



Can you Feel our **L.O.V.E**



LG Twin Towers, 20, Yeouido-dong, Yeongdeungpo-gu, Seoul 150-720, Korea
www.lg.co.kr

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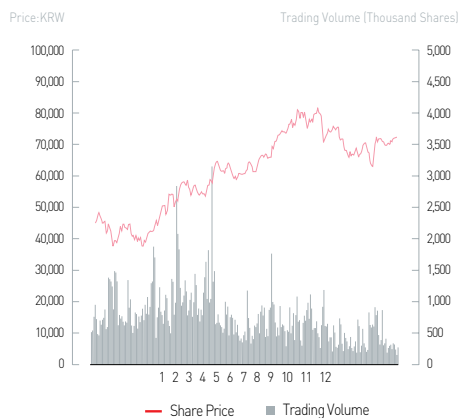
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Financial Highlights

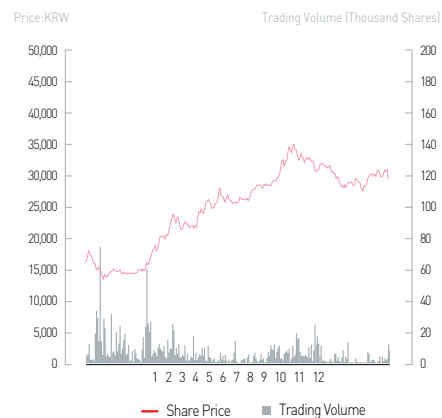
(Unit : KRW one million)

	2009	2008
Total Assets	8,014,068	6,956,279
Current Assets	225,999	333,280
Non-current Assets	7,788,069	6,622,999
Total Liabilities	614,656	724,861
Current Liabilities	288,685	251,363
Long-Term Liabilities	325,971	473,498
Total Shareholders' Equity	7,399,412	6,231,418
Capital Stock	879,359	879,359
Capital Surplus	2,210,126	2,213,553
Capital Adjustments	-260,247	-57,015
Accumulated Other Comprehensive Income	118,641	150,776
Retained Earnings	4,451,533	3,044,745
Operating Revenue	1,767,463	992,452
Operating Expenses	179,146	114,124
Operating Income	1,588,316	878,328
Non-operating Income	84,295	90,948
Non-operating Expenses	25,838	11,379
Income before Income Tax	1,646,773	957,897
Income Tax Expenses	108,379	45,864
Net Income	1,538,394	912,032
(Unit : KRW, Times, Shares)		
Non Debt-to-equity Ratio	1.00	1.96
Return on Equity (ROE)	22.57	17.51
Book Value per Share	43,372	37,145
Price Book Value Ratio (PBR)	Highest 1.98	2.44
	Lowest 0.78	0.73
Earnings per Share (EPS)	8,777	5,207
Price Earnings Ratio (PER)	Highest 9.80	17.44
	Lowest 3.85	5.23
Share Price	Common Stock, Highest 82,300	86,000
	Common Stock, Lowest 36,550	33,750
	Preferred Stock, Highest 36,000	40,500
	Preferred Stock, Lowest 13,700	13,900
	Common Stock, Year-End 72,600	42,700
	Preferred Stock, Year-End 29,750	16,250
Number of Shares Issued	Commonstock 172,557,131	172,557,131
	Preferred stock 3,314,677	3,314,677

Common Stock



Preferred Stock



We will not rest on our laurels based on our achievements to date, but we will strive to reflect our respect and passion to all shareholders and customers.

Dear valued shareholders and customers,

Let me begin by offering my sincere gratitude for your dedicated support of LG, and it is my pleasure to report that we have been successful at meeting your expectations in 2009, exceeding our previous year's performance.

The overall business environment over the past year was trying due to stagnant economic growth caused by the global financial crisis. In the midst of this difficulty, all LG employees have made substantial efforts to reward your expectations with solid performance. As a result, most LG companies have reported strong performance in 2009, and have propelled LG Corp to achieve KRW 1.77 trillion in operating revenue and KRW 1.65 trillion in ordinary income.

In the TV and mobile handset businesses, where consumer requirements run high, LG has strengthened its status as a global leader by providing superior customer value and cost competitiveness. In LCD panels, we have rapidly increased our market share through a strategy of aggressive and preemptive investment.

In addition to our better known consumer product businesses, our extended efforts in the materials and components sectors have also reaped rewards. We have claimed the global number one position in LCD polarizers, and have garnered a strong reputation in batteries for technical superiority from global IT companies and automakers.

In the telecommunications area where customer value innovation has always been a priority, we have merged our telecom affiliates into one company to meet the challenges of the convergence era and to maximize future value.

Taking into account the trust in our unwavering and transparent governance structure, LG Corp's market capitalization at the end of 2009 stood at KRW 12.63 trillion. This represents a 70% increase over 2008, and moreover, reflects a 39% faster growth rate than the Korean composite stock price index during the same period.

Through last year, the achievements of LG since the launch of a holding company structure in 2003 are undoubtedly remarkable; however, we are well aware that past achievements are not guarantees for future success. We realize that in a situation where the business environment can undergo rapid and sudden changes, even companies with solid footing can fall in a daze of self-contentment. Consequently, LG will not bask in our past successes, but will continue to drive changes toward our vision of "No. 1 LG."

To this end, we will first upgrade our level of innovation to create superior customer value. We will not be satisfied with slight improvements over the status quo. We aim to lead markets with innovation and superior technologies in products and solutions for the household market, devices and services for the IT sector, and the underlying materials and components. Particularly, we aim to develop technologies for products and services that exceed the needs of customers which they themselves may not yet be able to articulate.

Next, we will accelerate our preparations for our long-term growth. To ensure your trust in LG, we plan to expedite the materialization of our future businesses. In areas such as medium and large-sized batteries, next-generation lighting systems, and solar power, we will tirelessly aim to be at the forefront of technologies to build the foundation of LG's future growth engines for the next 5 to 10 years.

At the same time, we will strengthen our efforts to secure and train our talent pool and to expand our investments in developing markets until such efforts bear fruit.

Lastly, we will establish a culture based on originality and autonomy for all members of the organization. To lead these changes, ideas from all LG employees should be freely explored through open discussions, and be reflected in all of our products and services. Toward this end, we will create an environment where all opinions are respected and where employees are free to be thoroughly absorbed in their pursuit of creating customer value.

Valued shareholders and customers,

In 2010, be assured that we will not rest on our laurels based on our achievements to date, but we will strive to reflect our respect and passion to all shareholders and customers.

I look forward to your continued support, and please join us as we shape the future of LG together.

Thank you,

Bon Moo Koo
Chairman and CEO

Bon M Koo

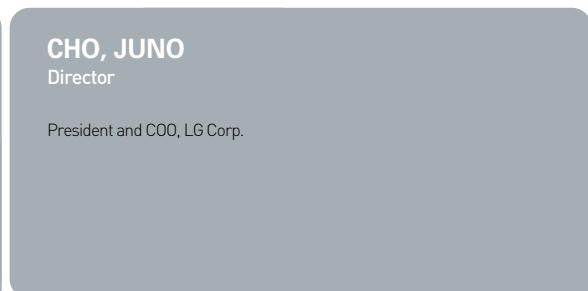




KANG, YU SIG
Director
Vice Chairman and CEO, LG Corp.



KOO, BON MOO
Chairman of the Board
Chairman and CEO, LG Corp.



CHO, JUNO
Director
President and COO, LG Corp.



HAN, JUN HO
Director
Vice Chairman and CEO, Samchully



KIM, DAE HWAN
Director
Professor, Inha University



YOON, KYUNG HEE
Director
Chairman, Macquarie Capital Advisors



LEE, YOON JAE
Director
Chairman and CEO, KorEl



HWANG, HYEON SIK
Senior Vice President

Head of Management Administration Team
(Telecommunications and Services)

LEE, JONG SANG
Senior Vice President

General Council,
Member of Korean Bar



LEE, MYUNG KWAN
Senior Vice President

Head of Human Resources Team



LEE, HYUK JU
Vice President

Head of Finance and Accounting Team

KIM, BONG SOO
Vice President

Head of Management Administration Team
(Chemicals)




LEE, YAUN MO
Vice President

Head of Management Administration Team (Electronics)



YANG, JAE HOON
Vice President

Head of Chairman's Office

CHANG, KENNETH WONUK
Vice President

Head of Business Development Team

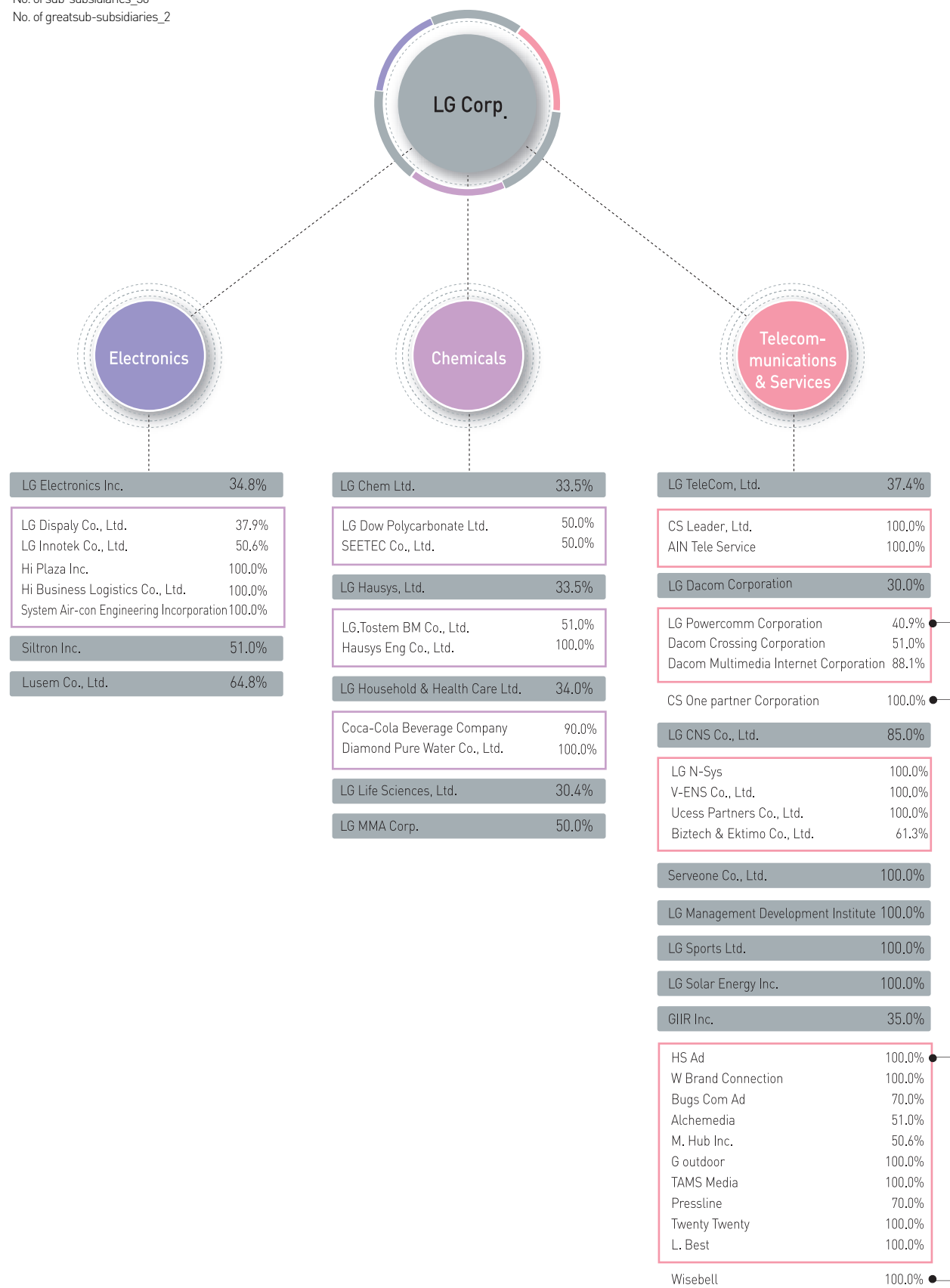



YOON, HEUNG RYEOL
Vice President

Legal Team, Member of Korean Bar

Holding Structure

No. of subsidiaries_16
No. of sub-subsidiaries_30
No. of greatsub-subsidiaries_2



Note. As of December 31, 2009 / Stake ratios are based on common stocks.

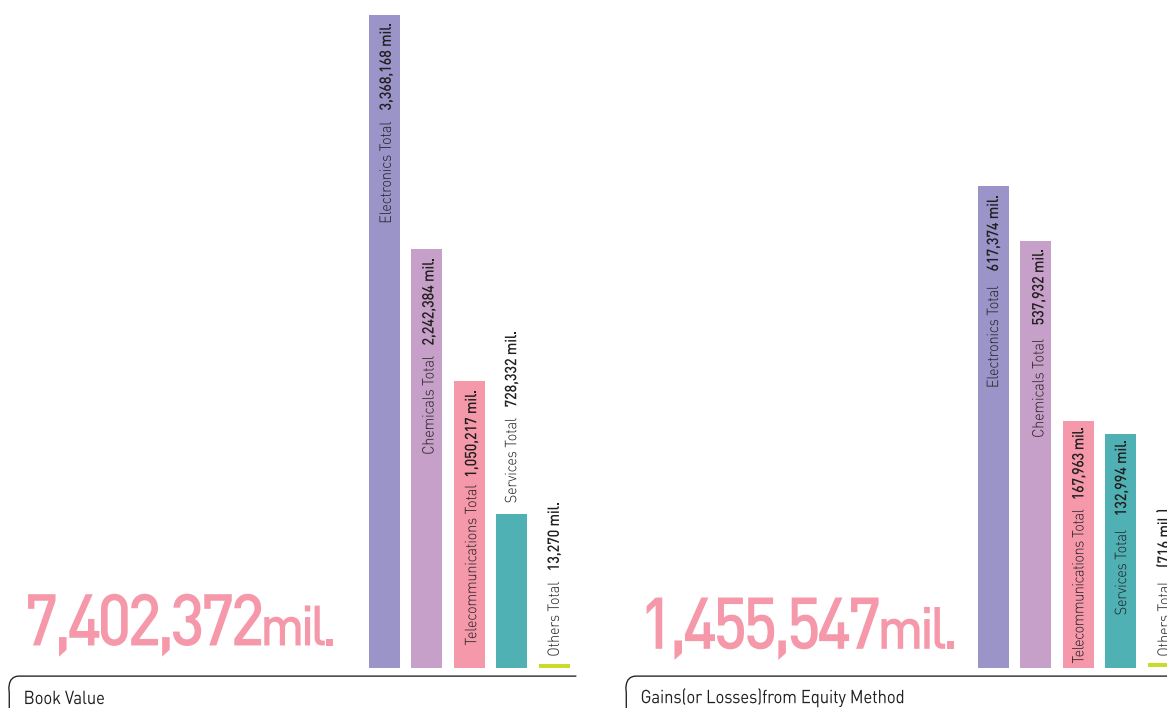
Gains(or Losses) from Equity Method

As of December 31, 2009

(Unit : KRW one million)

Company	Shares Owned	Net Income	Stake Ratio (%)*	Book Value		Gains(or Losses)from Equity Method	
				Amount	Portion	Amount	Portion
LG Electronics Inc.	50,341,430	2,052,835	31.1%	3,123,916	42.2%	640,444	44.0%
Siltron Inc.	3,418,141	(74,815)	51.0%	205,612	2.8%	(33,736)	-2.3%
Lusem Co., Ltd.	1,400,000	16,725	64.8%	38,640	0.5%	10,666	0.7%
Electronics Total				3,368,168	45.5%	617,374	42.4%
LG Chem Ltd.	22,219,326	1,507,131	30.1%	1,635,145	22.1%	447,844	30.8%
LG Hausys, Ltd.	3,006,673	21,341	30.1%	198,071	2.7%	6,075	0.4%
LG Household & Health Care Ltd.	5,315,500	171,048	30.0%	179,220	2.4%	48,594	3.3%
LG Life Sciences, Ltd.	5,044,114	27,356	30.0%	91,472	1.2%	8,206	0.6%
LG MMA Corp.	1,200,000	55,098	50.0%	138,477	1.9%	27,213	1.9%
Chemicals Total				2,242,384	30.3%	537,932	37.0%
LG TeleCom, Ltd.	103,614,396	308,125	37.4%	750,246	10.1%	121,508	8.3%
LG Dacom Corporation	25,018,906	142,431	30.0%	299,971	4.1%	46,456	3.2%
Telecommunications Total				1,050,217	14.2%	167,963	11.5%
LG CNS Co., Ltd.	74,076,292	114,215	85.0%	380,159	5.1%	78,631	5.4%
Serveone Co., Ltd.	5,000,000	81,453	100.0%	268,962	3.6%	56,224	3.9%
LG Management Development Institute	1,200,000	(1,321)	100.0%	15,858	0.2%	(1,345)	-0.1%
LG Sports Ltd.	600,000	(111)	100.0%	937	0.0%	(161)	0.0%
LG Solar Energy Inc.	928,000	738	100.0%	30,693	0.4%	676	0.0%
GIIR Inc.	5,798,593	158	35.0%	31,724	0.4%	(1,030)	-0.1%
Services Total		(593)		728,332	9.8%	132,994	9.1%
LG Hitachi	245,000	(1,449)	49.0%	13,270	0.2%	(716)	0.0%
Others Total				13,270	0.2%	(716)	0.0%
Grand Total				7,402,372	100.0%	1,455,547	100.0%

* Stake ratios include preferred stocks.





This Management’s Discussion & Analysis is prepared based on non-consolidated financial statements of LG Corp.

LG Corp. is a holding company that controls other companies by means of holding their stocks and has 15 subsidiaries, 30 sub-subsidiaries as of the end of December 2009.

01 Operating Income & Expense		
(Unit : KRW one million)		
Account item	2009	2008
I .Operating revenue	1,767,463	992,452
1. Gains from equity method	1,492,535	760,404
2. Brand royalty income	223,757	191,993
3. Rental income	49,393	39,441
4. Dividend income	1,778	613
II .Operating expense	179,146	114,124
1. Losses from equity method	36,988	17,918
2. General administrative expenses	142,158	96,206

LG Corp.’s key operating income sources are categorized into the following:

- Gains from equity method
- Brand royalty income from licensing of the “LG” brand
- Rental income from LG Twin Tower and Kasan IDC tenants
- Dividend income from companies categorized as investment assets other than those subject to equity method by LG Corp.

1) Gains (or losses) from equity method

As of year-end 2009, companies subject to equity method by LG Corp. include 17 companies.

If an Investor Company (“Investor” hereinafter) directly, or indirectly via other companies under its substantial control, holds 20% or more of voting stocks of an Investee Company (“Investee” hereinafter), the Investee is subject to equity method. Pursuant to provisions in the Fair Trade Act that stipulate 20% or higher stake in public companies and 40% or higher stake in private companies as the criteria to deem an Investee as subsidiary, all subsidiaries of LG Corp. are subject to equity method.

Gains from equity method are calculated based on the Investor’s stake ratio in the Investee and the net profit of the Investee.

- If an Investee reports net profits, the Investor increases book value of its investment stocks in the Investee by a sum equivalent to its share of the Investee’s net profits and recognizes the sum as “gains from equity method.”
- On the other hand, if an Investee reports net losses, the Investor reduces book value of its investment stocks in the Investee by a sum equivalent to its share of the Investee’s net losses and recognizes the sum as “losses from equity method.”
- If an Investor receives cash dividends from an Investee subject to equity method, the Investor reduces book value of its investment stocks in the Investee by a sum equivalent to the cash dividends.
- However, LG Corp.’s investors may find that their own calculation of the company’s gains from equity method do not correspond to the figures presented in its financial statements. This is primarily because of adjustment factors including goodwill / negative goodwill⁽¹⁾ amortization (or reversal), transactions with the Investee, and unrealized gains (or losses).

(1) The difference between the consideration paid by the parent to minority interests and the carrying value of the ownership interests acquired by the parent.
- Definition : When acquiring shares of a subsidiary that is subject to equity method, the difference between the acquisition price (market price or fair value) and the net asset value on the book of the subsidiary is recognized as investment elimination gain or loss—similar to goodwill or negative goodwill. The company stipulates that the amount be amortized (-) or reversed (+) over 5 years.

2009 Gains (or losses) from equity method

(Unit : KRW one million)							
Company	Shares Owned	Net Income	Stake Ratio (%)*	Book Value		Gains (or Losses) from Equity Method	
				Amount	Portion (%)	Amount	Portion (%)
LG Electronics Inc.	50,341,430	2,052,835	31.1%	3,123,916	42.2%	640,444	44.0%
Siltron Inc.	3,418,141	(74,815)	51.0%	205,612	2.8%	(33,736)	-2.3%
Lusem Co., Ltd.	1,400,000	16,725	64.8%	38,640	0.5%	10,666	0.7%
Electronics Total				3,368,168	45.5%	617,374	42.4%
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Services Total		(593)		728,332	9.8%	132,994	9.1%
LG Hitachi Ltd.	245,000	(1,449)	49.0%	13,270	0.2%	(716)	0.0%
Others Total				13,270	0.2%	(716)	0.0%
Grand Total				7,402,372	100.0%	1,455,547	100.0%

* Preferred stocks included

Gains (losses) from equity method of 2009 increased 91% year-on-year to KRW 1,455,547 million. Such a remarkable result was mainly due to overall improvements in performance of LG subsidiaries in spite of extremely adverse business circumstances such as global economic recession and financial crisis.

LG Electronics, one of major subsidiaries of LG Corp., recorded highest ever revenue and operating income ever due to improved performance in core businesses such as mobile handsets and digital TV sets. In addition to its own business performance, gains from foreign currency exchange and gains from equity method contributed mainly by LG Displays, a TFT-LCD manufacturer, strongly contributed to its 325% of net income increase year-on-year.

Meanwhile, LG Chem, another major subsidiary of LG Corp., posted highest result ever in petrochemicals division and performance improvements in IT & Electronics materials division, including batteries, due to stable petrochemical cycle and increase in demands.

In 2009, LG TeleCom continued sustainable growth in terms of subscribers, revenue, and operating income. The company achieved revenue of KRW 4,949,120 million, a 3.2% increase year-on-year due to increase of new and loyal subscribers. Although marcom costs increased 9% comparing to previous year due to severe market competition, operating income increased 2% year-on-year to KRW 386,948 million.

Gains (or losses) from equity method reflected on the financial statements

The purpose of the equity method is to reflect on the investment stocks the Investor’s share of any change in the net asset of the Investee.

When gains (or losses) from equity method are calculated on income statements, this figure is then reflected on book value of the Investee stocks on balance sheets categorized as stocks subject to equity method.

(Unit : KRW one million)								
Company	2008 Book Value (A)	2009 Gains/Losses from equity method (A)	2009 Acquisition /disposal (B)	2009 Dividend income (C)	2009 (D)	2009 (E)	2009 (F)	2009 Book value (G=A+B- C+D+E+F)
LG Electronics Inc.	2,559,340	640,444	-	17,620	5,205	-	(63,453)	3,123,916
Siltron Inc.	239,575	(33,736)	-	-	-	-	(227)	205,612
Lusem Co., Ltd.	29,375	10,665	-	1,400	-	-	-	38,640
Electronics Total	2,828,290							3,368,168
LG Chem Ltd.	1,461,822	447,844	(199,194)	63,065	(481)	(208)	(11,573)	1,635,145
LG Hausys, Ltd.	0	6,075	199,194	-	(8)	(2,462)	(4,728)	198,071
LG Household and Health Care Ltd.	141,608	48,594	-	10,631	-	-	(352)	179,219
LG Life Sciences, Ltd.	83,295	8,206	-	-	-	-	(29)	91,472
LG MMA Corp.	115,350	27,213	-	6,000	-	-	1,914	138,477
Chemicals Total	1,802,075							2,242,384
LG TeleCom, Ltd.	716,712	121,507	-	20,723	-	(66,122)	(1,128)	750,246
LG Dacom Corporation	433,715	46,456	-	25,019	-	(154,171)	(1,010)	299,971
Telecommunications Total	1,150,427							1,050,217
LG CNS Co., Ltd.	309,928	78,631	20,605	19,820	(10,768)	-	1,583	380,159
Serveone Co., Ltd.	223,424	56,224	-	10,000	-	-	(686)	268,962
LG Management Development Institute	17,203	(1,345)	-	-	-	-	-	15,858
LG Sports Ltd.	1,097	(160)	-	-	-	-	-	937
LG Solar Energy Co., Ltd.	26,630	676	-	-	-	-	3,387	30,693
GIIR Inc.	39,496	(1,031)	-	5,915	-	(944)	118	31,724
Services Total	617,778							728,333
LG Hitachi Ltd.	14,023	(716)	-	28	-	-	(9)	13,270
Others Total	14,023							13,270
Grand Total	6,412,593	1,455,547	20,605	180,221	(6,052)	(223,907)	(76,193)	7,402,372

Gains from equity method reflect changes in the net asset value of the Investee in each business year based on the cost of acquisition of the Investee stocks.

- At the time of acquisition, the Investee stocks are valued at the acquisition cost
- If any change in the Investee's net asset value is attributable to its net profits, the change is reflected as gains from equity method
- If any change in the Investee's net asset value is attributable to increase or decrease in its earned surplus, the change is reflected as increase or decrease in earned surplus carried forward from the prior period
- If any change in the Investee's net asset value is attributable to increase or decrease in its capital surplus or capital adjustments, the change is reflected as gains (capital adjustments) or losses on investment stocks subject to equity method

Gains (or losses) from equity method are calculated as provided in the following:

- Deduct the amount of dividends received in this period from the acquisition cost or the book value of the Investee stocks as of the prior period
- Then add the amount of gains from equity method in this period to the outcome of the above
- Then add or deduct the amounts of earned surplus carried forward from the prior period and capital adjustments, which produces the book value of the investment stocks subject to equity method as of the end of this period

Stocks subject to equity method are not marked to market even if they are marketable listed stocks. Among investment securities, marketable securities are marked to market while non-marketable stocks are reported on the book at the acquisition cost. However, in the case of non-marketable stocks whose value is seriously impaired, impairment is reflected on the value of the stocks concerned.

2) Brand royalty income

LG Corp. reserves the legal rights over the brand "LG". Value of a brand is determined separately from intellectual property rights such as patent rights and a brand constitutes an important competitiveness-enhancing factor that contributes to increasing a company's cash flows in the future. Brand value has a material impact on sales by working as a factor to add image and credibility to the fundamental competitiveness of a company's products.

As such, LG Corp. set the vision and core values of the "LG" brand, charged royalty from 2005 to users of the brand for enhancing the brand value through systematic brand management and strategic action plan. The company plans to reinvest part of the brand royalty income with the aim of elevating it into the global No. 1 brand, thereby, creating a virtuous circle of positive contribution to the brand users.

Basic terms of the brand license agreements are as provided in the following:

- License fee = (Consolidated sales - Consolidated advertising expenses) X 0.2%
- Payable monthly
- 3-year term
- Adjustment factors applicable depending upon the specific form of usage of the brand (whether used by a joint venture, whether logos are used, etc.)

Brand license fees are calculated and charged monthly based on the amounts of consolidated sales and consolidated advertising expenses as reported on the user's financial statements for the prior period. When the user's performance for the relevant period is fixed in the following year, then the fees are finally reconciled based on the relevant year's actual figures.

As of the end of 2009, LG Corp. posted brand royalty income of KRW 223,757 million and 23 companies made brand contract.

(Unit : KRW one million)		
Amount received, 2009	Amount reconciled, 2009	Final brand royalty income
231,133	(7,376)	223,757

3) Rental income

LG Corp. recorded rental income of KRW 49,393 million in 2009, a 25% increase from the previous year. Such increase was mainly due to completion of Kasan DMC in April, 2009. Most of the rental income was generated from LG Twin Towers which is substantially owned by LG Corp. Other than those two buildings, Kwanghwamoon office is now under construction and will be completed within 2010.

4) Dividend income

Dividends from investment securities other than those subject to equity method are reported as dividend income.

These securities are presented as available-for-sale securities on the company's balance sheets whose value is reported at the market price in the case of stocks allowing marking to market or at the acquisition price in the case of others.

(Unit : KRW one million)		
Category	Company	Amount received
Subsidiary	LG Chem Ltd.	63,065
	LG TeleCom, Ltd.	20,723
	LG CNS Co., Ltd.	19,819
	LG Electronics Inc.	17,620
	LG Dacom Corporation	12,509
	LG Household and Health Care Ltd.	10,631
	Serveone Co., Ltd.	10,000
	LG MMA Corp.	6,000
	Lusem Co., Ltd.	1,400
	GIIR Inc.	1,160
	Sub-total	162,927
Available-for-sale	Owens Corning	1,114
	LS Industrial Systems Co., Ltd.	656
	LG Hitachi Ltd.	28
	Korea Management Association Consultants	8
	Sub-total	1,806
Grand Total	Grand Total	164,733

5) General administrative expenses

General administrative expenses increased 48% to KRW 142,158 million in 2009, driven primarily by increase in compensation expenses associated with stock option and depreciation on real estates including LG Twin Towers and Kasan DMC. Share price of LG Corp. increased as much as 70% in 2009 and caused more compensation expenses to be recognized.

02 Non-Operating Income & Expense

(Unit : KRW one million)		
Account item	2009	2008
IV. Non-operating income	84,295	90,948
1. Interest income	7,698	2,866
2. Gains on disposal of investment securities	-	860
3. Reversal of negative goodwill	72,973	72,973
4. Gains on disposition of tangible assets	13	0
5. Reversal of share-based payment	-	13,145
6. Recovery of Compensation Expenses	3,527	-
7. Miscellaneous income	84	1,104
V. Non-operating expense	25,838	11,379
1. Interest expense	25,737	11,327
2. Losses on disposal of investment securities	93	-
3. Losses on disposition of tangible assets	-	12
4. Losses on disposition of intangible assets	-	30
5. Contributions	8	10
6. Miscellaneous expense	0	0

1) Negative goodwill

Negative goodwill of KRW (-) 231,081 million is reported in the "intangible asset" account of LG Corp.'s balance sheets. This negative goodwill was generated in the course of LG EI's being absorbed into LG CI as of April 1, 2003. Negative goodwill arises when a certain asset is acquired at a price lower than its fair value. That is, when the fair value of the Investor's stake in the discernable assets and liabilities acquired from the Investee exceeds the acquisition cost, the excess (difference) amount is recognized as negative goodwill. The company reverses the amount over a period of 10 years by the straight-line method ending on March 31, 2013. This amount reversed is presented as "reversal of negative goodwill" under non-operating income account on income statements. The amount reversed in 2009 of KRW 72,973 million is same as that of in 2008.

Account item	Value on balance sheets	Amount reversed on income statements	
		2009	2008
Negative goodwill	231,081	72,973	72,973

2) Interest Expense

LG Corp. had raised debts in 2nd half of 2008 when the financial crisis took place along with the global recession in order to redeem the construction costs for the building investments. LG Corp. had to bear high interest rates due to the unfavorable market condition and that caused increase in interest expenses in 2009.

03 Investment

1) Stocks purchased

(Unit : Shares, KRW one million)						
Company	Types of stock	Outstanding Shares	No. of shares acquired	Total no. of shares acquired	Stake ratio acquired	Acquisition cost
LG CNS Co., Ltd.	Common Stock	87,175,865	2,003,800	74,076,292	84.97%	20,605
Total						20,605

LG Corp. used to own 82.7% of LG CNS, an integrated IT service company providing IT-related total solutions. In March 2009, LG Corp. acquired additional shares of 2,003,800, a 2.3%, at KRW 10,276 per share to stabilize its control over the company. As of 2009, LG Corp.'s ownership on the company was 85%.

2) Stocks disposed

(Unit : Shares, KRW one million)						
Company	Types of stock	Outstanding Shares	No. of shares disposed	Stake ratio disposed	Disposal price	Gains/losses on disposal
Dreamwiz	Common Stock	5,000,000	177,776	3.56%	89	[93]
Treasury Stock (LG Corp.)	Common Stock	172,557,131	35,400	0.02%	881	1,705
Total					970	1,612

04 Tangible Asset

(Unit : KRW one million)						
Account	Beginning of the year	Acquisition	Transfer	Disposal	Depreciation	Ending of the year
Land	234,277	-	75	-901	-	233,451
Building	125,816	-	107,541	-235	-24,452	208,670
Structures	5,196	-	2,337	-	-297	7,236
Vehicles	4,272	13	12	-44	-465	3,788
Tools and furniture	1,257	19	179	-	-216	1,239
Construction in progress	50,587	94,085	-110,306	-	-	34,366
Total	421,405	94,117	-162	-1,180	-25,430	488,750

Acknowledging that Korean real estate are undervalued and office spaces are in shortage, LG Corp. had decided to participate in building investments to generate stable cash-inflow in 2007. Among 2 real estate investments, Kasan DMC was completed in April 2009, and Kwanghwamoon office is scheduled to be completed within 2010.

05 Borrowings

(Unit : KRW one million)

Types of borrowing	2009		2008		Increase/Decrease
	Amount	Portion	Amount	Portion	
Corporate bonds	300,000	100.0%	300,000	65.9%	-
Short-term borrowings	-	0.0%	155,200	34.1%	-155,200
Total	300,000	100.0%	455,200	100.0%	-155,200
Debt-to-equity ratio	8.3%		11.6%		

Borrowings decreased by KRW 155,220 million to KRW 300,000 million in 2009, mainly due to the redemption of short-term borrowings that were raised for building investments.

Taking into account the sum of cash equivalents and money market products of KRW 187,257 million, LG Corp. had net debt of KRW 122,742 million as of year-end 2009.

06 Others

1) Stock options

On March 24, 2005, LG Corp. granted stock options representing 768,000 shares via a resolution by the board of directors, with the aim of providing appropriate compensation to its officers and strong motivation towards growth of the company. The stock options granted are appreciation stock options that give the exerciser(s) cash corresponding to the difference between the exercise price and the market price at the time of exercise. Expecting a rise in its stock price, the company has purchased and currently holds the same number of treasury stocks represented by the stock options in order to minimize its expenditure associated with stock options. In 2007, 70,000 shares decrease from 768,000 shares due to retirement of a stock option recipient and 216,400 shares were exercised until the end of 2009. As a result, the outstanding balance at the end of 2009 was 481,600 shares.

(Unit : KRW, Shares)

Name	Status	Type of stock	Changes in quantity			Unexercised	Exercise period	Exercise price	Closing Price
			Granted	Exercised	Cancelled				
Kang Yu-sig	Registered officer	Common	370,000	-	-	370,000	March 25, 2008 ~	24,730	72,600
Kim Jin-hyun	-	Common	12,000	6,400	-	5,600		24,730	72,600
Kim Yong-jin	-	Common	12,000	-	-	12,000		24,730	72,600
Koo Ja-jung	-	Common	12,000	-	-	12,000	March 24, 2012	24,730	72,600
Shin Young-soo	Registered officer	Common	12,000	-	-	12,000		24,730	72,600
Jung Do-hyun	Subsidiary's management	Common	70,000	35,000	-	35,000		24,730	72,600
Shin Yong-sam	Subsidiary's management	Common	70,000	50,000	-	20,000		24,730	72,600
Lee Byung-nam	Subsidiary's management	Common	70,000	55,000	-	15,000		24,730	72,600
Lee Byung-nam	Subsidiary's management	Common	70,000	-	70,000	-		24,730	72,600
Kim Sang-hun	-	Common	70,000	70,000	-	-		24,730	72,600
Total	-	-	768,000	216,400	70,000	481,600	-	-	-

2) Merger between subsidiaries

On October 15, 2009, LG Telecom Ltd. has entered into an agreement of acquisition with LG Dacom and LG Powercom, which was approved by its board of directors on October 15, 2009. Under the terms of agreements, LG Dacom Corp. and LG Powercom are merged into LG Telecom [effective date: January 1, 2010]. To enhance efficiency of operations and maximize synergy effect on the wire and wireless communication business, LG Telecom Ltd. took an action to be one step closer to become a globally competitive communication company and be able to actively adapt the change in the internal and external business environment.

On January 2, 2010, LG Telecom Ltd. issued 237,515,405 shares of its common stock (face value: KRW 5,000 per share) to the shareholders of LG Dacom and LG Powercom (one share of LG Dacom was exchanged for 2.1488702 shares; one share of LG Powercom was exchanged for 0.7421356 shares). The registered common stocks of LG Powercom owned by LG Dacom were not exchanged for the new stocks.

3) K-IFRS Adoption

While all the listed companies are required to prepare the financial statements in accordance with K-IFRS from 2011, LG Corp. has decided early adoption of K-IFRS starting from 2010. Major changes and impacts on the financial statements are as follows:

(1) The major differences between K-GAAP and K-IFRS

Issue		K-GAAP	K-IFRS
The first-time adoption of K-IFRS	Business combination	N/A	K-IFRS 1103 (Business combination) do not be applied retroactive to transaction of business combination before January 1, 2009(date of transition to K-IFRS).
	Cumulative translation differences	N/A	Cumulative translation differences are regarded to zero on January 1, 2009(date of transition to K-IFRS).
	Employee benefits	N/A	All actuarial gains and losses which were accrued from defined benefit plans on January 1, 2009(date of transition to K-IFRS) are recorded as equity.
	Investment in subsidiaries and affiliates	N/A	The book value of K-GAAP is accounted for as deemed cost on January 1, 2009(date of transition to K-IFRS) are recorded as equity.
	Borrowing cost	N/A	It is applied to borrowing cost of qualifying asset after January 1, 2009(date of transition to K-IFRS)
Deferred taxes of gains from revaluation on land		Deferred income tax liabilities are not recognized to temporary differences which were accrued by revaluations in accordance with the Asset Revaluation Law, in case the Company will not dispose of the land reasonably certainly.	Deferred income taxes for taxable temporary difference are fully recognized except for few exceptions.
Classification of investment property		Investment properties held to earn rentals or for capital appreciation are accounted for as tangible assets.	Investment properties held to earn rentals or for capital appreciation are accounted for as investment properties.
Measurement of defined benefit obligation		The severance benefits are calculated based on the assumption that all the employees are paid on the period end date.	It requires to use the Projected Unit Credit Method to measure its obligations.
Classification of memberships		It is classified as non-current other assets.	It is classified as intangible assets with indefinite or definite economic lives.
Presentation of deferred taxes		Deferred tax assets and liabilities are classified as current and non-current.	Deferred tax assets and liabilities classified as current shall be non-current.

(2) Basis for consolidation

With the application of K-IFRS as of December 31, 2009, entities that are required to be consolidated under K-IFRS are changed as follows:

K-GAAP	K-IFRS
LG Corp.	LG Corp.
LG Electronics Inc. and other 105 subsidiaries	Serveone Co., Ltd. and other 2 subsidiaries
LG Chem Ltd. and other 17 subsidiaries	Siltron Inc. and other 1 subsidiaries
LG CNS Co., Ltd. and 4 subsidiaries	LG CNS Co., Ltd. and 18 subsidiaries
LG Household & Health Care Ltd. and 6 subsidiaries	Lusem Co., Ltd.
LG Dacom Corporation and other 3 subsidiaries	LG Management Development Institute
GIIR Corporation and other 4 subsidiaries	LG Sports Ltd.
Serveone Co., Ltd. and other 1 subsidiaries	LG Solar Energy Inc.
Siltron Inc. and other 1 subsidiaries	
LG Hausys, Ltd. and 4 subsidiaries	
LG Telecom Ltd.	
LG Life Science Co., Ltd.	
LG MMA Corp.	
Lusem Co., Ltd.	
LG Management Development Institute	
LG Sports Ltd.	
LG Solar Energy Inc.	
Total of 162 Companies	Total of 29 Companies

(3) Impacts on the financial position and financial results

A. As of January 1, 2009, the effects on the financial position by adopting K-IFRS are as follows:

(Unit: KRW one million)

	Assets	Liabilities	Equity
K-GAAP	6,956,279	724,861	6,231,418
Adjustments:			
Taxes Recognition of revaluation reserve(*1)	-	6,588	(6,588)
Fair value valuation of share-based payment	-	1,249	(1,249)
Reversal of negative goodwill	304,055	-	304,055
Actuarial measurement of severance benefits(*2)	[7]	[417]	410
Deferred taxes recognition on subsidiaries and affiliates	-	[11,201]	11,201
Tax effects on other adjustments	-	[302]	302
Total	304,048	[4,083]	308,131
K-IFRS	7,260,327	720,778	6,539,549

(*1) The recognition of deferred income tax liabilities of land revaluation gains

(*2) Severance benefits valued by actuarial valuation method are recognized as liability and plan assets are valued by fair value method

B. As of December 31, 2009, the effects on the financial position by adopting K-IFRS are as follows:

(Unit: KRW one million)

	Assets	Liabilities	Equity
K-GAAP	8,014,068	614,656	7,399,412
Adjustments:			
Taxes Recognition of revaluation reserve(*1)	-	6,588	(6,588)
Fair value valuation of share-based payment	-	[65]	65
Reversal of negative goodwill	231,081	-	231,081
Actuarial measurement of severance benefits(*2)	[5]	227	[232]
Deferred taxes recognition on subsidiaries and affiliates	[2,820]	[49,899]	47,079
Cost method valuation on subsidiaries and affiliates	[969,174]	-	[969,174]
Tax effects on other adjustments	-	16	[16]
Total :	[740,918]	[43,133]	[697,785]
K-IFRS	7,273,150	571,523	6,701,627

C. The effects on the results of operations by adopting K-IFRS are as follows:

(Unit: Korean Won in million)

	Net Income	Comprehensive Income
K-GAAP	1,538,394	1,506,258
Adjustments:		
Fair value valuation of share-based payment	1,315	1,315
Reversal of negative goodwill	[72,973]	[72,973]
Actuarial measurement of severance benefits and others (*1)	[536]	[642]
Deferred taxes recognition on subsidiaries and affiliates	73,974	57,004
Cost method valuation on subsidiaries and affiliates	[1,275,328]	[1,199,134]
Tax effects on other adjustments	[318]	[318]
Total :	[1,273,866]	[1,214,748]
K-IFRS	264,528	291,510

(*1) Severance benefits valued by actuarial valuation method are recognized as liability and plan assets are valued by fair value method.

Non-Consolidated Balance Sheets

December 31, 2009 and 2008

(Unit: KRW one million)

Accounts	2009	2008
Assets		
Current Assets	225,999	333,280
Cash and Cash Equivalents	77,257	173,917
Short-term Financial Instruments	110,000	121,800
Other Receivables	35,103	28,728
Accrued Income	610	1,575
Prepaid Expenses Total	145	5,463
Available-for-Sale Securities Current for Quick Assets	65	1,797
Deferred Income Taxes Assets Current	2,819	
Non-current Assets	7,788,069	6,622,999
Investment Assets	7,522,181	6,497,907
Equity Method Securities	7,402,372	6,412,593
Available-for-Sale Securities in Investment Assets.	119,809	85,314
Property, Plant and Equipment	488,751	421,407
Land	233,451	234,277
Buildings	265,695	158,390
Accumulated Depreciation for Buildings	57,025	32,573
Structures	8,600	6,262
Accumulated Depreciation for Structures	1,363	1,066
Vehicles	4,547	4,808
Accumulated Depreciation for Vehicles	759	535
Office Equipment	3,075	2,877
Accumulated Depreciation for Office Equipment	1,837	1,620
Construction in Progress	34,367	50,587
Intangible Assets	-228,551	-301,319
Trademarks	1,681	1,891
Negative Goodwill	-231,082	-304,055
Other Intangible Assets	850	845
Other Non-current Assets	5,688	5,004
Long-Term Financial Instruments	6	6
Long-term Advance Payments	1,385	1,201
Deposits Provided	4,297	3,797
Total Assets	8,014,068	6,956,279

(Continued)

Non-Consolidated Balance Sheets

December 31, 2009 and 2008

(Unit: KRW one million)

Accounts	2009	2008
Liabilities		
Current Liabilities	288,685	251,363
Short-term Borrowings		155,200
Other Payables	33,384	38,678
Value Added Tax Withheld	3,255	938
Withholdings	292	296
Accrued Expenses	24,508	10,735
Income Taxes Payable	27,460	43,826
Deferred Income Taxes Liabilities Current		1,690
Current Portion of Long-term Liabilities	200,000	
Discount on Bonds of Current Portion of Long-term Liabilities	214	
Non-current Liabilities	325,971	473,498
Bonds	100,000	300,000
Discount on Bonds of Long-term Liabilities	313	1,021
Long-term Accrued Expenses	3,581	
Guarantee deposits received	44,108	32,874
Provisions for Retirement and Severance Benefits	16,708	15,212
Deposits for Retirement and Severance Benefits Long-term Liabilities	10,994	9,475
Transfer to National Pension Fund	21	23
Deferred Income Taxes Liabilities Non-current	172,902	135,931
Total Liabilities	614,656	724,861
Stockholders' Equity		
Capital Stock	879,359	879,359
Common Stock	862,786	862,786
Preferred Stock	16,573	16,573
Capital Surplus	2,210,126	2,213,553
Additional Paid-in Capital	898,266	898,266
Other Capital Surplus	1,311,860	1,315,287
Capital Adjustments	-260,247	-57,015
Treasury Stock in Capital Adjustments	14,371	15,252
Capital Adjustments on Valuation of Equity Method Securities	-245,876	-41,763
Accumulated Other Comprehensive Income	118,641	150,776
Gains on Valuation of Available for Sale Securities	52,032	24,702
Losses on Valuation of Available for Sale Securities in Capital Adjustments	242	
Gains on Valuation of Equity Method Securities	164,023	227,053
Losses on Valuation of Equity Method Securities	97,172	100,979
Retained Earnings or Accumulated Deficit	4,451,533	3,044,745
Appropriated Retained Earnings for Statutory Reserve	128,035	114,874
Discretionary Appropriated Retained Earnings for Retained Earnings or Accumulated Deficit	2,785,104	2,419,286
Retained Earnings Before Appropriations or Accumulated Deficit Before Disposition on Balance Sheet	1,538,394	510,585
Total Stockholders Equity	7,399,412	6,231,418
Total Liabilities and Stockholders Equity	8,014,068	6,956,279

Non-Consolidated Statement of Income

Years Ended December 31, 2009 and 2008

(Unit: KRW one million)		
Accounts	2009	2008
Operating Revenue	1,767,462	992,452
Gains on Valuation of Equity Method Securities for Operating Revenue	1,492,535	760,404
Revenues-Rental	49,393	39,441
Dividend Income for Operating Revenue	1,777	614
Royalty Revenue	223,757	191,993
Operating Expense	179,146	114,124
Losses on Valuation of Equity Method Securities for Operating Expense	36,988	17,918
Administration Expense for Operating Expense	142,158	96,206
Operating Income or Loss	1,588,316	878,328
Non-Operating Revenues	84,295	90,948
Interest Income	7,698	2,866
Gains on Sale of Available for Sale Securities in Investment Assets		860
Recovery of Negative Goodwill	72,973	72,973
Recovery of Compensation Expenses Associated with Stock Options for Non-Operating Revenues		13,145
Gains on Sale of Property, Plant and Equipment	13	
Recovery of Compensation Expenses	3,527	
Miscellaneous Income	84	1,104
Non-Operating Expenses	25,838	11,380
Interest Expenses	25,737	11,327
Losses on Sale of Available for Sale Securities in Investment Assets	93	
Losses on Sale of Property, Plant and Equipment		13
Losses on Sale of Intangible Assets		30
Donations	8	10
Income Loss Before Income Taxes Expenses	1,646,773	957,896
Income Taxes Expenses	108,379	45,864
Net Income or Loss	1,538,394	912,032
Earnings or Losses Per Share	8,777	5,207

Non-Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2009 and 2008

(Unit: KRW one million)						
Accounts	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings or Accumulated Deficit	Total Equity
2008.01.01 (beginning)	879,359	1,604,977	-19,757	-47,625	2,665,630	5,082,584
Accumulated Effect of Accounting Policy Change, Total		573,206	-34,951	-21,703	-397,165	119,387
Equity After Prior Period Adjustments	879,359	2,178,183	-54,708	-69,328	2,268,465	5,201,971
Dividends					-131,470	-131,470
Retained Earnings After Appropriations					2,136,995	5,070,501
Net Income or Loss					912,032	912,032
New Account for Total Equity		30,823				30,823
New Account for Total Equity		4,548				4,548
Proceeds from treasury Stock			4,505			4,505
Capital Adjustments on Valuation of Equity Method Securities			-6,812			-6,812
Gains on Valuation of Available for Sale Securities				5,461		5,461
Gains on Valuation of Equity Method Securities				219,991		219,991
Losses on Valuation of Equity Method Securities				-5,346		-5,346
New Account for Total Equity					-4,283	-4,283
2008.12.31 (end)	879,359	2,213,553	-57,015	150,776	3,044,745	6,231,418

(Continued)

Non-Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2009 and 2008

(Unit: KRW one million)						
Accounts	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings or Accumulated Deficit	Total Equity
2009.01.01 (beginning)	879,359	2,213,553	-57,015	150,776	3,044,745	6,231,418
Equity After Prior Period Adjustments	879,359	2,213,553	-57,015	150,776	3,044,745	6,231,418
Dividends					-131,606	-131,606
Retained Earnings After Appropriations					2,913,139	6,099,812
Net Income or Loss					1,538,394	1,538,394
New Account for Total Equity		-4,720				-4,720
New Account for Total Equity		1,293				1,293
Proceeds from treasury Stock			881			881
Capital Adjustments on Valuation of Equity Method Securities			-204,113			-204,113
Gains on Valuation of Available for Sale Securities				27,330		27,330
Losses on Valuation of Available for Sale Securities				-241		-241
Gains on Valuation of Equity Method Securities				-63,031		-63,031
Losses on Valuation of Equity Method Securities				3,807		3,807
2009.12.31 (end)	879,359	2,210,126	-260,247	118,641	4,451,533	7,399,412

Non-Consolidated Statements of Cash Flows

Years Ended December 31, 2009 and 2008

(Unit: KRW one million)		
Accounts	2009	2008
Cash Flows from Operating Activities	288,840	331,838
Net Income or Loss	1,538,394	912,032
Additions of Expenses of Non-Cash Transactions	81,515	24,872
Losses on Valuation of Equity Method Securities	36,988	17,918
Retirement and Severance Benefits	1,945	1,755
Depreciation	25,430	3,896
Amortization of Intangible Assets	1,018	1,037
Interest Expenses	494	224
Compensation Expenses Associated with Stock Options	15,547	
Losses on Sale of Available for Sale Securities in Investment Assets	93	
Losses on Sale of Property, Plant and Equipment		12
Losses on Sale of Intangible Assets		30
Deduction of Revenues of Non-Cash Transactions	1,569,048	847,382
Gains on Valuation of Equity Method Securities	1,492,535	760,404
Recovery of Compensation Expenses Associated with Stock Options for Deduction of Revenues of Non-Cash Transactions		13,145
Recovery of Compensation Expenses	3,527	
Gains on Sale of Available for Sale Securities in Investment Assets		860
Recovery of Negative Goodwill for Deduction of Revenues of Non-Cash Transactions	72,973	72,973
Gains on Sale of Property, Plant and Equipment	13	
Changes in Assets and Liabilities from Operating Activities	237,979	242,316
Decrease or Increase in Other Receivables	6,135	-9,099
Decrease or Increase in Accrued Revenues	966	-1,319
Decrease or Increase in Prepaid Expenses	5,317	-5,196
Decrease or Increase in Deferred Income Taxes Assets-Current	-2,819	7,215
Long-term Advance Payments for Changes in Assets and Liabilities from Operating Activities	-811	-766
Increase or Decrease in Other Payables	-865	8,939
VAT Withholdings for Changes in Assets and Liabilities from Operating Activities	2,316	-2,453
Increase or Decrease in Withholdings	-4	-1,114
Increase or Decrease in Accrued Expenses	-1,774	-12,670
Increase or Decrease in Income Taxes Payable	-16,365	23,045
Increase or Decrease in Deferred Income Taxes Liabilities-Current	-1,690	1,690
Increase or Decrease in Deferred Income Taxes Liabilities	67,015	-7,075
Long-term Accrued Expenses for Changes in Assets and Liabilities from Operating Activities	3,581	
Decrease or Increase in Deposits Received for Guarantees	11,233	1,780
Payment for Retirement and Severance Benefit	-130	-3,122
Decrease or Increase Deposits for Retirement Severance Benefits	-1,519	-159
Increase or Decrease in National Pension Fund	3	4
Succession to Provision for Retirement and Severance Benefits From Affiliated Company	-320	960
Dividend Income for Changes in Assets and Liabilities from Operating Activities	167,710	241,656

(Continued)

Non-Consolidated Statements of Cash Flows

Years Ended December 31, 2009 and 2008

(Unit: KRW one million)		
Accounts	2009	2008
Cash Flows from Investing Activities	-101,280	-260,402
Cash Inflows from Investing Activities	123,978	96,615
Proceeds from Sale of Short-term Financial Instruments	121,800	95,000
Proceeds from Sale of Available for sale Securities	1,885	1,528
Proceeds from Sale of Property, Plant and Equipment	293	61
Proceeds from Intangible Assets		26
Cash Outflows from Investing Activities	225,258	357,017
Purchase of Short-term Financial Instruments	110,000	216,800
Purchase of Available for Sale Securities	12	4,367
Purchase of Equity Method Securities	20,605	48,289
Increase in Deposits Provided	500	634
Purchase of Property, Plant and Equipment	94,117	86,927
Purchase of Intangible Assets	24	
Cashflows from Financing Activities	-284,220	93,804
Cash Inflows from Financing Activities	2,586	691,077
Proceeds from Short-term Borrowings		531,003
Proceeds from Issuance of Bonds		149,297
Proceeds from Sale of Treasury Stock	2,586	10,777
Cash Outflows from Financing Activities	286,806	597,273
Repayments of Short-term Borrowings	155,200	465,803
Payments in Dividends	131,606	131,470
Increase or Decrease in Cash and Cash Equivalents	-96,660	165,240
Cash and Cash Equivalent at Beginning	173,917	8,677
Cash and Cash Equivalent at End	77,257	173,917

Non-Consolidated Statements of Appropriations of Retained Earnings

Years Ended December 31, 2009 and 2008

(Unit: KRW one million)		
Accounts	2009	2008
Retained Earnings Before Appropriations	1,538,394	510,585
Unappropriated Retained Earnings		-424,054
Accumulated effect of accounting policy change		26,890
Increase in Retained Earnings from Equity Method Securities		-4,283
Net Income	1,538,394	912,032
Subtotal of Retained Earnings Before Appropriation	1,538,394	510,585
Appropriations of Retained Earnings	1,538,394	510,585
Legal Reserves	17,546	13,161
Dividends	175,455	131,606
Cash Dividends	175,455	131,606
Dividends Per Share and Dividend Rate Per Share		
Common Stock : 2009 1,000KRW (20%)		
2008 750KRW (15%)		
Preferred Stock : 2009 1,050KRW (21%)		
2008 800KRW (16%)		
Voluntary Reserves	1,345,393	365,818
Transfer from Investment Losses for Voluntary Reserves in Statement of Appropriation Retained Earnings	1,345,393	365,818



Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of LG Corp.:

We have audited the accompanying consolidated statements of financial position of LG Corp. (the "Company") and its subsidiaries (collectively "the Group") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in its shareholders' equity and its cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, including LG Electronics Inc. whose statements reflect 82.6% and 85.1% (before elimination of intercompany transactions) of the consolidated total assets as of December 31, 2009 and 2008, respectively, and 91.3% and 94.1% (before elimination of intercompany transactions) of the consolidated total sales for the years ended December 31, 2009 and 2008, respectively. Those 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 these 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 other auditors provide a reasonable basis for our opinion.

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

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

March 29, 2010

Deloitte Amjin LLC

Notice to Readers

This report is effective as of March 29, 2010, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

LG CORP.
Consolidated Statements of Financial Position
As of December 31, 2009 and 2008

	(Unit : KRW one million)	
	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	5,413,460	5,422,394
Short-term financial instruments	3,097,702	2,597,206
Short-term investment securities	950	2,444
Trade accounts and notes receivable, net	11,369,816	9,086,857
Inventories, net	8,930,278	8,866,196
Short-term loans, net	73,355	102,884
Other accounts receivable, net	1,151,609	1,312,558
Accrued income, net	212,160	350,187
Advanced payments, net	330,932	282,801
Prepaid expenses	489,477	476,820
Derivative transaction debit	20,272	51,331
Current deferred income tax assets	1,207,841	909,396
Others	748,721	1,056,154
Total current assets	33,046,573	30,517,228
NON-CURRENT ASSETS:		
Property, plant and equipment, net	29,742,832	28,823,367
Long-term financial instruments	166,630	191,812
Long-term investment securities	464,867	340,556
Equity-method investments	606,908	620,430
Long-term trade accounts and notes receivable, net	128,923	144,002
Guarantee deposits	806,544	785,141
Long-term loans, net	124,281	86,868
Long-term prepaid expenses	746,191	488,968
Deferred income tax assets	1,298,422	1,178,654
Long-term derivative transactions debit	36,422	139,325
Intangible assets, net	1,336,137	1,130,798
Other investments	334,216	334,949
	35,792,373	34,264,870
Total assets	68,838,946	64,782,098

(Continued)

LG CORP.
Consolidated Statements of Financial Position

As of December 31, 2009 and 2008

	(Unit : KRW one million)	
	2009	2008
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	4,173,803	7,956,286
Current maturities of long-term debts	3,832,835	3,032,003
Trade accounts and notes payable	8,759,983	6,144,919
Other accounts payable	4,197,100	4,550,661
Advances from customers	716,561	419,383
Withholdings	765,500	643,886
Accrued expenses	3,200,960	3,164,800
Income tax payable [Note 19]	668,594	1,175,773
Unearned income	84,604	88,710
Derivative transaction credit	87,047	85,126
Current deferred income tax liabilities	4,395	3,072
Other current liabilities	1,375,708	845,395
Total current liabilities	27,867,090	28,110,014
LONG-TERM LIABILITIES:		
Debentures, net	4,489,633	4,615,991
Long-term debts, net of current portion	3,390,285	3,791,037
Long-term other accounts payable	454,010	561,971
Accrued severance benefits, net	556,183	588,906
Guarantee deposits received	313,781	275,499
Deferred income tax liabilities	1,162,273	830,008
Long-term derivative transaction credit	94,978	174,925
Other long-term liabilities	1,079,876	99,273
	11,541,019	10,937,610
Total liabilities	39,408,109	39,047,624
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY :		
Capital stock:		
Common stock	862,786	862,786
Preferred stock	16,573	16,573
Capital surplus	2,210,126	2,213,553
Capital adjustments	[260,247]	[57,015]
Accumulated other comprehensive income (loss)	118,626	150,762
Retained earnings	4,451,480	3,045,008
Minority interests	22,031,493	19,502,807
Total shareholders' equity	29,430,837	25,734,474
Total liabilities and shareholders' equity	68,838,946	64,782,098

LG CORP.
Consolidated Statements of Income

As of December 31, 2009 and 2008

	(Unit : KRW one million, except per share amounts)	
	2009	2008
SALES	100,668,069	90,222,484
COST OF SALES	75,856,547	67,835,678
GROSS PROFIT	24,811,522	22,386,806
SELLING AND ADMINISTRATIVE EXPENSES	16,933,796	15,465,375
OPERATING INCOME	7,877,726	6,921,431
NON-OPERATING INCOME:		
Interest income	356,266	417,949
Dividends income	3,931	1,444
Rental income	27,379	38,391
Foreign exchange gains	4,079,457	5,629,362
Gain on foreign currency translation	649,145	658,008
Gain on disposal of investment securities	14,023	62,900
Gain on valuation of equity-method investments	93,171	93,045
Gain on disposal of equity-method investments	991	125
Gain on disposal of property, plant and equipment	21,708	36,054
Gain on derivative transactions	203,021	253,494
Gain on valuation of derivative instruments	36,572	293,476
Amortization of negative goodwill	112,143	112,143
Others	215,836	289,363
	5,813,643	7,885,754
NON-OPERATING EXPENSES:		
Interest expense	848,888	777,936
Foreign exchange losses	4,022,016	5,886,901
Loss on foreign currency translation	224,046	2,030,708
Donations	52,135	45,059
Loss on valuation of equity-method investments	78,876	78,872
Loss on disposal of investment securities	1,453	8,440
Impairment loss on investment securities	43,025	2,180
Loss on disposal of property, plant and equipment	177,987	93,278
Impairment loss on property, plant and equipment	128,480	125,544
Other bad debt expense	8,299	12,396
Loss on derivative transactions	249,253	520,471
Loss on valuation of derivative instruments	77,722	170,146
Loss on disposal of trade accounts receivable	163,209	299,838
Others	919,625	697,014
	6,995,014	10,748,867
INCOME BEFORE INCOME TAX – CONTINUING OPERATIONS	6,696,355	4,058,318
INCOME TAX EXPENSE FOR CONTINUING OPERATIONS	1,471,538	1,092,157
SUBSIDIARIES' NET LOSS BEFORE ACQUISITION	[882]	[634]
NET INCOME	5,225,699	2,966,795
Parent interests' share in income	1,538,440	912,115
Minority interests' share in income	3,687,259	2,054,680
PER SHARE DATA:		
Parent interests' share in income per common share – continuing operations	8,777	5,208
Minority interests' share in income per common share	8,777	5,208

LG CORP.
Consolidated Statements of Changes In Shareholders' Equity

For the years ended December 31, 2009 and 2008

(Unit : KRW one million)							
	Capital Stock	Capital surplus	Capital adjust-ments	Accumulated other comprehensive income (loss)	Retained earnings	Minority interests	Total
Balance at January 1, 2008	879,359	2,189,063	(60,155)	(131,985)	2,244,831	16,807,496	21,928,609
Dividends to shareholders	-	-	-	-	(131,470)	(527,587)	(659,057)
Balance after appropriations	879,359	2,189,063	(60,155)	(131,985)	2,113,361	16,279,909	21,269,552
Net income	-	-	-	-	912,115	2,054,680	2,966,795
Disposal of treasury stocks	-	4,548	4,505	-	-	-	9,053
Changes in the scope of consolidation	-	29,638	-	-	-	249,719	279,357
Change in valuation of available-for-sale securities, net	-	-	-	(5,923)	-	(11,877)	(17,800)
Loss on valuation of equity-method investments, net	-	-	-	11,549	-	59,597	71,146
Loss on valuation of derivatives instruments for cash flow hedge	-	-	-	(13,565)	-	26,946	13,381
Overseas operations translation adjustments	-	-	-	263,358	-	839,274	1,102,632
Others	-	(9,696)	(1,365)	27,328	19,532	4,559	40,358
Balance as of December 31, 2008	879,359	2,213,553	(57,015)	150,762	3,045,008	19,502,807	25,734,474
Balance at January 1, 2009	879,359	2,213,553	(57,015)	150,762	3,045,008	19,502,807	25,734,474
Dividends to shareholders	-	-	-	-	(131,606)	(443,236)	(574,842)
Balance after appropriations	879,359	2,213,553	(57,015)	150,762	2,913,402	19,059,571	25,159,632
Net income	-	-	-	-	1,538,440	3,687,259	5,225,699
Disposal of treasury stocks	-	1,292	881	-	-	-	2,173
Changes in the scope of consolidation	-	(6,043)	-	-	-	71,677	65,634
Change in valuation of available-for-sale securities, net	-	-	-	25,773	-	(15,317)	10,456
Loss on valuation of equity-method investments, net	-	-	-	(2,815)	-	(27,741)	(30,556)
Gain on valuation of derivatives instruments for cash flow hedge	-	-	-	8,119	-	15,124	23,243
Overseas operations translation adjustments	-	-	-	28,218	-	57,867	86,085
Others	-	1,324	(204,113)	(91,431)	(362)	(816,947)	(1,111,529)
Balance as of December 31, 2009	879,359	2,210,126	(260,247)	118,626	4,451,480	22,031,493	29,430,837

LG CORP.
Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

(Unit : KRW one million, except per share amounts)		
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	5,225,699	2,966,795
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance benefits	448,869	452,326
Depreciation and amortization	6,229,268	5,477,166
Bad debt expense	126,887	94,938
Other bad debt expense	8,299	12,396
Loss (gain) on foreign currency translation, net	(433,731)	1,350,607
Loss on disposal of trade accounts receivable	163,077	299,838
Loss on disposal of short-term investment securities, net		11
Loss on valuation of short-term investment securities		60
Gain on disposal of investment securities, net	(12,641)	(54,460)
Gain on disposal of equity-method investments	(991)	(125)
Impairment loss on investment securities	43,025	741
Gain on valuation of equity-method investments, net	(14,295)	(14,173)
Loss on disposal of property, plant and equipment, net	156,775	55,874
Impairment loss on property, plant and equipment	128,480	126,271
Amortization of discounts on debentures	43,544	37,562
Loss on redemption of debentures	192	13
Amortization of negative goodwill	(112,143)	(112,143)
Loss on derivative transactions, net	34,227	282,809
Loss (gain) on valuation of derivative instruments, net	41,150	(123,330)
Others, net	2,213,770	1,449,675
	9,063,762	9,336,146
(Continued)		

LG CORP.
Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

(Unit : KRW one million, except per share amounts)		
	2009	2008
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Increase in trade accounts and notes receivable	(2,504,860)	(681,565)
Decrease (increase) in other accounts receivable	93,977	(13,111)
Increase in inventories	(74,423)	(1,176,652)
Decrease (increase) in accrued income	112,283	(275,201)
Increase in advanced payments	(80,092)	(28,188)
Decrease (increase) in prepaid expenses	31,683	(77,545)
Decrease (increase) in other current assets	441,934	(437,000)
Increase in long-term prepaid expenses	(312,796)	(162,825)
Increase in long-term trade accounts and notes receivable	(174,101)	(211,054)
Change in deferred income tax, net	(53,711)	(184,069)
Increase (decrease) in trade accounts and notes payable	2,784,684	(535,356)
Increase (decrease) in other accounts payable	(374,526)	1,417,484
Increase (decrease) in advances from customers	288,369	(63,736)
Increase in withholdings	118,595	151,709
Increase in accrued expenses	42,312	933,657
Increase (decrease) in income tax payable	(502,617)	388,185
Increase (decrease) in unearned income	(2,580)	5,270
Decrease in other current liabilities	(1,318,725)	(1,200,708)
Accrued severance benefits transferred from affiliated company	2,411	2,214
Increase in severance insurance deposits	(48,835)	(73,601)
Decrease in contributions to the National Pension Fund	2,696	2,211
Payment of severance benefits	(411,380)	(366,689)
Others	743,990	500,187
	(1,195,712)	(2,086,383)
Net cash provided by operating activities	13,093,749	10,216,558

(Continued)

LG CORP.
Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

(Unit : KRW one million, except per share amounts)		
	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of short-term financial instruments, net	(502,056)	(1,731,426)
Collection (extension) of short-term and long-term loans, net	15,722	(37,539)
Disposal of long-term financial instruments, net	28,764	233,649
Disposal of investment securities	13,425	95,053
Acquisition of investment securities	(138,022)	(232,013)
Acquisition of equity-method investments, net	(159,677)	(50,248)
Decrease (increase) in guarantee deposits, net	4,756	(29,504)
Decrease (increase) in other investments, net	(24,699)	(3,240)
Disposal of property, plant and equipment	290,870	649,102
Acquisition of property, plant and equipment	(7,574,645)	(8,189,791)
Acquisition of intangible assets, net	(396,444)	(307,779)
Acquisition of derivatives, net	-	(254,731)
Net cash used in investing activities	(8,442,006)	(9,858,467)

(Continued)

LG CORP.

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

(Unit : KRW one million, except per share amounts)

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of short-term borrowings, net	(3,797,403)	2,304,544
Payment of dividends	(414,425)	(659,057)
Repayment of current maturities of long-term debts	(2,862,731)	(2,209,795)
Proceeds from debentures	2,988,496	582,833
Repayment of debentures	(550,283)	(88,308)
Proceeds from long-term debts	1,259,028	1,057,477
Repayment of long-term debts	(370,894)	(140,754)
Increase in other long-term liabilities, net	78,603	222,684
Change in overseas operations translation adjustments	(154,757)	189,745
Decrease in cash from consolidated capital transaction	(221,791)	(10)
Others	(647,315)	74,741
Net cash provided by (used in) financing activities	(4,693,472)	1,334,100
CASH FLOWS FROM CHANGES IN THE SCOPE OF CONSOLIDATION	32,795	50,635
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,934)	1,742,826
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	5,422,394	3,679,568
CASH AND CASH EQUIVALENTS, AT END OF YEAR	5,413,460	5,422,394