,488</u>

- ¹ The equity method of accounting has been suspended due to the investee's accumulated losses.
- ² The Company's percentage of ownership exceeds 20%. However, the equity method was not applied as the investee's total assets are below ₩10 billion as of the prior year end, and the change in equity is not material to the Company's financial statements.
- ³ In 2009, LG Micron Ltd. merged with LG Innotek Co., Ltd. Thus, previous year's acquisition cost and asset value of LG Micron Ltd. were added to those of LG Innotek Co., Ltd.
- ⁴ In 2009, acquisition cost increased by ₩5,549 million due to its classification from long-term investment securities to equity method investment.
- ⁵ In 2009, LGEEC merged with LGEEG. Thus, previous year's acquisition cost and asset value of LGEEG were added to those of LGEEC.
- ⁶ Cost of acquisition increased by ₩268,467 million due to the effects of new business and additional shares acquisition.
- ⁷ In 2009, the entity was sold to LG Display Co., Ltd.
- ⁸ In 2009, the entire amount was recognized as impairment loss.
- ⁹ The Company's equity interest is less than 20%. However, the equity method was applied as the Company can exert significant influence through its seat in the investees' board of directors.

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

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

<i>(in millions of Korean won)</i>	January 1, 2009	Addition	Amortization	December 31, 2009
Domestic companies	₩ 148	₩ 2,477	₩ (453)	₩ 2,172
Overseas companies	53	-	(53)	-
	<u>₩ 201</u>	<u>₩ 2,477</u>	<u>₩ (506)</u>	<u>₩ 2,172</u>

In the above table, positive numbers represent goodwill while negative numbers represent negative goodwill.

For the year ended December 31, 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 investee were as follows:

<i>(in millions of Korean won)</i>	January 1, 2008	Addition	Amortization	December 31, 2008
Domestic companies	₩ (2,879)	₩ -	₩ 3,027	₩ 148
Overseas companies	1,007	-	(954)	53
	<u>₩ (1,872)</u>	<u>₩ -</u>	<u>₩ 2,073</u>	<u>₩ 201</u>

For the year ended December 31, 2009, the details of 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	Intangible assets	Total
Domestic companies	₩ 15,771	₩ 2,505	₩ 16,935	₩ 35,211
Overseas companies	(89,005)	3,015	-	(85,990)
	<u>₩ (73,234)</u>	<u>₩ 5,520</u>	<u>₩ 16,935</u>	<u>₩ (50,779)</u>

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

For the year ended December 31, 2008, the details of the elimination of unrealized gain or loss arising from intercompany transactions according to the equity method of accounting were as follows:

<i>(in millions of Korean won)</i>	Inventories	Property, plant and equipment	Intangible assets	Total
Domestic companies	₩ (21,803)	₩ 15,131	₩ 38,498	₩ 31,826
Overseas companies	(33,998)	(6,476)	-	(40,474)
	<u>₩ (55,801)</u>	<u>₩ 8,655</u>	<u>₩ 38,498</u>	<u>₩ (8,648)</u>

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

<i>(in millions of Korean won)</i>	January 1, 2009	Acquisition (Disposal)	Gain (loss) on valuation	Others	December 31, 2009
Domestic companies					
LG Display Co., Ltd.	₩ 3,480,623	₩ -	₩ 413,046	₩ (83,336)	₩ 3,810,333
LG Innotek Co., Ltd.	250,191	-	41,486	151,260	442,937
Hankuk Electric Glass Co., Ltd.	84,006	-	(20,753)	4,069	67,322
LG Micron Ltd.	161,653	-	-	(161,653)	-
Hi Plaza Inc.	104,459	-	2,416	(167)	106,708
Hi Business Logistics	31,996	-	7,411	(1,209)	38,198
LG-Nortel Co., Ltd.	263,503	-	35,585	(86,813)	212,275
Korea Information Certificate Authority Inc.	2,242	-	361	(104)	2,499
LG Fund for Enterprises	10,958	-	1,290	2,289	14,537
Innovation Investment Fund	14,803	5,000	(1,224)	-	18,579
System Air-con Engineering, Ltd.	1,854	-	-	-	1,854
Mobile Technology of Human Inc.	-	2,000	-	-	2,000
ADP Engineering Co., Ltd	-	-	(1,377)	5,414	4,037
	<u>4,406,288</u>	<u>7,000</u>	<u>478,241</u>	<u>(170,250)</u>	<u>4,721,279</u>
Overseas companies					
LG Electronics (China) Co., Ltd. (LGECH)	-	-	89,230	(12,220)	77,010
LG Electronics Huizhou Inc. (LGEHZ)	41,984	-	12,577	(8,465)	46,096
LG Electronics Nanjing Display Co., Ltd. (LGEND)	38,744	-	4,562	(4,146)	39,160
LG Electronics Shenyang Inc.(LGESY)	66,668	-	6,118	(9,680)	63,106
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	161,331	-	27,074	(18,537)	169,868
TaiZhou LG Electronics refrigeration Co., Ltd (LGETR)	97,608	-	10,061	(9,782)	97,887
LG Electronics India Pvt. Ltd. (LGEIL)	311,746	-	92,295	(20,009)	384,032
P.T. LG Electronics Indonesia (LGEIN)	94,124	-	28,651	(9,787)	112,988
LG Electronics Panama, S.A. (LGEPS)	79,222	-	5,330	(6,020)	78,532

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

LG Electronics U.S.A., Inc. (LGEUS)	955,541	-	152,225	(87,987)	1,019,779
LG Electronics European Holdings B.V. (LGEEH)	148,551	-	43,731	(13,561)	178,721
LG Electronics Mlawa Sp.Zo.o. (LGEMA)	214,091	-	56,909	(9,190)	261,810
LG Electronics Mexico S.A. de C.V. (LGEMS)	68,721	-	23,685	1,824	94,230
LG Electronics RUS, LLC. (LGERA)	-	43,645	86,817	(3,535)	126,927
LG Electronics de Sao Paulo Ltda. (LGESP)	270,631	-	7,919	69,592	348,142
LG Electronics Wroclaw Sp. Zo.o. (LGEWR)	70,014	-	55,441	(1,572)	123,883
Others	735,224	217,822	66,821	(199,170)	820,697
	<u>3,354,200</u>	<u>261,467</u>	<u>769,446</u>	<u>(342,245)</u>	<u>4,042,868</u>
	<u>₩ 7,760,488</u>	<u>₩ 268,467</u>	<u>₩ 1,247,687</u>	<u>₩ (512,495)</u>	<u>₩ 8,764,147</u>

Changes in investments in subsidiaries and associates accounted for using the equity method for the year ended December 31, 2008, were as follows:

<i>(in millions of Korean won)</i>	January 1, 2008	Acquisition (Disposal)	Gain (loss) on valuation	Others	December 31, 2008
Domestic companies					
LG Display Co., Ltd.	₩ 3,072,004	₩ -	₩ 446,046	₩ (37,427)	₩ 3,480,623
LG Innotek Co., Ltd.	189,515	-	33,701	26,975	250,191
Hankuk Electric Glass Co., Ltd.	82,608	-	6,913	(5,515)	84,006
LG Micron Co., Ltd.	99,078	119,092	(23,379)	(33,138)	161,653
Hi Plaza Inc.	109,100	-	(4,641)	-	104,459
Hi Business Logistics	21,800	-	7,366	2,830	31,996
LG-Nortel Co., Ltd.	231,934	-	75,061	(43,492)	263,503
Korea Information Certificate Authority Inc.	1,940	-	310	(8)	2,242
LG Fund for Enterprises	8,858	2,500	(400)	-	10,958
Innovation Investment Fund	9,858	5,000	(55)	-	14,803
System Air-con Engineering, Ltd.	1,854	-	-	-	1,854
	<u>3,828,549</u>	<u>126,592</u>	<u>540,922</u>	<u>(89,775)</u>	<u>4,406,288</u>
Overseas companies					
LG Electronics (China) Co., Ltd. (LGECH)	2,898	-	(47,038)	44,140	-
LG Electronics Huizhou Inc.(LGEHZ)	29,204	-	6,823	5,957	41,984
LG Electronics Nanjing Display Co., Ltd. (LGEND)	23,928	-	6,712	8,104	38,744
LG Electronics Shenyang Inc.(LGESY)	33,228	-	15,897	17,543	66,668
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	114,618	-	(2,514)	49,227	161,331
TaiZhou LG Electronics refrigeration Co., Ltd (LGETR)	54,370	-	10,894	32,344	97,608
LG Electronics India Pvt. Ltd. (LGEIL)	247,944	-	35,469	28,333	311,746

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

P.T. LG Electronics Indonesia (LGEIN)	63,985	-	(4,982)	35,121	94,124
LG Electronics Panama, S.A. (LGEPS)	44,334	-	14,254	20,634	79,222
LG Electronics U.S.A., Inc. (LGEUS)	588,990	-	136,516	230,035	955,541
LG Electronics European Holdings B.V. (LGEEH)	95,049	-	(4,556)	58,058	148,551
LG Electronics Miawa Sp.Zo.o. (LGEMA)	130,831	-	70,690	12,570	214,091
LG Electronics Mexico S.A. de C.V. (LGEMS)	107,236	16,932	(71,606)	16,159	68,721
LG Electronics RUS, LLC. (LGERA)	41,809	-	(55,956)	14,147	-
LG Electronics de Sao Paulo Ltda.(LGESP)	299,314	-	(33,118)	4,435	270,631
LG Electronics Wroclaw Sp. Zo.o (LGEWR)	60,986	-	(196,949)	205,977	70,014
Others	540,355	38,055	169,328	(12,514)	735,224
	<u>2,479,079</u>	<u>54,987</u>	<u>49,864</u>	<u>770,270</u>	<u>3,354,200</u>
	<u>₩ 6,307,628</u>	<u>₩ 181,579</u>	<u>₩ 590,786</u>	<u>₩ 680,495</u>	<u>₩ 7,760,488</u>

As of December 31, 2009, the market values of marketable equity method investments are as follows:

	Number of shares owned	Market price per share (in won)	Market value (in millions)	Book value (in millions)
LG Display Co., Ltd.	135,625,000	₩ 39,250	₩ 5,323,281	₩ 3,810,333
LG Innotek Co., Ltd.	8,661,642	99,100	858,369	442,937
Hankuk Electric Glass Co., Ltd.	1,614,675	27,700	44,726	67,322
ADP Engineering Co., Ltd.	1,350,000	5,680	7,668	4,037

As of December 31, 2008, the market values of marketable equity method investments were as follows:

	Number of shares owned	Market price per share (in won)	Market value (in millions)	Book value (in millions)
LG Display Co., Ltd.	135,625,000	₩ 21,000	₩ 2,848,125	₩ 3,480,623
LG Micron Ltd.	5,606,026	18,900	105,954	161,653
LG Innotek Co., Ltd.	6,017,400	37,500	225,653	250,191
Hankuk Electric Glass Co., Ltd.	1,614,675	22,800	36,815	84,006

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

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

<i>(in millions of Korean won)</i>	Total assets	Total liabilities	Sales	Net income (loss)
LG Innotek Co., Ltd.	₩ 2,804,839	₩ 1,929,851	₩ 2,971,240	₩ 56,768
Hankuk Electric Glass Co., Ltd.	358,127	21,514	128,889	(102,980)
LG Display Co., Ltd.	19,538,190	9,322,297	20,613,571	1,062,474
Hi Plaza Inc.	280,581	163,680	901,506	173
LG-Nortel Co., Ltd.	768,533	334,836	742,237	42,948
LG Electronics Huizhou Inc.(LGEHZ)	467,798	386,500	1,959,829	24,296
LG Electronics Nanjing Display Co., Ltd. (LGEND)	503,645	419,134	1,534,499	9,560
LG Electronics Shenyang Inc.(LGESY)	234,649	114,635	440,559	12,588
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	689,381	444,274	1,570,359	28,582
TaiZhou LG Electronics Refrigeration Co., Ltd.(LGETR)	286,247	164,295	671,616	12,491
LG Electronics India Pvt. Ltd. (LGEIL)	776,926	384,238	2,805,856	99,347
P.T. LG Electronics Indonesia (LGEIN)	401,215	272,606	2,060,386	25,806
LG Electronics Panama, S.A. (LGEPS)	468,586	388,313	800,891	4,402
LG Electronics U.S.A., Inc. (LGEUS)	3,359,413	2,101,588	16,333,766	187,571
LG Electronics European Holdings (LGEEH)	4,692,005	4,157,353	11,899,999	78,456
LG Electronics Mlawa Sp.Zo.o. (LGEMA)	653,818	385,885	2,272,869	52,178
LG Electronics Mexico S.A. de C.V. (LGEMS)	779,009	631,871	1,833,096	22,935
LG Electronics de Sao Paulo Ltda. (LGESP)	1,488,040	1,030,590	3,007,141	(18,380)
Others	7,482,010	5,658,524	22,714,664	381,247
	<u>₩ 46,033,012</u>	<u>₩ 28,311,984</u>	<u>₩ 95,262,973</u>	<u>₩ 1,980,462</u>

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

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

<i>(in millions of Korean won)</i>	Total assets	Total liabilities	Sales	Net income (loss)
LG Micron Ltd.	₩ 1,095,582	₩ 748,226	₩ 833,073	₩ (45,762)
LG Innotek Co., Ltd.	1,083,552	596,169	1,921,580	51,742
Hankuk Electric Glass Co., Ltd.	451,238	31,995	136,221	16,770
LG Display Co., Ltd.	17,388,366	8,099,743	16,263,635	1,086,778
Hi Plaza Inc.	251,403	116,345	784,296	(1,450)
LG-Nortel Co., Ltd.	1,116,095	550,194	1,111,719	152,426
LG Electronics Huizhou Inc. (LGEHZ)	298,751	222,924	1,827,049	13,123
LG Electronics Nanjing Display Co., Ltd. (LGEND)	417,767	333,399	1,487,206	20,046
LG Electronics Shenyang Inc. (LGESY)	280,540	155,061	541,786	29,226
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	909,941	667,318	1,965,483	2,564
TaiZhou LG Electronics Refrigeration Co., Ltd. (LGETR)	326,311	205,571	743,271	6,717
LG Electronics India Pvt. Ltd. (LGEIL)	754,494	442,365	2,236,741	32,859
P.T. LG Electronics Indonesia (LGEIN)	509,960	398,150	1,892,838	(5,830)
LG Electronics Panama, S.A. (LGEPS)	334,102	252,063	858,744	18,943
LG Electronics U.S.A., Inc. (LGEUS)	3,668,685	2,522,037	15,448,321	163,844
LG Electronics European Holdings B.V. (LGEEH)	4,028,399	3,548,805	9,749,894	25,000
LG Electronics Mlawa Sp.Zo.o. (LGEMA)	754,983	531,142	1,987,890	77,276
LG Electronics Mexico S.A.de C.V. (LGEMS)	730,548	638,491	1,629,614	(69,675)
LG Electronics de Sao Paulo Ltda. (LGESP)	1,366,595	978,850	2,785,613	6,085
Others	7,763,948	6,219,716	20,818,626	(177,806)
	<u>₩ 43,531,260</u>	<u>₩ 27,258,564</u>	<u>₩ 85,023,600</u>	<u>₩ 1,402,876</u>

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

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

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

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

<i>(in millions of Korean won)</i>	<u>January 1, 2009</u>		<u>December 31, 2009</u>	
	Accumulated losses	Increase (Decrease)	Accumulated losses	Accumulated capital adjustment¹
LG Electronics Almaty Kazak Co., Ltd.(LGEAK)	₩ -	₩ 1,649	₩ 1,649	₩ -
LG Electronics Argentina S.A.(LGEAR)	143	7	150	-
LG Electronics (China) Co., Ltd. (LGECH)	9,640	(9,640)	-	-
LG Electronics Gulf FZE(LGEGF)	-	2,362	2,362	-
LG Electronics HK Limited.(LGEHK)	1,241	(1,241)	-	-
LG Electronics Malaysia SDN.BHD(LGEML)	-	10,685	10,685	-
LG Electronics Overseas Trading FZE (LGEOT) ²	47,484	(47,484)	-	-
LG Electronics RUS, LLC(LGERA)	14,070	(14,070)	-	-
LG Electronics S.A. (Pty) Ltd.(LGESA)	2,921	4,894	7,815	(3,971)
Equity method investees of LGEWA ³	328,704	-	328,704	(50,622)
	<u>₩ 404,203</u>	<u>₩ (52,838)</u>	<u>₩ 351,365</u>	<u>₩ (54,593)</u>

¹ Negative numbers represent negative capital adjustment from the application of the equity method of accounting.

² Due to acquisition of additional shares, the accumulated losses are recognized as a decrease in retained earnings.

³ The amounts include the accumulated losses on LG.Philips Display Holding B.V. from the application of the equity method of accounting.

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

For the year ended December 31, 2008, the following adjustments were made on the equity method investees to reconcile the differences in accounting policies between the Company and equity method investees:

<i>(in millions of Korean won)</i>	January 1, 2008		December 31, 2008	
	Accumulated losses	Increase (Decrease)	Accumulated losses	Accumulated capital adjustment
LG Electronics Argentina S.A. (LGEAR)	₩ -	₩ 143	₩ 143	₩ -
LG Electronics (China) Co., Ltd. (LGECH)	-	9,640	9,640	-
LG Electronics HK Limited. (LGEHK)	1,649	(408)	1,241	(24)
LG Electronics Mobilecomm U.S.A., Inc. (LGEU)	1,526	(1,526)	-	-
LG Electronics Overseas Trading FZE (LGEOT)	28,074	19,411	47,484	(10,334)
LG Electronics RUS, LLC. (LGERA)	-	14,070	14,070	-
LG Electronics S.A. (Pty) Ltd. (LGESA)	-	2,921	2,921	(1,490)
Equity method investees of LGEWA ¹	328,704	-	328,704	(50,622)
	₩ 359,953	₩ 44,251	₩ 404,203	₩ (62,470)

¹ The amounts include the accumulated losses on LG.Philips Display Holding B.V. from the application of the equity method of accounting.

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

9. Property, Plant and Equipment

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

<i>(in millions of Korean won)</i>	2009					
	Land	Buildings	Structures	Machinery and equipment	Tools	Furniture and fixtures
Balance as of January 1, 2009	₩ 615,354	₩ 1,697,041	₩ 97,717	₩ 575,046	₩ 250,853	₩ 92,966
Acquisition and capital expenditure	30,642	82,716	1,337	47,254	136,895	22,053
Transfer-in(out)	35,831	255,307	2,964	41,416	30,996	5,058
Disposals	(39,048)	(9,082)	(587)	(30,956)	(9,037)	(1,755)
Impairment	-	-	(30)	(31)	(8)	(23)
Depreciation	-	(69,591)	(7,477)	(228,648)	(174,069)	₩ (43,506)
Balance as of December 31, 2009	₩ 642,779	₩ 1,956,391	₩ 93,924	₩ 404,081	₩ 235,630	₩ 74,793
Acquisition cost	₩ 642,779	₩ 2,343,085	₩ 154,879	₩ 1,790,790	₩ 1,255,891	₩ 373,148
Accumulated depreciation	₩ -	₩ 386,694	₩ 60,925	₩ 1,386,703	₩ 1,020,253	₩ 298,334
Accumulated impairment loss	₩ -	₩ -	₩ 30	₩ 6	₩ 8	₩ 21

	Vehicles	Leasehold improvements ¹	Standing timber	Construction-in-progress	Machinery-in-transit	Total
Balance as of January 1, 2009	₩ 50,987	₩ -	₩ 4,740	₩ 324,879	₩ 1,121	₩ 3,710,704
Acquisition and capital expenditure	375	3,508	-	180,144	104,477	609,401
Transfer-in(out)	614	-	-	(302,354)	(101,973)	(32,141)
Disposals	(144)	(117)	-	(20,849)	-	(111,575)
Impairment	-	-	-	-	-	(92)
Depreciation	(6,637)	(2,026)	-	-	-	(531,954)
Balance as of December 31, 2009	₩ 45,195	₩ 1,365	₩ 4,740	₩ 181,820	₩ 3,625	₩ 3,644,343
Acquisition cost	₩ 67,634	₩ 3,188	₩ 4,740	₩ 181,820	₩ 3,625	₩ 6,821,579
Accumulated depreciation	₩ 22,439	₩ 1,823	₩ -	₩ -	₩ -	₩ 3,177,171
Accumulated impairment loss	₩ -	₩ -	₩ -	₩ -	₩ -	₩ .65

¹ 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 ₩3,188 million (Note 15).

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

Changes in property, plant and equipment for the year ended December 31, 2008, were as follows:

(in millions of Korean won)	2008					
	Land	Buildings	Structures	Machinery and equipment	Tools	Furniture and fixtures
Balance as of January 1, 2008	₩ 673,056	₩ 1,667,203	₩ 114,530	₩ 784,326	₩ 293,806	₩ 113,370
Acquisition and capital expenditure	1,413	28,046	4,881	195,479	138,639	33,414
Transfer-in(out)	12,404	126,474	15	1,842	661	2,579
Disposals	(54,616)	(46,612)	(11,814)	(69,778)	(5,583)	(2,956)
Impairment ¹	(16,903)	(24,324)	(2,086)	(45,528)	(1,002)	(377)
Depreciation	-	(53,746)	(7,809)	(291,295)	(175,668)	₩ (53,064)
Balance as of December 31, 2008	₩ 615,354	₩ 1,697,041	₩ 97,717	₩ 575,046	₩ 250,853	₩ 92,966
Acquisition cost	₩ 615,354	₩ 2,030,189	₩ 152,932	₩ 2,018,136	₩ 1,172,765	₩ 504,030
Accumulated depreciation	₩ -	₩ 333,060	₩ 54,927	₩ 1,413,200	₩ 921,381	₩ 410,809
Accumulated impairment loss	₩ -	₩ 88	₩ 288	₩ 29,890	₩ 531	₩ 255

	Standing		Construction-		Machinery-		Total
	Vehicles	timber	in-progress	in-transit			
Balance as of January 1, 2008	₩ 13,866	₩ 4,762	₩ 372,061	₩ 75	₩ 4,037,055		
Acquisition and capital expenditure	115,576	-	217,903	24,106	759,457		
Transfer-in(out)	25	-	(249,601)	(23,060)	(128,661)		
Disposals	(71,197)	(22)	(15,484)	-	(278,062)		
Impairment ¹	(72)	-	-	-	(90,292)		
Depreciation	(7,211)	-	-	-	(588,793)		
Balance as of December 31, 2008	₩ 50,987	₩ 4,740	₩ 324,879	₩ 1,121	₩ 3,710,704		
Acquisition cost	₩ 69,277	₩ 4,740	₩ 324,879	₩ 1,121	₩ 6,893,423		
Accumulated depreciation	₩ 18,237	₩ -	₩ -	₩ -	₩ 3,151,614		
Accumulated impairment loss	₩ 53	₩ -	₩ -	₩ -	₩ 31,105		

¹ The difference between the expected disposal price and the book value of the land amounting to ₩16,903 million, is included as impairment loss. Impairment loss for other property, plant and equipment amounts to ₩73,389 million.

As of December 31, 2009, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, was ₩1,009,257 million (2008: ₩1,130,588 million).

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

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

10. Intangible Assets

Changes in intangible assets for the year ended December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	2009				
	Goodwill	Industrial property rights	Development costs	Other intangible assets	Total
Balance as of January 1, 2009	₩ 34,097	₩ 200,819	₩ 167,284	₩ 68,410	₩ 470,610
Additions	-	63,425	37,795	39,122	140,342
Disposals	-	(24,947)	(10)	(29)	(24,986)
Amortization	(21,441)	(35,705)	(55,401)	(25,169)	(137,716)
Impairment	-	-	-	-	-
Balance as of December 31, 2009	₩ 12,656	₩ 203,592	₩ 149,668	₩ 82,334	₩ 448,250
Acquisition cost	₩ 214,649	₩ 356,975	₩ 541,350	₩ 253,965	₩ 1,366,939
Accumulated amortization	₩ 201,993	₩ 153,383	₩ 389,622	₩ 171,631	₩ 916,629
Accumulated impairment loss	₩ -	₩ -	₩ 2,060	₩ -	₩ 2,060

Changes in intangible assets for the year ended December 31, 2008, were as follows:

<i>(in millions of Korean won)</i>	2008				
	Goodwill	Industrial property rights	Development costs	Other intangible assets	Total
Balance as of January 1, 2008	₩ 52,129	₩ 191,774	₩ 83,530	₩ 71,048	₩ 398,481
Additions	3,715	46,332	129,761	23,499	203,307
Disposals	(17)	(5,644)	(1,304)	(107)	(7,072)
Amortization	(21,730)	(31,643)	(44,703)	(26,030)	(124,106)
Impairment	-	-	-	-	-
Balance as of December 31, 2008	₩ 34,097	₩ 200,819	₩ 167,284	₩ 68,410	₩ 470,610
Acquisition cost	₩ 214,649	₩ 335,989	₩ 540,289	₩ 219,441	₩ 1,310,368
Accumulated amortization	₩ 180,552	₩ 135,170	₩ 370,945	₩ 151,031	₩ 837,698
Accumulated impairment loss	₩ -	₩ -	₩ 2,060	₩ -	₩ 2,060

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

Amortization of intangible assets presented under manufacturing costs and selling and administrative expenses for the years ended December 31, 2009 and 2008, consist of:

<i>(in millions of Korean won)</i>	2009	2008
Manufacturing costs	₩ 26,806	₩ 22,725
Selling and administrative expenses	110,910	101,381
	<u>₩ 137,716</u>	<u>₩ 124,106</u>

Research and development costs incurred for the year ended December 31, 2009, amounted to ₩1,887,686 million (2008: ₩1,752,801 million), all of which were charged to current operations as ordinary development costs and research costs.

11. Insured Assets

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

<i>(in millions of Korean won)</i>	Insured assets	Amount
Package insurance ¹	Inventories, fixed assets, leased assets and others	₩ 13,332,786
Aviation insurance	Helicopters, airplane and others	91,290
Short-term export insurance	Total export trade receivables	10,265,199
Transportation insurance	Inventories, fixed assets and others in-transit	31,444,067
		<u>₩ 55,133,342</u>

¹ Package insurance covers the Company against fire and other casualty losses for up to ₩8,393,373 million and business interruption losses of up to ₩4,939,413 million (Note 6).

12. 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
Foreign currency borrowings	-	₩ -	₩ 125,750
Foreign currency borrowings	3M Libor + 1.125	126,282	139,389
Foreign currency borrowings	3M Libor + 1.26	60,964	37,166
		<u>₩ 187,246</u>	<u>₩ 302,305</u>

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

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

<i>(in millions of Korean won)</i>	2009		2008	
Debentures	₩	700,560	₩	150,000
Discount on debentures		(508)		(372)
		<u>700,052</u>		<u>149,628</u>
Long-term debts		-		125,750
	₩	<u>700,052</u>	₩	<u>275,378</u>

13. Debentures, Convertible Bonds and Long-Term Debts

Debentures 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					
Public, non-guaranteed bonds	4.30 - 5.99	₩	760,000	₩	340,000
Fixed rate notes of US \$ 600 million (2008: US \$600 million)	5.0		700,560		754,500
Floating rate notes of US \$ 500 million (2008: US \$500 million)	3M Libor + 0.65		583,800		628,750
			<u>2,044,360</u>		<u>1,723,250</u>
Less: Current maturities			(700,560)		(150,000)
Discount on debentures			(3,707)		(4,815)
		₩	<u>1,340,093</u>	₩	<u>1,568,435</u>

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

Long-term debts 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
Foreign currency loans¹			
Kookmin Bank	-	₩ -	₩ 125,750
The Korea Development Bank	3M Libor + 0.4	233,520	251,500
Local currency loans			
The Korea Development Bank	3M CD + 0.88-5.81	380,000	190,000
		613,520	567,250
Less: Current maturities		-	(125,750)
		<u>₩ 613,520</u>	<u>₩ 441,500</u>

¹ Total face value is US \$200 million (2008: US \$300 million).

The maturities of debentures and long-term debts outstanding as of December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>			
Year ending December 31,	Debentures	Long-term debts	Total
2011	₩ 380,000	₩ 190,000	₩ 570,000
2012	963,800	423,520	1,387,320
	<u>₩ 1,343,800</u>	<u>₩ 613,520</u>	<u>₩ 1,957,320</u>

14. 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	₩ 678,026	₩ 678,005
Severance payments	(212,986)	(152,514)
Transfer-out from associates, net	(8,689)	(14,180)
Provisions	153,688	166,715
	610,039	678,026
Less : Severance insurance deposits	(60)	(443,779)
Severance pension deposits	(423,819)	-
Deposits to the National Pension Fund	(3,439)	(5,263)
	<u>₩ 182,721</u>	<u>₩ 228,984</u>

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

As of December 31, 2009, the Company has a contract with eight banks and insurance and securities companies regarding defined benefit pension plan. Severance pension deposits as of December 31, 2009, that are invested as short-term financial investments amount to ₩ 423,819 million.

15. Provisions for other liabilities and charges

Changes in provisions for other liabilities and charges during this 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	₩ 220,884	₩ 321,441	₩ (346,472)	₩ 195,853
Provisions for sales returns ²	-	2,180	(1,143)	1,037
Provisions for restoration ³	-	3,508	(320)	3,188
Provisions for contingencies ⁴	-	322,324	-	322,324

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 net increase of sales return as provisions for sales returns at year end.

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 9).

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.

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

16. Commitments and Contingencies

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

As of December 31, 2009, the Company entered into several technical assistance agreements with certain companies such as Qualcomm and Panasonic (formerly Matsushita) for the manufacture of certain product lines.

As of December 31, 2009, the Company has bank overdraft facility agreements with various banks amounting to ₩240,500 million.

As of December 31, 2009, the 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

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

Company has corporate electronic settlement services contracts for collection of accounts receivable with two banks of up to ₩110,000 million.

As of December 31, 2009, the Company has corporate electronic settlement services contracts for payment of trade accounts payable with various banks of up to ₩965,450 million.

As of December 31, 2009 and 2008, the Company is contingently liable for guarantees of US\$ 2,620 million (equivalent to ₩3,059,314 million) and US\$ 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), (LGETR)	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>

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 US\$162 million and ₩2,845 million, as of December 31, 2009. For 12 intellectual property cases and 12 compensation damages cases, the amounts claimed are not yet determined.

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

LG Electronics Inc.

Notes to the Non-Consolidated Financial Statements

December 31, 2009 and 2008

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 Company has 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.

LG Display Co., Ltd. is currently under investigation by the fair trade or antitrust authorities in Korea, Japan, the EU and other markets with respect to possible anti-competitive activities in the LCD industry. In addition, LG Display Co., Ltd., along with a number of other companies in the LCD industry, have been named as defendants in a number of federal class action suits in the United States and Canada alleging that the defendants violated the antitrust laws in connection with the sale of LCD panels. These class actions are consolidated in United States District Court, Northern District of California.

In February 2007, LG Display Co., Ltd. and certain officers and directors of the company have been named as defendants in a federal class action suit in the United States District Court, Southern District of New York by the shareholders of the company alleging violations of the U.S. Securities Exchange Act of 1934, in connection with possible anti-competitive activities in the LCD industry.

As of December 31, 2009, the Company is a plaintiff in various legal actions arising from the normal course of business. The 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. As of the report date, the outcome of these cases cannot be reasonably determined.

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

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

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,	Amount	
2010	₩	14,095
2011		13,950
Thereafter		36,983
Total lease payments	₩	65,028

In certain cases, the generally accepted accounting principles in Korea require the use of assumptions and measurements of specific assets, liabilities, incomes 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.

17. Derivative Transactions

In order to reduce the impact of changes in interest rates and exchange rates, the Company has entered into cross interest rate swap and currency swap contracts. An unrealized valuation gain of ₩ 24,653 million and an unrealized valuation loss of ₩ 12,143 million were recorded for the year ended December 31, 2009.

A summary of the terms of the outstanding cross currency swap and interest rate swap contracts as of December 31, 2009, follows:

<i>(in millions)</i>	Notional amount		Annual interest rate (%)		Maturity
	Buy	Sell	Buy	Sell	
US\$/€ Swap	US\$300	€ 247	5.00	3.70	June 17, 2010

<i>(in millions)</i>	Notional amount		Annual interest rate (%)		Maturity
			Buy	Sell	
Interest Rate Swap	US\$	500	3M Libor + 65bp	5.62	May 15, 2012
Interest Rate Swap	₩	190,000	3M CD	5.60	October 6, 2011

As a result of the above derivative contracts, a realized gain of ₩ 40,121 million and a realized loss of ₩ 78,659 million were recorded as non-operating income and expense, respectively, on transactions of derivatives for the year ended December 31, 2009.

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

18. Income Taxes

Income tax expense consists of:

<i>(in millions of Korean won)</i>	2009		2008	
Current income taxes	₩	250,833	₩	150,667
Deferred income taxes from temporary differences		109,475		(73,508)
Deferred income taxes from tax credit		66,311		73,116
Deferred income taxes directly charged to the shareholders' equity		37,165		(118,037)
Income tax expense	₩	<u>463,784</u>	₩	<u>32,238</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	₩	195	₩	838
Loss on valuation of available-for-sale securities		-		(212)
Gain on valuation of equity-method investments		28,346		(140,087)
Loss on valuation of equity-method investments		450		(10,285)
Capital surplus		8,174		31,709
	₩	<u>37,165</u>	₩	<u>(118,037)</u>

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	₩ 609,022	24.2%	₩ 141,632	24.5%
Non-deductible expense of ₩ 33,575 million	(8,125)	(-)0.3%	-	-
Non-deductible expense of ₩ 28,519 million	6,902	0.3%	7,070	1.4%
Unused tax credit and tax deduction and exemption	(135,638)	(-)5.4%	(66,701)	(-)12.8%
Effect of change in tax rate	(29,800)	(-)1.2%	(77,735)	(-)15.1%
Changes in amount of unrealizable deferred tax assets	13,711	0.5%	26,005	5.0%
Others	7,712	0.3%	1,337	0.3%
Income tax expense	<u>₩ 463,784</u>	<u>18.4%</u>	<u>₩ 32,238</u>	<u>6.3%</u>

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

The income tax effects of temporary differences, and related deferred tax assets and liabilities as of December 31, 2009 and 2008, are as follows:

2009 <i>(in millions of Korean won)</i>	Temporary differences			Deferred tax assets(liabilities)	
	Beginning	Increase (decrease)	Ending	Beginning	Ending
Depreciation	₩ (16,083)	₩ 89,025	₩ 72,942	₩ (3,538)	₩ 16,056
Product warranty	220,884	(25,031)	195,853	53,454	47,396
Equity method investments	(2,487,599)	(1,090,083)	(3,577,682)	(528,492)	(691,634)
Accrued expenses	903,973	213,392	1,117,365	218,761	270,402
Others	813,016	80,032	893,048	202,095	153,420
	<u>₩ (565,809)</u>	<u>₩ (732,665)</u>	<u>₩ (1,298,474)</u>	<u>(57,720)</u>	<u>(204,360)</u>
Deferred income tax liabilities directly charged to shareholders' equity				(339,421)	(302,255)
Tax credit carryforwards				66,311	-
Deferred income tax liabilities, net				<u>₩ (330,830)</u>	<u>₩ (506,615)</u>

2008 <i>(in millions of Korean won)</i>	Temporary differences			Deferred tax assets(liabilities)	
	Beginning	Increase (decrease)	Ending	Beginning	Ending
Depreciation	₩ (145,860)	₩ 129,777	₩ (16,083)	₩ (40,111)	₩ (3,538)
Allowance for doubtful accounts	16,248	(14,897)	1,351	4,618	327
Product warranty	165,031	55,853	220,884	45,384	53,454
Equity method investments	(2,271,612)	(215,987)	(2,487,599)	(565,593)	(528,492)
Accrued expenses	730,602	173,371	903,973	200,916	218,761
Others	392,884	418,781	811,665	105,521	201,768
	<u>₩ (1,112,707)</u>	<u>₩ 546,898</u>	<u>₩ (565,809)</u>	<u>(249,265)</u>	<u>(57,720)</u>
Deferred income tax liabilities directly charged to shareholders' equity				(221,384)	(339,421)
Tax credit carryforwards				139,427	66,311
Deferred income tax liabilities, net				<u>₩ (331,222)</u>	<u>₩ (330,830)</u>

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

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	₩ 380,518	₩ -	₩ 290,323	₩ -
Non-current	-	(887,133)	-	(621,153)

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. 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, deferred tax liabilities were lower by ₩99,479 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. However, the Company did not recognize deferred tax assets from future deductible temporary differences incurred from equity method valuation if 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 ₩157,623 million resulting from equity-method investments.

19. 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)	Amount (in millions)
Common stock	₩ 5,000	144,647,814	₩ 723,239	₩ 723,239
Preferred stock ¹	5,000	17,185,992	85,930	85,930
		<u>161,833,806</u>	<u>₩ 809,169</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 over 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.

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

20. Capital Surplus

As a result of spin-off on April 1, 2002, ₩1,876,153 million was recorded as capital surplus representing the difference between net assets of ₩2,815,707 million and capital adjustments transferred from LG Electronics Investment Ltd. In addition, for the years ended December 31, 2006 and 2005, ₩331,766 million was recorded as capital surplus due to capital increase (merger with LG IBM PC) and conversion of convertible bonds.

Other capital surplus for the years ended 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 surplus under equity method, net of tax	357,223	344,593
Capital transaction with subsidiaries, net of tax	91,428	87,325
	<u>₩ 460,725</u>	<u>₩ 443,992</u>

21. Capital Adjustment

The 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.

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

22. Retained Earnings

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

<i>(in millions of Korean won)</i>	2009	2008
Statutory reserve		
Legal reserve ¹	₩ 110,549	₩ 104,826
Discretionary reserve		
Reserve for improvement of financial structure ²	27,772	27,772
Reserve for research and manpower development ³	3,921,571	3,252,504
	<u>3,949,343</u>	<u>3,280,276</u>
Unappropriated retained earnings	<u>2,005,450</u>	<u>732,121</u>
Retained earnings	<u>₩ 6,065,342</u>	<u>₩ 4,117,223</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock through an appropriate resolution by the Company's Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

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

³ The Company appropriates a certain portion of its retained earnings as a reserve for research and human resource development. This is a discretionary reserve and may be distributed as dividends.

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

23. Stock Options

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

	Number of shares under SARs
Balance, January 1, 2009 ¹	307,500
Options canceled	-
Options exercised	<u>(2,000)</u>
Balance, December 31, 2009	<u>305,500</u>

¹ Since the increase in the price of the Company's share was less than the market index increase over the three-year period following the grant date, the exercisable rights decreased to 361,000 shares, 50% of the initially granted 722,000 shares, net of cancelled options, among which 53,500 shares were exercised.

Changes in compensation cost recognized in relation to the stock options during the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009		2008	
Total issued shares	₩	1,900	₩	11,256
Provisions during the year		11,772		(6,082)
Actual payments		<u>(113)</u>		<u>(3,274)</u>
Ending balance	₩	<u>13,559</u>	₩	<u>1,900</u>

24. Sales

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

<i>(in millions of Korean won)</i>	2009		2008	
Export sales	₩	24,355,653	₩	21,514,332
Domestic sales		<u>8,515,322</u>		<u>7,731,345</u>
		32,870,975		29,245,677
Sales deduction		<u>(2,357,539)</u>		<u>(1,607,162)</u>
Net sales	₩	<u>30,513,436</u>	₩	<u>27,638,515</u>

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

25. Cost of Sales

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

<i>(in millions of Korean won)</i>	2009		2008	
Beginning balance of inventories	₩	412,235	₩	436,493
Cost of goods manufactured or merchandise purchased ¹		23,474,839		21,044,625
Transfer from other accounts		54,693		48,550
Total		23,941,767		21,529,668
Transfer to other accounts		(155,471)		(295,246)
Ending balance of inventories		(368,009)		(412,235)
Cost of sales	₩	23,418,287	₩	20,822,187

¹ Cost of goods manufactured or merchandise purchased includes loss on valuation of inventories (Note 6).

26. 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>	2009		2008	
Salaries	₩	811,687	₩	829,311
Severance benefits		71,287		75,346
Employee benefits		139,040		132,049
Freight expenses		632,861		727,276
Rental expenses		95,761		108,132
Commission expenses		977,852		784,972
Depreciation		120,001		132,396
Amortization		110,910		101,381
Taxes and dues		18,441		12,455
Advertising expenses		913,837		1,120,933
Promotional expenses		364,510		350,173
Research and development costs		442,078		361,830
Product warranty expenses		489,428		519,805
Others		292,635		333,379
	₩	5,480,328	₩	5,589,438

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

27. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2009 and 2008, consist of:

<i>(in millions of Korean won)</i>	2009			2008		
	Selling and administrative expenses	Manufacturing costs	Total	Selling and administrative expenses	Manufacturing costs	Total
Salaries	₩ 811,687	₩ 820,609	₩ 1,632,296	₩ 829,311	₩ 910,918	₩ 1,740,229
Severance benefits	71,287	82,401	153,688	76,721	89,994	166,715
Welfare expenses	139,040	153,188	292,228	132,049	163,108	295,157
Rental charges	95,761	16,184	111,945	108,132	22,158	130,290
Depreciation and Amortization	120,001	373,102	493,103	132,396	426,291	558,687
Taxes and dues	18,441	8,543	26,984	12,455	8,553	21,008
	<u>₩ 1,256,217</u>	<u>₩ 1,454,027</u>	<u>₩ 2,710,244</u>	<u>₩ 1,291,064</u>	<u>₩ 1,621,022</u>	<u>₩ 2,912,086</u>

28. Comprehensive income

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

<i>(in millions of Korean won)</i>	2009	2008
Net income	₩ 2,052,835	₩ 482,786
Other comprehensive income and expense		
Gain on valuation of available-for-sale securities, net of tax of ₩195 (2008: ₩838)	(691)	(1,124)
Loss on valuation of available-for-sale securities, net of tax of nil (2008: ₩(212))	-	560
Gain on valuation of equity-method investments, net of tax of ₩28,346 (2008: ₩(140,087))	(178,298)	643,993
Loss on valuation of equity-method investments, net of tax of ₩450 (2008: ₩(10,285))	(32,875)	130,998
Comprehensive income	<u>₩ 1,840,971</u>	<u>₩ 1,257,213</u>

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

29. Earnings Per Share

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

	2009		2008
Net income attributable to common stocks ¹	₩ 1,833,087 million		₩ 430,519 million
Weighted average number of common stocks outstanding ²	143,884,657		143,884,658
Basic earnings per share	₩ 12,740		₩ 2,992

¹ Net income attributable to common stock follows:

<i>(in millions of Korean won)</i>	2009		2008
Net income	₩ 2,052,835		₩ 482,786
Preferred stock dividends	(30,926)		(6,872)
Additional income available for dividends allocated to preferred stock	(188,822)		(45,395)
Net income attributable to common stock	<u>₩ 1,833,087</u>		<u>₩ 430,519</u>

² Weighted average numbers of common stock are calculated as follows:

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

30. Dividends

Details of 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>₩ 282,724</u>		<u>₩ 57,232</u>

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

The 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 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%

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

31. Related Party Transactions

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

The related parties are as follows:

	2009
Ultimate parent company	LG Corporation
Subsidiaries	LG Display Co., Ltd., LG Innotek Co., Ltd., Hi Plaza Inc., Innovation Investment Fund, Hi Business Logistics, LG Fund forenterprises cooperation fund, 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 Electroinics(Kunshan) Computer Co., Ltd. (LGEKS), Inspur LG Digital Mobile Communications 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.(LGD SH), LG Display Shen Zhen Co., Ltd.(LGDSZ), LG Display Singapore Pte. Ltd.(LGD SG), LG Display Taiwan Co.,Ltd.(LGDTW), 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.(LGE BN), LG Electronics Canada, Inc.(LGE CI), LG Electronics Colombia Ltda(LGECB), LG ELECTRONICS Czech S.R.O.(LGE CZ), LG Electronics da Amazonia Ltda.(LGEAZ), LG Electronics de Sao Paulo Ltda.(LGESP), LG Electronics Deutschland GmbH(LGEDG), LG Electronics Egypt S.A.E.(LGE EG), LG Electronics Espana S.A(LGEES), LG Electronics European Holdings B.V.(LGE EH), LG Electronics European Logistics & Services B.V.(LGE LS), LG Electronics European Shared Service Center B.V.(LGE SC), LG Electronics France S.A.R.L(LGE FS), LG Electronics Gulf FZE(LGE GF), LG Electronics Hellas S.A.(LGE HS), LG Electronics HK Ltd.(LGE HK), LG Electronics Huizhou Ltd.(LGE HZ), LG Electronics Inc. Chile Ltda.(LGE CL), LG Electronics India Pvt. Ltd.(LGE IL), LG Electronics Italia S.p.A.(LGE IS), LG Electronics Japan, Inc.(LGE JP), LG Electronics JIT EUROPE B.V.(LGE JE), LG Electronics Latvia, LLC.(LGE LV), LG Electronics Magyar KFT(LGEM K), LG Electronics Malaysia SDN.BHD(LGE ML), LG Electronics Mexicalli S.A.DE C.V.(LGE MX), LG Electronics Mexico S.A.DE C.V.(LGE MS), LG Electronics Mlawa Sp. z.o.o.(LGE MA), LG Electronics Mobile Research U.S.A.,LLC.(LGE MR), LG Electronics Mobilecomm U.S.A.,Inc.(LGE MU), LG Electronics Monterrey Mexico S.A. de C.V.(LGE MM), LG Electronics Morocco S.A.R.L.(LGE MC), LG Electronics Nanjing Display Co., Ltd.(LGE ND), LG Electronics Nature(Hangzhou) Recording Media Co., Ltd.(LGE HN), LG Electronics Nordic AB(LGE SW), LG Electronics Overseas Trading FZE(LGE OT), LG Electronics Panama S.A.(LGE PS), LG Electronics Peru S.A.(LGE PR), LG Electronics Philipine Inc.(LGE PH), LG Electronics Polska Sp. Zo.o.(LGE PL), LG Electronics Portugal S.A.(LGE PT), LG Electronics Qinhuangdao Inc.(LGE QH), LG Electronics Reynosa, Inc.(LGE RS), LG Electronics Romania S.R.L.(LGE RO),

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

Subsidiaries	<p>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 Innotek(huiZhou) Inc.(LGITHZ), LG Innoteck Poland., LTD(LGITPL), LG Innotek Yantai co., LTD(LGITYT), LG Innotek(Fujian) Electronics Co., Ltd.(LGITFJ), LG Innotek(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 Innotek 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 Ltdn., 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 Innotek(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 Innotek USA, Inc.(LGITUS), LG Electronics RUS-Marketing, LLC.(LGERM), C&S America Solution, LG Electronics Guatemala S.A.</p>
Other related parties	<p>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.</p>

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

Significant transactions, which occurred in the normal course of business with related companies for the years ended December 31, 2009 and 2008, and their related balances as of December 31, 2009 and 2008, are as follows:

	Sales ¹	Purchases ¹	Receivables	Payables
<i>(in millions of Korean won)</i>				
Parent company	₩ 714	₩ 123,731	₩ 16,074	₩ 9,275
Subsidiaries	23,811,056	3,754,931	3,712,017	2,026,926
Equity-method investees	1,305,068	64,600	166,450	24,241
Other related parties	693,457	1,306,663	188,081	216,544
2009	<u>₩ 25,810,295</u>	<u>₩ 5,249,925</u>	<u>₩ 4,082,622</u>	<u>₩ 2,276,986</u>
2008	<u>₩ 21,395,725</u>	<u>₩ 5,082,214</u>	<u>₩ 1,139,864</u>	<u>₩ 1,101,377</u>

¹ The sales amount for 2009 above includes sale of certain property, plant and equipment to subsidiaries totaling ₩78,148 million (2008: ₩86,097 million), while the purchase amount for 2009 above includes purchases of certain property, plant and equipment from subsidiaries totaling ₩91,004 million (2008: ₩89,051 million).

The details of percentage of ownership, acquisition costs, market price or net asset value and carrying value are in Note 8.

The Company is contingently liable for guarantees on the indebtedness of its subsidiaries and affiliates (Note 16).

Details of the compensation for key management are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Short-term salaries	₩ 7,507	₩ 18,182
Long-term salaries	2,342	-
Severance benefits	3,787	2,542
Share-based compensation	4,412	(1,342)
	<u>₩ 18,048</u>	<u>₩ 19,382</u>

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

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

32. 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 as of and for the year ended December 31, 2009, are as follows:

(in millions of Korean won)	Total	Business Division					
		Home Entertainment	Mobile Communications	Home Appliance	Air Conditioning	Business Solution	Supporting Division
Sales							
External sales	₩ 30,513,436	₩ 7,303,241	₩ 15,508,780	₩ 4,262,026	₩ 2,128,908	₩ 852,841	₩ 457,640
Inter-division sales	498,039	50,014	39,218	91,776	14,158	109,813	193,060
	<u>₩ 31,011,475</u>	<u>₩ 7,353,255</u>	<u>₩ 15,547,998</u>	<u>₩ 4,353,802</u>	<u>₩ 2,143,066</u>	<u>₩ 962,654</u>	<u>₩ 650,700</u>
Operating income (loss)	<u>₩ 1,614,821</u>	<u>₩ 81,336</u>	<u>₩ 1,127,896</u>	<u>₩ 360,136</u>	<u>₩ 152,276</u>	<u>₩ (88,900)</u>	<u>₩ (17,923)</u>
Property, plant and equipment	₩ 3,644,343	₩ 1,125,704	₩ 502,139	₩ 546,602	₩ 269,169	₩ 24,274	₩ 1,176,455
Intangible assets	448,250	58,019	77,869	50,805	12,037	4,642	244,878
	<u>₩ 4,092,593</u>	<u>₩ 1,183,723</u>	<u>₩ 580,008</u>	<u>₩ 597,407</u>	<u>₩ 281,206</u>	<u>₩ 28,916</u>	<u>₩ 1,421,333</u>
Depreciation and amortization	₩ 669,670	₩ 272,223	₩ 105,900	₩ 82,507	₩ 33,428	₩ 4,224	₩ 171,388

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

Financial data by business division as of and for the year ended December 31, 2008, were as follows:

<i>(in millions of Korean won)</i>	Total	Business Division					
		Home Entertainment	Mobile Communications	Home Appliance	Air Conditioning	Business Solution	Supporting Division
Sales							
External sales	₩ 27,638,515	₩ 6,007,948	₩ 14,150,946	₩ 3,898,046	₩ 2,274,715	₩ 894,725	₩ 412,135
Inter-division sales	248,499	27,304	42,195	7,357	13,611	227	157,805
	<u>₩ 27,887,014</u>	<u>₩ 6,035,252</u>	<u>₩ 14,193,141</u>	<u>₩ 3,905,403</u>	<u>₩ 2,288,326</u>	<u>₩ 894,952</u>	<u>₩ 569,940</u>
Operating income (loss)	<u>₩ 1,226,890</u>	<u>₩ (451,016)</u>	<u>₩ 1,424,232</u>	<u>₩ 171,385</u>	<u>₩ 169,674</u>	<u>₩ (73,529)</u>	<u>₩ (13,856)</u>
Property, plant and equipment	₩ 3,710,704	₩ 1,458,213	₩ 341,590	₩ 545,052	₩ 287,843	₩ 3,142	₩ 1,074,864
Intangible assets	470,610	60,487	73,945	44,623	12,903	124	278,528
	<u>₩ 4,181,314</u>	<u>₩ 1,518,700</u>	<u>₩ 415,535</u>	<u>₩ 589,675</u>	<u>₩ 300,746</u>	<u>₩ 3,266</u>	<u>₩ 1,353,392</u>
Depreciation and amortization	<u>₩ 712,899</u>	<u>₩ 282,921</u>	<u>₩ 124,920</u>	<u>₩ 88,281</u>	<u>₩ 31,797</u>	<u>₩ 2,955</u>	<u>₩ 182,025</u>

Financial data by geographical area for the year ended December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	Total	Domestic	Central & South						
			North America	Europe	South America	Central Asia & Africa	Asia	Oceania	CIS
Sales	₩ 30,513,436	₩6,665,027	₩ 9,036,526	₩ 4,839,857	₩ 1,608,479	₩ 2,085,065	₩ 5,265,834	₩564,582	₩ 448,066
Ratio (%)	100%	22%	30%	16%	5%	7%	17%	2%	1%

Financial data by geographical area for the year ended December 31, 2008, were as follows:

<i>(in millions of Korean won)</i>	Total	Domestic	Central & South						
			North America	Europe	South America	Central Asia & Africa	Asia	Oceania	CIS
Sales	₩ 27,638,515	₩6,445,179	₩ 8,444,739	₩ 3,357,642	₩ 1,476,910	₩ 1,531,972	₩ 5,272,020	₩432,831	₩ 677,222
Ratio (%)	100%	23%	31%	12%	5%	6%	19%	2%	2%

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

33. Operating Results for the Final Interim Period

Significant operating results for the three-month periods ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won, except per share amounts)</i>	2009	2008
Sales	₩ 7,096,472	₩ 6,591,049
Cost of sales	5,812,761	5,250,420
Operating loss	(139,544)	(309,763)
Net income (loss) for the period	297,204	(671,260)
Basic earnings (loss) per share <i>(in won)</i>	1,844	(4,169)

34. 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 to buildings, machinery and others from construction-in-progress	₩ 404,327	₩ 272,661
Reclassification to intangible assets from long-term advance payments	63,425	42,202
Reclassification of current maturities of debentures	700,052	149,628
Reclassification of current maturities of long-term debts	-	93,820
Reclassification to severance fund assets from severance insurance deposits	390,928	-
Reclassification to contingency provision from accrual expense for lawsuits	41,382	-

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

35. Merger

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

Summary of the merged 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.

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	₩	1,384,901	₩	1,093,681
Current liabilities	₩	690,204	₩	527,401
Non-current liabilities		180,710		213,403
Total liabilities		870,914		740,804
Total Shareholders' Equity		513,987		352,877
Liabilities and Shareholders' Equity	₩	1,384,901	₩	1,093,681

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

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

36. 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.

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

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	

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

	Current Policies	New Policies under K-IFRS
		acquisition date.
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 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 large and medium and small 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.

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

Effects on the Total Assets, Total Liabilities and Shareholders' Equity

Effects on the non-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	₩	17,337,881	₩	8,931,076	₩	8,406,805
Adjustments						
Sold receivables ¹		3,154,824		3,141,123		13,701
Post-employment benefits ²		-		16,422		(16,422)
Revaluation of land ⁴		1,084,732		-		1,084,732
Stock options ⁵		-		2,504		(2,504)
Deferred tax ⁷		(290,323)		(596,678)		306,355
Total		3,949,233		2,563,371		1,385,862
Adjusted amount under K-IFRS	₩	21,287,114	₩	11,494,447	₩	9,792,667

Effects on the non-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	₩	21,577,176	₩	11,417,383	₩	10,159,793
Adjustments						
Sold receivables ¹		618,734		617,275		1,459
Post-employment benefits ²		-		55,228		(55,228)
Goodwill ³		17,404		-		17,404
Provisions for contingencies		1,021		1,021		-
Revaluation of land ⁴		1,084,732		-		1,084,732
Stock options ⁵		-		3,265		(3,265)
Investments in equity securities ⁶		(862,698)		-		(862,698)
Capitalization of borrowing costs		677		-		677
Development costs		86,682		-		86,682
Deferred tax ⁷		(380,518)		(838,917)		458,399
Total		566,034		(162,128)		728,162
Adjusted amount under K-IFRS	₩	22,143,210	₩	11,255,255	₩	10,887,955

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

Effects on Net Income and Comprehensive Income

Effects on the non-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	₩	2,052,835	₩	1,840,971
Adjustments				
Sold receivables ¹		(12,242)		(12,242)
Post-employment benefits ²		(37,619)		(38,806)
Goodwill ³		17,404		17,404
Stock options ⁵		(761)		(761)
Capitalization of borrowing costs		677		677
Development costs		86,682		86,682
Investments in equity securities ⁶		(1,151,789)		(900,467)
Deferred tax ⁷		191,617		159,061
Total		(906,031)		(688,452)
Adjusted amount under K-IFRS	₩	1,146,804	₩	1,152,519

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 Goodwill amortization is reversed.

⁴ Certain land is revalued at its fair value and recorded as its deemed cost under the exemption rule for first-time adopters.

⁵ Changed valuation method for stock options.

⁶ Cost method is applied for investments in subsidiaries, joint ventures and associates, and the carrying value as of the transition date is considered as the deemed costs.

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.

**Report of Independent Accountants'
Review of Internal Accounting Control System**

To the President of
LG Electronics Inc.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of LG Electronics Inc. (the "Company") as of December 31, 2009. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2009, the Company's IACS has been designed and is operating effectively as of December 31, 2009, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2009, and we did not review management's assessment of its IACS subsequent to December 31, 2009. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers
February 25, 2010

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Audit Committee of
LG Electronics Inc.

I, as the Internal Accounting Control Officer ("IACO") of LG Electronics Inc. ("the Company"), assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2009.

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

Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2009, in all material respects, in accordance with the IACS standards.

January 26, 2010

Do-hyun Jung
Internal Accounting Control Officer

Yong Nam
Chief Executive Officer and President