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LG International Corp. and subsidiaries
Consolidated financial statements
Years ended December 31, 2010 and 2009
with independent auditors' report

ERNST&YOUNG HANYOUNG

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LG International Corp. and subsidiaries December 31, 2010 and 2009

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Independent auditors' report

The Board of Directors and Stockholders LG International Corp.

We have audited the accompanying consolidated statements of financial position of LG International Corp. ("LGI") and its subsidiaries (collectively, the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the LGI'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 four subsidiaries (seven subsidiaries in 2009), including LG Int'l (HK) Ltd. and equity method investee of GS Retail Co., Ltd., whose financial statements reflect 23% and 26% of the Company's total consolidated assets as of December 31, 2010 and 2009, respectively, and 68% and 45% of the Company's consolidated net income before income taxes for the years ended December 31, 2010 and 2009, 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 those 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 audit 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of LG International Corp. and its subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their financial performance 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 consolidated financial statements are not intended to present the financial position, results of financial performance 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 consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

Ernoth Joung Han Young

April 28, 2011

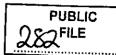
This audit report is effective as of April 28, 2011, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

LG International Corp. and subsidiaries Consolidated statements of financial position As of December 31, 2010 and 2009

(Korean won in millions)				
Banada		2010		2009
Assets Current assets:				
	14/	100 005	147	470 500
Cash and cash equivalents (Note 18)	₩	193,065	₩	173,582
Short-term financial instruments (Note 18)		19,215		2,922
Trade accounts and notes receivable,		1 000 700		4 454 456
net of allowance for doubtful accounts (Notes 11 and 18)		1,080,799		1,191,453
Other accounts receivable,				
net of allobwnce for doubtful accounts (Notes 17 and 18)		98,566		99,053
Inventories		779,307		424,815
Accrued income (Note 18)		22,186		19,096
Advance payments		96,477		81,068
Prepaid expenses		14,269		7,604
Derivative assets (Note 17)		8,170		8, 96 0
Deferred income tax assets (Note 14)		38,173		39,807
Other current assets		23,653		4,918
Total current assets		2,373,880		2,053,278
Non-current assets:	. •			
Long-term financial instruments		325		42
Available-for-sale securities (Notes 3 and 5)		31,221		29,450
Equity method investments (Notes 4 and 5)		766,776		531,811
Long-term guarantee deposits		39,920		39,254
Investments in overseas resources				
development (Note 5)		175,457		178,254
Long-term loan receivables (Notes 5 and 18)		191,120		190,001
Deferred income tax assets (Note 14)		223		3,192
Property, plant and equipment (Note 6)		103,642		73,415
Intangible assets (Note 7)		50,716		46,524
Other non-current assets		7,140		7,826
Total non-current assets		1,366,540		1,099,769
Total assets	₩	3,740,420	₩	3,153,047

LG International Corp. and subsidiaries Consolidated statements of financial position (cont'd) As of December 31, 2010 and 2009

(Korean won in millions)		2010		2009
Liabilities and equity		2010		2008
Current liabilities:				
Trade accounts and notes payable (Notes 11 and 18)	₩	1,329,346	₩	1,276,735
Short-term borrowings (Notes 8 and 18)	•••	440,581	••	294,479
Other accounts payable (Notes 17 and 18)		178,134		187,766
Advances received		55,980		22,614
Withholdings		18,728		8,108
Accrued expenses		21,851		20,112
Income taxes payable		13,762		5,002
Current portion of long-term borrowings, net (Notes 9 and 18	3)	130,731		189,922
Derivative liabilities (Note 17)	,	10,146		5,534
Unearned revenue		76		117
Other current liabilities		1,487		1,531
Total current liabilities		2,200,822		2,011,920
ion-current liabilities:				
Long-term borrowings, net (Notes 9 and 18)		535,665		461,893
Severance and retirement benefits (Note 10)		2,131		6,108
Deferred income tax liabilities (Note 14)		41,178		14,108
Other long-term liabilities		25,760		4,572
Total non-current liabilities		604,734		486,681
Total liabilities		2,805,556		2,498,601
quity:				
equity attributable to equity holders of the parent:				
Capital stock (Note 12)		193,800		193,800
Capital surplus (Note 12)		104,017		104,017
Capital adjustments (Note 12)		(1,587)		(968)
Accumulated other comprehensive income (Notes 3 and 4)		42,863		46,702
Retained earnings (Note 12)		599,039		323,575
		938,132		667,126
finority interests		(3,268)		(12,680)
Total equity		934,864		654,446
otal liabilities and equity	<u>₩</u>	3,740,420	₩	3,153,047



LG International Corp. and subsidiaries Consolidated statements of income

For the years ended December 31, 2010 and 2009

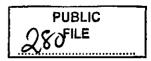
(Korean won in millions, except per share amounts)		2040		2000
Onton (Noton 44 and 20)	184	2010	181	2009
Sales (Notes 11 and 20)	₩	13,501,084	₩	10,325,581
Cost of sales (Notes 11 and 20)		12,864,145		9,730,837
Gross profit		636,939		594,744
Selling and administrative expenses (Notes 11, 13 and 20)		443,484		408,847
Operating income		193,455		185,897
Other income (expenses):				
Interest income		19,990		25,216
interest expense		(38,125)		(48,445)
Dividend income		8,985		8,430
Gain on foreign currency transactions, net		3,148		2,607
Gain on foreign currency translation, net		10,671		21,334
Loss on disposal of short-term financial instruments		(3)		(14)
Gain (loss) on disposal of other investments, net		118		(659)
Equity in earnings of equity method investments, net (Note 4)		205,748		38,025
Gain on disposal of equity method investments, net		8,898		896
Gain on disposal of available-for-sale securities		1,628		1,249
Loss on disposal of property, plant and equipment, net		(240)		(272)
Impairment losses on available-for-sale securities		(786)		-
Impairment losses on overseas resources investment		(13,494)		-
Loss on disposal of intangible asset		(7,207)		-
Reversal of allowance for doubtful accounts		14		96
Loss on disposal of trade accounts receivable		(19,560)		(18,480)
Gain (loss) on settlement of derivatives transactions, net		712		(71,960)
Loss on valuation of derivative instruments, net (Note 17)		(396)		(3,999)
Gain (loss) on valuation of firm commitment assets, net (Note 17)		(1,891)		3,860
Others		8,973		(17,370)
		187,183		(59,486)
Income before income taxes		380,638		126,411
Provision for income taxes (Note 14)		84,091		30,070
Net income of subsidiaries before the date of acquisition		59		
Net income	₩	296,488	W	96,341
Attributable to:				
Equity holders of the parent	₩	285,998	₩	93,445
Minority interests	₩	10,490	₩	2,896
Basic earnings per share (korean won, Note 15)	₩	7,398	₩	2,417

See accompanying notes.

LG International Corp. and subsidiaries
Consolidated statements of changes in stockholders' equity
For the years ended December 31, 2010 and 2009
(Korean won in millions)

							Š	Accumulated						
		,	1					other						
	•	Capital stock	ပန္တ	Capital surplus	<u>ම</u> ම්	Capital adjustments	E 03	comprehensive income	Z 2	Retained earmings	i i	Minority interests		Total
As of January 1, 2009 (as previously stated)	≢	193,800	≱	104,017	≱	(896)	≱	58,394	≱	231,942	≱	(16,421)	≱	570.764
Cumulative effects of accounting changes				h				•		5,295		•		5,295
As of January 1, 2009 (as restated)		193,800		104,017		896)		58,394		237,237		(16,421)		576,059
Dividends								1		(7,732)				(7,732)
Net income for the year		•		1		1		•		93,445		2,896		96,34
Loss on valuation of available-for-sale securities		•		•		٠		814		•		•		814
Equtiy adjustments in equity method		ı		•		•		(3,086)		•		2,357		(729)
Foreign currency translation adjustments		•		4		•		(9,420)		•		(919)		(10,339)
Change in consolidation scope		•		1		1				625		(283)		32
As of December 31, 2009	≱∥	193,800	≱	104,017	≱	(896)	≱	46,702	≱	323,575	*	(12,680)	≱	654,446
As of January 1, 2010 (as previously stated)	*	193,800	≱	₩ 104,017	≱	898	≱	46,702	≱	323,575	≱	(12.680)	≱	654.446
Dividends		•				` ,				(7,732)				(7.732)
Net income for the year		•		•		1		•		285,998		10,490		296,488
Gain on valuation of available-for-sale securities		,		•		•		1,335		•		Ø		£.
Equtiy adjustments in equity method		•		•		•		12,758		•		705		13,463
Foreign currency translation adjustments		•		1		•		(17,371)		•		(6,549)		(23,920)
Asset revaluation surplus		•		•		•		(261)		•		•		(561)
Other capital adjustments		•		•		(619)		•		•		•		(619)
Change in consolidation scope		•		•		•				(2.802)		4,757		1,955
As of December 31, 2010	≵	193,800	*	₩ 104,017	*	(1.587)	≱	42,863	≱	599,039	≱	(3,268)	≱	934,864

See accompanying notes.



LG International Corp. and subsidiaries Consolidated statements of cash flows For the years ended December 31, 2010 and 2009

(Korean won in millions)		2010		2009
Cash flows from operating activities:		=4 1A		2000
Net income	₩	296,488	₩	96,341
Adjustments to reconcile net income to net cash provided by (used in)	•		
operating activities:				
Provision for severance and retirement benefits		6,427		5,888
Depreciation		5,454		7,558
Allowance for doubtful accounts		6,875		1,239
Amortization of intangible assets		5.876		9,131
Amortization of bonds		209		152
Gain on foreign currency translation, net		(7,036)		(15,948)
Equity in earnings of equity method investments, net		(205,748)		(38,025)
Loss on disposal of trade accounts receivable		19,560		18,480
Gain on disposal of available-for-sale securities, net		(1,628)		(1,249)
Loss (gain) on disposal of equity method investments		(8,898)		896
Loss on disposal of property, plant and equipment, net		240		272
Impairment losses on available-for-sale securities		786		
Impairment losses on overseas investment		13,494		_
Loss on valuation of derivative instruments, net		396		3,999
Loss (gain) on valuation of firm commitment assets, net		1,891		(3,860
Others, net		8,918		22,393
Changes in operating assets and liabilities:		.,		
Trade accounts and notes receivable		116,774		151,002
Other accounts receivable		46,685		197,840
Accrued income		(6,309)		(4,478
Inventories		(394,035)		236,788
Advance payments		(8,843)		20,748
Prepaid expenses		7,362		819
Deferred income tax assets		31,347		(4,159
Trade accounts and notes payable		58,036		(35,333
Other accounts payable		(31,571)		(135,138
Withholdings		10,034		(6,204
Accrued expenses		1,539		(3,948)
Advances received		35,003		(13,197
Unearned revenue		(3,023)		39
Income taxes payable		6,091		(17,922)
Payment of severance and retirement benefits		(4,672)		(3,712
Deferred income tax liabilities		12		1,389
Others, net		(17,111)		596
Total adjustments		(305,865)		396,056
Net cash provided by (used in) operating activities	₩	(9,377)	₩	492,397

LG International Corp. and subsidiaries Consolidated statements of cash flows (cont'd) For the years ended December 31, 2010 and 2009

(Korean won in millions)		
	2010	2009
Cash flows from investing activities:		
Decrease in short-term financial instruments, net	₩ (14,732)	₩ 31,310
Increase of investment in overseas resources development, net	40,353	(3,235)
Proceeds from disposal of equity method investments	52,740	1,027
Proceeds from disposal of available-for-sale securities	6,687	1,851
Acquisition of available-for-sale securities	(5,265)	(5,650)
Increase in long-term loan receivables, net	(3,053)	(55,955)
Proceeds from disposal of property, plant and equipment	1,712	1,720
Dividend income from equity method investments	9,044	3,254
Acquisition of equity method investments	(122,271)	(40,915)
Payment of long-term guarantee deposits	(440)	(576)
Acquisition of property, plant and equipment	(11,350)	(12,909)
Acquisition of intangible assets	(6,195)	(5,507)
Others, net	(507)	2,776
Net cash used in investing activities	(53,277)	(82,809)
Cash flows from financing activities:		
Drawdown from short-term borrowings	6,174,564	
Drawdown from long-term borrowings	71,824	217,891
Proceeds from issuance of bonds	39,793	89,558
Increase in long-term withholding, net	4,487	
Repayment of short-term borrowings	(6,000,733)	(488,340)
Repayment of long-term borrowings	(42,098)	(71,407)
Repayment of current portion of long-term borrowings	(170,676)	(186,469)
Payment of dividends	(7,732)	(8,080)
Others, net	`´ 2 ´	2
Net cash provided by (used in) financing activities	69,431	(446,845)
Net increase in cash and cash equivalents		
from change in consolidation scope	3,510	863
Net increase (decrease) in cash and cash equivalents	10,287	(36,394)
Net foreign exchange differences	9,196	(49,688)
Cash and cash equivalents at the beginning of the year	173,582	259,664
Cash and cash equivalents at the end of the year	₩ 193,065	₩ 173,582

See accompanying notes.

1. Organization and business

The organization and business of LG International Corp. ("LGI"), the parent company, and its consolidated subsidiaries, which consist of three domestic subsidiaries including Korea Commercial Vehicle Co., Ltd. and 14 foreign subsidiaries including LG International (America) Inc., (collectively, the "Company") are described below.

The parent company

LGI was incorporated on November 26, 1953 under the laws of the Republic of Korea. LGI is a member of the LG group, which consist of numerous companies under common management control.

Lucky Industry was established in November 1953 as an import and export specialty company amongst the Lucky Group and changed its name to Bando Corporation in April 1956, and to Lucky-Goldstar International Corp. and to LG International Corp. in January 1984 and March 1995, respectively.

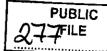
LGI is currently engaged in the import and export business, overseas resource and business development, and other business activities. LGI has 7 directly owned overseas subsidiaries, 23 liaison offices and 21 overseas branch offices as of December 31, 2010.

In January 1976, LGI listed its common shares on Korea Exchange. Also on November 12, 1976, LGI was designated as a general trading company by the Korean government. As of December 31, 2010, LGI's outstanding capital stock amounted to \text{\psi}193,800 million.

Consolidated subsidiaries

Consolidated subsidiaries as of December 31, 2010 are as follows:

	Reporting Date	Percentage of ownership (%)	Number of shares
LG Int'l (America) Inc.	Dec. 31	100.00	80,000
LG Int'l (Japan) Ltd.	Dec. 31	100.00	90,000
LG Int'l (HK) Ltd.	Dec. 31	100.00	77,968
LG Int'i (S'pore) Pte., Ltd.	Dec. 31	100.00	5,000,000
LG Int'l (Deutsch) GmbH	Dec. 31	100.00	9,510
LG Int'i (Aust) Pty Ltd.	Dec. 31	100.00	5,496,881
LG Int'l (China) Corp.	Dec. 31	100.00	-
LG Properties (S'pore) Pte., Ltd.	Dec. 31	70.00	60,537,470
Philco Resources Ltd.	Dec. 31	60.00	3,630,000
PT. Tutul Batubara Utama	Dec. 31	75.00	1,800,000
Resource Investment (H,K) Ltd.	Dec. 31	100.00	•
PT. Indonesia Renewable Resources	Dec. 31	100.00	26,000,000
KUMAH Steel Co., Ltd	Dec. 31	51.00	96,900
PT. Batubara Global Energy (BGE)	Dec. 31	100.00	10,000,000
LG TIMOR SEA., Ltd.	Dec. 31	100.00	-
Korea Commercial Vehicle Co., Ltd.	Dec. 31	100.00	140,000
Pixdix	Dec. 31	100.00	6,000,000



1. Organization and business (cont'd)

Consolidated subsidiaries (cont'd)

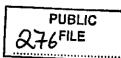
The principal activities of the consolidated subsidiaries and their business relationships with LGI are summarized as follows:

	Principal activities	Business relationships
LG Int'l (America) Inc.	Marketing of merchandise and	Agent for export and import, and
LO III (Full of Co.)	agent for export and import	supplier of goods
LG Int'l (Japan) Ltd.	N	H
LG Int'l (HK) Ltd.	н	н
LG Int'l (S'pore) Pte. Ltd.	n	п
LG Int'l (Deutsch) GmbH	M	н
LG Int'l (Aust) Pty. Ltd.	Coal mining	Overseas resources developer
LG Int'l (China) Corp.	Marketing of merchandise and agent for export and import	Agent for export and import, and supplier of goods
LG Properties (S'pore) Pte. Ltd.	Overseas real estate development	Overseas resources developer
Philco Resources Ltd.	Copper mining	н
PT. Tutui Batubara Utama	Coal mining	W
Resource Investment (H.K) Ltd.	Coal mining	
Indonesia Renewable Resources	Industrial Planting	•
KUMAH Steel Co., Ltd	Manufacturing of Steel frames	•
PT. Batubara Global Energy(BGE)	Flaming coal	*
LG TIMOR SEA., Ltd.	Oil & Gas	•
Korea Commercial Vehicle Co., Ltd.	Manufacturing and marketing of vehicles and construction equipment	Agent for export and import, and supplier of goods
Pixdix	Whosale & retail of optical Instruments	Whosale & retail of optical Instruments

<u>Changes in consolidation scope</u>

The following table presents the information of subsidiaries newly included in the consolidated financial statements in 2010:

Subsidiary name	Reason for inclusion
KUMAH Steel Co., Ltd.	Acquired in 2010
PT. Batubara Global Energy (BGE)	•
LG TIMOR SEA., Ltd	M .



1. Organization and business (cont'd)

Consolidated subsidiaries (cont'd)

The summary of the consolidated subsidiaries' financial position as of December 31, 2010, and the results of their financial performance for the year then ended included in the accompanying consolidated financial statements, are as follows (Korean won in millions):

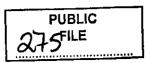
	,	otal assets		Equity		Revenues	N	et income (loss)
LG International Corp.	₩	2,307,358	₩	961,125	₩	6,069,895	₩	287,879
LG Int'l (America) Inc.		86,210		35,946		215,032		4,744
LG Int'l (Japan) Ltd.		714,247		39,876		4,858,505		19,210
LG Int'l (HK) Ltd.		323,475		18,435		2,461,932		7,052
LG Int'l (S'pore) Pte. Ltd.		217,031		21,769		1,222,439		2,148
LG Int'l (Deutsch) GmbH		181,988		5,028		694,778		(444)
LG Int'l (Aust) Pty. Ltd.		39,902		11,219		36,538		1,886
LG Int'l (China) Corp. LG Properties		40,272		12,200		70,373		1,348
(S'pore) Pte. Ltd.		71,126		700		-		(255)
Philco Resources Ltd.		97,365		28,758		-		27,947
PT. Tutui Batubara Utama Resource Investment		9,628		(13,365)		11,160		(1,246)
(H.K) Ltd.		64,623		64,623		-		9,517
Indonesia Renewable Resources		46,780		38,976		_		(7,909)
KUMAH Steel Co., Ltd. PT. Batubara Global		40,568		8,283		109,397		(703)
Energy(BGE)		160,687		36,369		402,257		13,944
LG TIMOR SEA., Ltd. Korea Commercial		8,332		(13,758)		-		(13,968)
Vehicle Co., Ltd		29,028		(482)		33,370		(10,476)
Pixdix		40,497		21,151		119,216		(2,195)
Elimination of intercompany						,		(=1100)
transactions		(738,697)		(341,990)		(2,803,808)		(41,991)
	W	3,740,420	₩	934,863	₩	13,501,084	W	296,488

2. Summary of significant accounting policies

Basis of consolidated financial statement preparation

The Group maintains their official 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 ("Korean GAAP"). Certain accounting principles applied by the Group that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. In the event of any differences in interpreting the financial statements or the Independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language consolidated financial statements

The financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Republic of Korea, including Statements of Korea Accounting Standards ("SKAS") 1 to 25 (excluding SKAS 14 and 24), and the summary of significant account policies used for the preparation of the consolidated financial statements are as follows:



2. Summary of significant accounting policies (cont'd)

Principles of consolidation

The investment accounts of the parent company and the corresponding capital accounts of the subsidiaries have been eliminated at the acquisition date in consolidation. If the acquisition date of the subsidiaries is different from the year-end date, the closest year-end date of the subsidiaries is deemed as the acquisition date.

The difference between the cost of investment and the acquired proportionate interest in the fair value of identifiable assets and liabilities at the date of acquisition is accounted for as goodwill or negative goodwill. Goodwill is amortized over its useful life of within 20 years using the straight-line method. Negative goodwill arising from identifiable non-monetary tangible assets is amortized over the useful life of those assets. The remaining portion of negative goodwill in excess of the fair value of acquired identifiable non-monetary tangible assets is recognized as income immediately.

The parent company reflects only its share of the subsidiaries' post-acquisition retained earnings and other equity accounts after acquiring or gaining control of the subsidiaries. In addition, the difference between the cost of investment for new shares and fair value of net assets acquired arising from subsequent changes in the parent company's equity interest in a subsidiary from issuance of additional shares or stock dividends by the subsidiary is treated as a reduction or increment of the Group's capital surplus.

All significant inter-company transactions and account balances among consolidated companies are eliminated in consolidation. Unrealized gains or losses included in inventories and property, plant and equipment arising from transactions between consolidated companies are eliminated based on the average gross profit rates of the selling company. The related accounts receivable and accounts payable are also eliminated. Unrealized gains or losses arising from sales by the parent company to its subsidiaries are fully eliminated. Unrealized gains or losses arising from sales by the subsidiaries to the parent company or among the subsidiaries are fully eliminated and the minority interests are allocated for their share of unrealized gains or losses.

Accounts of foreign subsidiaries are maintained in the currencies of the countries in which they conduct their operations. In translating their foreign currency financial statements into Korean won, income and expenses are translated at the average exchange rate during the year and assets and liabilities are translated at the exchange rate prevailing on the reporting date. The resulting net translation gains or losses are recorded as a foreign currency translation adjustment in other comprehensive income or loss within equity. Cash and cash equivalent at the beginning of the year and at the end of the year in consolidated statements of cash flows are translated using the exchange rate as of December 31, 2009 and 2010, respectively, while other items are translated at the average exchange rate during the year. Resulting translation gains and losses are recognized as net foreign exchange differences in the consolidated statement of cash flows.

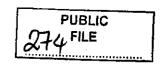
Minority interest in consolidated subsidiaries is presented as a separate component of stockholders' equity in the consolidated statements of financial position. Losses are attributed to the minority interest even if that results in a deficit balance, unless the minority interest has a binding agreement of not being able to absorb the full losses, where the excess of such losses will be absorbed by the parent company.

Consolidated net income of the Company is apportioned between net income attributable to equity holders of the parent and that attributable to minority interests taking into account unrealized gains or losses on intercompany transactions, goodwill or negative goodwill and foreign exchange differences on intercompany transactions.

The financial statements of the consolidated subsidiaries are prepared using the same reporting date as the parent company, using consistent accounting policies.

Cash equivalents

Highly liquid deposits and marketable securities with original maturities of three months or less, and which have no significant risk of loss in value by interest rate fluctuations, are considered as cash equivalents.



2. Summary of significant accounting policies (cont'd)

Financial instruments

Financial instruments, such as time deposits and restricted bank deposits, which are traded by financial institutions and are held for short-term cash management purposes or which will mature within one year, are accounted for as short-term financial instruments. Financial instruments other than cash equivalents and short-term financial instruments are recorded as long-term financial instruments.

Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts in consideration of the estimated losses that may arise from non-collection of its receivables. The estimate of losses, if any, is based on a review of the aging and current status of the outstanding receivables.

Factoring of trade receivables

The difference between book value and disposal price arising from factoring of trade receivables is recorded in current operations if the rights and obligations associated with the trade receivables have actually transferred.

<u>Inventories</u>

Inventories are valued at the lower of cost or net realizable value, with cost being determined using the specific identification method. Perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts that are performed periodically.

When a decline in the value of an inventory indicates that its cost exceeds net realizable value, a valuation loss will be recognized to write the inventory down to its net realizable value. The loss on valuation is recognized in cost of sales. When the circumstances that previously caused the inventories to be written down cease to exist or there is an increase in net realizable value, the amount of the writedown is reversed to the extent of the original write-down amount so that the new carrying amount is the lower of cost and revised net realizable value. The reversal is recognized as a deduction from cost of sales.

Investments in securities

Investments in securities within the scope of SKAS 8 *Investments in Securities* are classified as either trading, held-to-maturity and available-for-sale securities, as appropriate, and are initially measured at cost, including incidental expenses, with cost being determined using the moving average method. The Group determines the classification of its investments after initial recognition, and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Securities that are acquired and held principally for the purpose of selling them in the near term are classified as trading securities. Debt securities which carry fixed or determinable payments and fixed maturity are classified as held-to-maturity if the Group has the positive intention and ability to hold to maturity. Securities that are not classified as either trading or held-to-maturity are classified as available-for-sale securities.

After initial measurement, available-for-sale securities are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income. Likewise, trading securities are also measured at fair value after initial measurement, but with unrealized gains or losses reported as part of net income. Held-to-maturity securities are measured at amortized cost after initial measurement. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

The fair value of trading and available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the reporting date, except for non-marketable equity securities which are measured at cost subsequent to initial measurement if their fair values cannot be reliably estimated. Non-marketable debt securities are carried at a value using the present value of future cash flows discounted using an appropriate interest rate which reflects the issuer's credit rating announced by a public independent credit rating agency. If the application of such measurement method is not feasible, estimates of fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting business in similar industries.

2. Summary of significant accounting policies (cont'd)

investments in securities (cont'd)

Trading securities are classified as current assets. Available-for-sale and held-to-maturity securities are classified as long-term investments, except that securities maturing within one year or are certain to be disposed of within one year from the reporting date are classified as short-term investments.

The Group recognizes an impairment loss on its investments in securities if there is objective evidence that the securities are impaired. The impairment loss is charged to statement of income.

Equity method investments

Investments in entitles over which the Group has significant influence are accounted for using the equity method. Under the equity method of accounting, the Group's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Group's share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Group on the statement of financial position. If the Group's share of losses of the investee equal or exceed its interest in the investee, it suspends recognizing its share of further losses. However, if the Group has other long-term interests in the investee, it continues recognizing its share of further losses to the extent of the carrying amount of such long-term interests.

At the date of acquisition, the excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill which is amortized over its useful life within 20 years using the straight-line method. Conversely, negative goodwill represents the excess of the Group's share in the net fair value of the investee's identifiable assets and liabilities over the cost of the investment. Negative goodwill is recorded to the extent of the fair value of acquired non-monetary assets and recognized as income using the straight-line method over the remaining weighted-average useful life of those acquired non-monetary assets. The amount of negative goodwill in excess of the fair value of acquired non-monetary assets is recognized as income immediately.

The Group's share in the investee's unrealized profits and losses resulting from transactions between the Group and its investee are eliminated.

In translating the financial statements of foreign investees into Korean won, assets and liabilities are translated at the exchange rate on the reporting date and income and expenses are translated at the average exchange rate for the period. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

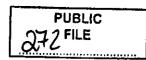
Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except for assets which were revalued in accordance with the Korean Assets Revaluation Law are stated at revalued amounts less accumulated depreciation. The revaluation of assets is no longer allowed effective from January 1, 2001.

Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

Depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful life of the assets as follows:

, , , , , , , , , , , , , , , , , , ,	Years
Buildings	20 – 40
Structures	20 – 40
Machinery	5 – 8
Vehicles	5 – 12
Others	5



2. Summary of significant accounting policies (cont'd)

Capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an item of qualifying asset that necessarily takes more than one year to get ready for its intended use are capitalized as part of the cost of those assets.

Intangible assets

Intangible assets of the Company consist of goodwill, industrial proprietary rights and others, which are stated at cost less accumulated amortization. Amortization is recognized as an expense based on the straight-line method over the estimated useful life of the assets as follows:

	Years
Goodwill	5
Industrial proprietary rights	5 – 15
Others	3.5 - 20

Investments in overseas resources development

The Company recognizes gas and ore exploration projects such as the Vietnamese mine concession as part of the Company's overseas resource exploration investment which is classified as a non-current investment in the statement of financial position. Such investment is amortized using a reasonable method when commercial production begins.

Discount on bonds

Discount on bonds is presented as a direct deduction from the nominal value of the bonds and is amortized using the effective-interest-rate method over the life of the bonds.

Severance and retirement benefits

In accordance with the Employee Retirement Benefit Security Act ("ERBSA") of Korea and the Company's domestic employee benefits policy, employees terminating their employment with at least one year of service are entitled to severance and retirement benefits based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision is determined based on the amount that would be payable assuming all employees were to terminate their employment as of the reporting date.

The Company's severance and retirement benefits are partly funded through an insurance plan with Korea Life Insurance, Kyobo Life Insurance, LIG Insurance and Woori Bank. Up to March 1999, the Company had previously prepaid a portion of its severance and retirement benefits obligation to the National Pension Service ("NPS"). The Insurance deposits and prepayments are presented as a deduction from the provision for severance and retirement benefits.

For foreign subsidiaries where applicable, the provision for severance and retirement benefits is recorded in accordance with the regulations of their respective countries.

Leases

A lease is accounted for as either a capital lease or an operating lease. A lease is recognized as a capital lease if it transfers substantially to the Company all the risks and rewards incidental to ownership of the leased asset.

An asset acquired by way of a capital lease arrangement is stated in the statement of financial position at the lower of the fair value or the present value of minimum lease payments at the inception of the lease. The corresponding liability is included in the statement of financial position as a capital lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalized lease assets are depreciated in the same manner as other depreciable property, plant and equipment.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

2. Summary of significant accounting policies (cont'd)

Foreign currency translation

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made.

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates on the reporting date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations.

Revenue recognition

Revenue from the sale of goods is recognized when significant risk and rewards of ownership of goods have passed to the buyer and revenue from services is recognized by reference to the stage of completion. Revenue received from transactions where the Company acts as an agent without assuming the risks and rewards of ownership of the goods including export and import related agent activities, are recognized on a net basis. The sales of goods later refundable are recognized upon delivery of goods to the customers.

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the statement of financial position. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are classified as current or non-current assets or liabilities based on the classification of underlying assets and liabilities, and deferred tax assets and liabilities should be offset if the entity has a legally enforceable right to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

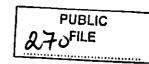
Impairment of assets

When the recoverable amount of an asset is less than its carrying amount due to obsolescence, physical damage or abrupt decline in the market value of the asset, the decline in value, if material, is deducted from the carrying amount and recognized as an asset impairment loss in the current year.

When the recoverable value subsequently exceeds the carrying amount, the impairment loss is reversed to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment. In case of available-for-sale securities, impairment loss is reversed to the extent of impairment loss initially recorded.

Valuation of receivables (payables) at present value

Receivables (payables) arising from long-term installment transactions are stated at present value. The difference between the carrying amount and present value of the receivables (payables) is amortized using the effective-interest-rate method and credited (charged) to statement of income over the installment period.



2. Summary of significant accounting policies (cont'd)

Derivative financial instruments

Derivative financial instruments are presented as assets or liabilities valued principally at the fair value of the rights or obligations associated with the derivative contracts. The unrealized gain or loss from a derivative transaction with the purpose of hedging the exposure to changes in the fair value of a recognized asset or liability or unrecognized firm commitment is recognized in current operations. For a derivative instrument with the purpose of hedging the exposure to the variability of cash flows of a recognized asset or liability or a forecasted transaction, the hedge-effective portion of the derivative instrument's gain or loss is deferred as other comprehensive income in equity. The ineffective portion of the gain or loss is charged or credited to net income. Derivative instruments that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting are measured at fair value with unrealized gains or losses reported in net income.

Per share amounts

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated by dividing net income by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would have been outstanding assuming the conversion of all dilutive potential common shares.

Use of estimates

The preparation of financial statements in accordance with Korean GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Available-for-sale securities

Available-for-sale securities as of December 31, 2010 and 2009 consist of the following (Korean won in millions):

millions):				2010				
	Number of shares	Ownership (%)	Ac	quisition Cost		value/Net et value ^(*1)	Вс	ok value
Marketable securities:								
LG Uplus Corp. (Formerly, LG Dacom)	198,366	0.04	₩	8,681	₩	1,422	w	1,422
LG Fashion Corp.	69,761	0.24	**	575	**	2,187	**	2,187
E.I.C Properties Pte. Ltd.	5,296,350	15.50		2.001		3,842		3,842
Posco C&C	0,200,000	0.00		200		291		291
		0.00		11,457		7,742		7,742
Non-marketable securities:						- 1,1		. [,
Korea RAS Laffan LNG ^(*2) LG International Investments	1,558,666	5.60		2,410		1,841		2,410
(Canada) Ltd. ^(*2 and *3) Mongolia Resources Investment Limited	5,731,968	100.00		5,891		5,991		5,891
(Adamas) (*2 and *3)	1,141,112	100.00		1,295		1,345		1,295
Hyundai Hysco ^(*2)	-	10.00		946		1,797		946
Aromatics Oman LLC						•		
(*2 and *4)	-	1.00		4,779		4,973		4,779
Hebei International Trade Co., Ltd. ^(*2 and *3)		400.00		2 240		2 240		0.046
Others	•	100.00		3,346		3,346		3,346
Oulers	•	-		17,099 35,766		6,754		4,812
			₩	47,223	₩	26,047 33,789	₩	23,479
				47,223	**	33,708	VY	31,221
				2009				
	Number of shares	Ownership (%)	Ac	quisition Cost		value/Net et value ^(*1)	D-	ale saalsea
Marketable securities:	Or Silares	(70)		COSI	255	er value	DO	ok value
LG Uplus Corp.								
(Formerly, LG Dacom)	92,312	0.11	₩	8,681	₩	1,643	w	1,643
LG Fashion Corp.	69,761	0.24	-	575	.,	2,201	• •	2,201
E.I.C Properties Pte. Ltd.	5,296,350	15.50		2,894		2,427		2,427
				12,150		6,271		6,271
Non-marketable securities:								
Korea RAS Laffan LNG ^(*2) LG International Investments	1,558,666	5.60		2,410		1,823		2,410
(Canada) Ltd (*2 and *3)	5,476,003	100.00		5,605		5,856		5,605
SK Eurochem Sp. z o.o. ^(*2) LG International	-	10.00		4,348		6,617		4,348
Yakutsk ^(*2 and *3)	-	100.00		5,325		4,730		5,325
Mongolia Resources Investment Limited								
(Adamas) (*2 and *3)	2,000,000	100.00		1,262		1,262		1,262
•								
Hyundai Hysco ^(*2)	-	10.00		946		1,797		946

				2009				
	Number of shares	Ownership (%)	Ac	quisition Cost		value/Net et value ^(*1)	Во	ok value
Others	-	-		10,102		4,927		3,283
			-	29,998		27,012		23,179
			W	42,148	₩	33,283	W	29,450

- (*1) Net asset values of non-marketable equity securities are computed based on the most recent available financial statements, some of which have not been audited or reviewed.
- (*2) Non-marketable equity securities are carried at cost due to the lack of reliable information necessary for determining the fair market value of the securities.
- (*3) Equity method investees with total assets of less than W10 billion as of December 31, 2009 were classified as available-for-sale securities, rather than being accounted for as an equity method investment, considering the materiality of the movements of the investments during the year.
- (*4) As a result of disposal of some common shares of Aromatics Oman LLC in 2010, the Company lost significant influence on this investee. So the Company reclassified the remaining shares of Aromatics Oman LLC from equity-method investments to available-for-sale securities.

The changes in the unrealized holding gain on valuation of available-for-sale securities for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

,		T		20	10			
		Jan. 1	Gain	on valuation	Defern	ed tax effect	Dec. 31	
LG Uplus Corp. (Formerly, LG Dacom)	₩	553	₩	(221)	₩	65	w	524
LG Fashion Corp.		1,232		(14)		39		1,130
E.I.C Properties Pte. Ltd.		1,318		1,519		-		2,837
Posco C&C		-		19		-		19
Aromatic Oman LLC				(92)		20	_	(72)
	W	3,103	₩	1,211	W	124	₩	4,438
	2009							
		Jan. 1	Gain	on valuation	Deferre	ed tax effect		Dec. 31
LG Uplus Corp. (Formerly, LG Dacom)	₩	716	₩	(188)	₩	25	₩	553
LG Fashion Corp.		721		701		(190)		1,232
E.I.C Properties Pte. Ltd.		852		466		•		1,318
	₩	2,289	W	979	W	(165)	W	3,103

4. Equity method investments

Investments in equity securities accounted for using the equity method as of December 31, 2010 and 2009 are as follows (Korean won in millions):

				2010				
	Number of shares	Ownership (%)	A	cquisition Cost	i	portionate let asset value ^(*1)	Вс	ook value
GS Retail	4,923,648	31.97	₩	124,184	₩	395,695	₩	395,695
LG Holdings (HK) Ltd.	35,000,000	25.00		57,104		49,971		49,971
Others	-	-		432,796		259,056		321,110
			₩	614,084	W	704,722	W	766,776
				2009				
	Number of shares	Ownership (%)	A	equisition Cost	n	portionate et asset value ^(*1)	Bo	ok value
GS Retail	4,923,648	31.97	₩	124,184	W	237,062	₩	212,107
LG Holdings (HK) Ltd.	35,000,000	25.00		57,104		47,811		47,811
Aromatics Oman LLC(*2)	-	10.00		49,806		49,725		46,106
Kernhem B.V	54	30.00		4,200		4,423		4,706
Others	-	-		185,869		189,304		221,081
			W	421,163	₩	528,325	₩	531,811

^(*1) Net assets values of non-marketable equity securities are computed based on the most recent available financial statements, some of which have not been audited or reviewed.

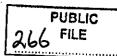
(*2) As a result of disposal of some common shares of Aromatics Oman LLC in 2010, the Company lost significant influence on this investee. So the Company reclassified the remaining shares of Aromatics Oman LLC from equity-method investments to available-for-sale securities.

The summary of financial position of the investees as of December 31, 2010, and the results of their financial performance for the year then ended, are presented as follows (Korean won in millions):

	T	otal assets	To	tal liabilities		Revenues	Net income		
GS Retail	₩	2,400,349	₩	1,162,710	₩	3,473,383	₩	520,290	
LG Holdings (HK) Ltd.	199,883		-		-		7,806		
Others		9,744,247		6,367,499		9,025,239		465,144	
	₩	12,344,479	₩	7,530,209	₩	12,498,622	₩	993,240	

The details of changes in carrying amount of equity method investments for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

					201	0						
	Jan. 1	Acquisition	eami	ngs (losses)	adjust	ments in	Di	vidends		nsolidation	De	oc. 31
W	212,107	₩ -	₩	191,314	₩		_		₩			95,695
	47,811	-		1,949		211		-		•		49,971
	271,893	61,013		12,485		5,587		(1,739)		(28,129)	3	21,110
₩	531,811	₩ 61,013	W	205,748	W	5,950	₩	(9,617)	₩	(28,129)	₩ 7	66,776
		W 212,107 47,811 271,893	W 212,107 W - 47,811 - 271,893 61,013	Jan. 1 Acquisition earning W 212,107 ₩ - ₩ 47,811 - 271,893 61,013	W 212,107 ₩ - ₩ 191,314 47,811 - 1,949 271,893 61,013 12,485	Equity in Equity in Equity in Equity in Equity in earnings (losses) adjust	Jan. 1 Acquisition earnings (losses) of investee adjustments in equity method W 212,107 W - W 191,314 W 152 47,811 - 1,949 211 271,893 61,013 12,485 5,587	Equity in Equity Jan. 1 Acquisition of investee equity method Display W 212,107 W - W 191,314 W 152 W 47,811 - 1,949 211 271,893 61,013 12,485 6,587	Equity in earnings (losses) adjustments in equity method Jan. 1 Acquisition W 191,314 W 152 W (7,878) 47,811 - 1,949 211 - 271,893 61,013 12,485 5,587 (1,739)	Equity in earnings (losses) adjustments in of investee equity method Control Dividends W 212,107 W - W 191,314 W 152 W (7,878) W 47,811 - 1,949 211 - 271,893 61,013 12,485 5,587 (1,739)	Equity in earnings (losses) of investee Equity method equity method Changes in consolidation consolidation W 212,107 W - W 191,314 W 152 W (7,878) W - 47,811 47,811 - 1,949 211	Equity in earnings (losses) Equity and particular distribution Equity in earnings (losses) Equity adjustments in equity method Changes in consolidation W 212,107 W - W 191,314 W 152 W (7,878) W (7,878) W - W 3 47,811 - 1,949 211 - 271,893 61,013 12,485 5,587 (1,739) (28,129) 3



(*1) For the investments in De Zwarte Ponk B.V. and FOSCO B.V., carrying amounts of investments in those investees were fully written down due to the Company's share in the accumulated losses of these investees. As the De Zwarte Ponk B.V. incurred loss in current year, allowance for doubtful account was reserved against the related loan amounting to W248 million (W5,854 million in 2009) and W86 million was recorded as equity adjustments in equity method in other comprehensive income. For the investment in FOSCO B.V., allowance for doubtful account amounting to W1,062 million (W948 million in 2009) was reserved against the related loan, and W199 million was recorded in other comprehensive income as equity adjustments in equity method.

				2009			
	Jan. 1	Acquisition	Equity in earnings (losses) of investee	Equity adjustments in equity method	Dividends	Changes in consolidation scope	Dec. 31
GS Retail	₩ 174,433	₩ -	₩ 39,885	₩ 250	₩ (2,461)	₩ -	W 212,107
LG Hoidings (HK) Ltd. Aromatics	56,505	•	(3,238)	(5,456)	•	-	47,811
Oman LLC	47,486	6,967	(550)	(7,797)	-	-	46,106
Kemhem B.V.	605	-	(7,387)	11,468	-	-	4,706
Others ^(*1)	176,809	118,565	9,295	(1,487)	(675)	(85,334)	221,081
	₩ 455,838	W 123,532	W 38,025	₩ (3,022)	₩ (3,136)	₩ (85,334)	W 531,811

The changes in carrying amount of goodwill and negative goodwill for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

					2010				
		Jan. 1	Changes in consolidation scope		Additions	Ar	nortization		Dec. 31
Goodwill	₩	54,083	₩	. W	31,992	₩	(5,877)	₩	80,198
Negative goodwill		32,520		-	-		(15,068)		17,452
		2009							
		. Jan. 1	Changes in consolidation scope		Additions	An	nortization	,,	Dec. 31
Goodwill	₩	39,070	₩ (821) ₩	19,142	₩	(3,308)	₩	54,083
Negative goodwill		41,395	·	•	3,620		(12,495)		32,520

The changes in equity adjustments in equity method recorded in other comprehensive income (loss) of the investees for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

					20	010				
·	J	an. 1	Net	changes	Chan consol sco	idation		ferred effect	D	ec. 31
GS Retail	W	3,389	₩	153	₩	-	W	65	W	3,607
LG Holdings (HK) Ltd.		11,175		211		-		278		11,164
Others		(8,594)		12,226				(175)		3,457
	₩	5,970	₩	12,590	₩		W	168	W	18,728

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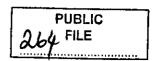
LG international Corp. and subsidiaries Notes to consolidated financial statements Years ended December 31, 2010 and 2009

4. Equity method investments (cont'd)

						2009				
		Jan. 1	Net	changes	con	anges in solidation scope		eferred x effect	ا	Dec. 31
GS Retail	₩	3,293	₩	250	₩	•	₩	(154)	₩	3,389
LG Holdings (HK) Ltd.		15,755		(5,456)		•		876		11,175
Aromatics Oman LLC		4,048		(7,797)		-		1,142		(2,607)
Kemhem B.V.		(4)		11,468		-		(2,775)		8,689
Others		(14,036)		(3,845)		2,789		416		(14,676)
	₩	9,056	W	(5,380)	₩	2,789	W	(495)	W	5,970

The elimination of unrealized gains arising from inter-company transactions for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

•		Property, plant and equipment							
		2010		2009					
GS Retail	₩		- ₩	24,955					



5. Overseas resources development

Direct investments and other indirect investments (represented by investments in loan receivables, available-for-sale securities and equity-method investments) in overseas resources development as of December 31, 2010 and 2009 consist of the following (Korean won in millions):

		20	10	
	Loan recievables	Available-for- sale securities	Equity-method Investments	Investments in overseas resources development
Korea RAS Laffan LNG Ko-Uz Gas Chemical Investment Ltd.	w -	₩ 2,410 -	W -	₩ -
Resource Investment (HK) Ltd. Mongolia Resources Investment Limited (Adamas)	<u>.</u>	1,295	67 ,462 -	-
LG International Investments (Canada) Ltd.	-	5,891	-	-
JPDA (LG Timor Sea)	-	-	-	8,138
LG Int'l(Aust) Pty., Ltd.	-	1,158	-	33,485
Philco Resources Ltd.	22,459	-	53,327	-
Erel Ltd.	-	-	49	-
Kernhem B.V. (ADA Oil)	53,456	-	16,194	-
KC Kazakh B.V. (Zhambiy)	18,963	65		-
DZP B.V. (Block-8) ^(*1)	32,920	•	-	-
Fosco (Egizkara) ^(*1)	20,816	-	-	-
NW Konys	22,778	-	17,806	-
Oman Bukha	•	-	•	63,668
Vietnam 11-2	-	-	-	70,166
Batubara Giobal Energy	131	•	-	•
PT. Tutui Batubara Utama(TBU)	•	-	-	-
MINERA COROCOBRE S.A	-	1,084	-	-
Indonesia Renewable Resource	-	-	46,374	-
PT. GREEN Gloval lestari	31,548	-	3,372	-
Oversea Resources Development Fund	-	85	-	-
Korea Carbon International	-	-	694	
United Copper & Moly LLC	-	•	20,725	-
Sal de Vida Hebei International	-	-	3,000	-
Trade Co., Ltd.	-	3,346	•	•
Heungkuk Investment Fund		270		
	W 203,071	W 15,604	₩ 229,003	W 175,457

^(*1) Allowance for doubtful account amounting to \$\pm\$7,826 million was reserved against the long-term loan receivable from DZP B.V. (Block-8) and FOSCO (Egizkara) due to the Company's equity in accumulated loss of these investees exceeded the Company's interests in these investees.

5. Overseas resources development (cont'd)

		20	109	
	Loan recievables	Available-for- sale securities	Equity-method investments	Investments in overseas resources development
Korea RAS Laffan LNG Ko-Uz Gas Chemical Investment Ltd.	₩ -	₩ 2,410 634	W -	W -
Resource Investment (HK) Ltd. Mongolia Resources Investment	-	-	-	-
Limited (Adamas) LG International Investments (Canada) Ltd	-	1,262 5,605	- · _	-
JPDA (LG Timor Sea)	17,991		-	-
Erel Ltd.	-	-	2,875	-
Kernhem B.V. (ADA Oil)	54,376	-	25,753	-
KC Kazakh B.V. (Zhambiy)	13,289	65	-	-
DZP B.V. (Block-8) ^(*1)	31,341	-	-	-
Fosco (Egizkara) ⁽¹⁾	18,506	-	-	-
Oman Bukha	-	-	•	109,427
Vietnam 11-2	-	-	-	68,828
Batubara Global Energy	28,294	-	4,233	-
PT. Tutui Batubara Utama(TBU)	-	-	-	•
MINERA COROCOBRE S.A	-	444	-	-
PT. GREEN Gloval lestari		-	2,342	-
	₩ 163,797	₩ 10,420	₩ 35,203	₩ 178,255

6. Property, plant and equipment

		C	ost			Accumulated	Depreciation			
		2010		2009		2010		2009		
Land	₩	27,430	₩	21,077	₩	-	₩	_		
Buildings		46,510		40,954		(16,599)		(14,909)		
Structures		20,973		4,731		(3,424)		(325)		
Machinery and equipment		21,257		6,014		(7,383)		(2,798)		
Vehicles		4,832		4,683		(2,055)		(1,861)		
Construction in-progress		6,000		8,979		-		-		
Other		19,458		18,207		(13,357)		(11,337)		
	₩	146,460	₩	104,645	₩	(42,818)	₩	(31,230)		

6. Property, plant and equipment (cont'd)

Changes in the net book value of property, plant and equipment for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

								2010						
		Jan. 1	A	dditions	Di	sposals		ransfers	De	preciation	(Others		Dec. 31
Land	₩	21,077	W	_	₩	-	₩	(1,845)	₩	_	₩	8,198	₩	27,430
Buildings		26,044		84		_		629		(1,087)		4,241		29,911
Structures		4,406		350		(108)		2,081		(56)		10,876		17,549
Machinery and equipment		3,217		65		(15)		8,313		(1,360)		3,854		13,874
Vehicles		2,822		226		(49)		-		(433)		211		2,777
Other		8,979		9,527		-		(12,812)		-		306		6,000
Construction in-progress		8,870		1,098	_	(40)		(421)		(2,518)		1,112		6,101
•	₩	73,415	₩	11,350	₩	(212)	₩	(4,055)	₩	(5,454)	₩	28,598	₩	103,642

•								2009						
		Jan. 1	_A	dditions		isposals	T	ransfers	De	preciation	(Others		ec. 31
Land	₩	19,280	₩	-	₩	(71)	₩	(484)	₩	-	₩	2,352	₩	21,077
Buildings		27,435		171		-		1,148		(3,920)		1,210		26,044
Structures		1,059		533		-		2,849	•	(55)		20		4,406
Machinery and equipment		1,408		1,255		(508)		1,685		(634)		11		3,217
Vehicles		2,856		345		(88)		-		(506)		215		2,822
Other		4,971		1,355		(307)		•		(2,443)		3,294		8,979
Construction in-progress		4,440		9,250		(3,778)		(6,412)		-		5,479		6,870
	₩	61,449	W	12,909	₩	(4,752)	₩	(1,214)	₩	(7,558)	W	12,581	₩	73,415

The value of the Company's domestic land, as determined by the Government of the Republic of Korea for tax administration purposes, as of December 31, 2010 and 2009 is as follows (Korean won in millions):

	2	010			2009						
	Book value	Publicly an	nounced value		Book value	Publicly a	nnounced value				
₩	27,430	₩	37,077	₩	17,730	₩	26,500				

LGI entered into operating leases for its helicopters (included in vehicles) with Shinhan Capital and Lotte Capital. Future rentals payable under such operating leases as of December 31, 2010 are as follows:

Year	rent	Future tais payable
2011	₩	1,875
2012		1,794
2013		1,399
2014		928
2015 and thereafter		
	₩	5,996

As of December 31, 2010, inventories, certain property, plant and equipment and accounts receivable are insured against fire and other casualty losses for up to \\258,781 million and US\$1,412,394,186.

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7. Intangible assets

Changes in the net book value of intangible assets for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

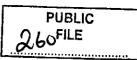
						201	0					
		an. 1	Ad	ditions	Tra	nsfer	Am	ortization	C	Others	Dec	c. 31
Goodwill Industrial proprietary	₩	8,311	W	765	W	•	W	(5,351)	₩	4,784	₩ 8	3,509
rights		51		1		(12)		(1)		3		42
Others		38,162		5,429	(18	5,810)		(525)		14,909	42	2,165
•	₩	46,524	₩	6,195	₩(1	5,822)	W	(5,877)	₩	19,696	W50	,716
						200	9					
		Jan. 1	Ad	ditions	Tra	nsfer	Ame	ortization		thers	Dec	: 31
Goodwill Industrial proprietary	₩	11,395	₩	•	₩	-	₩	(3,990)	₩	906	• — —	3,311
rights		13		-		44		(9)		3		51
Others		31,603		5,507		687		(5,132)		5,497	38	,162
	₩	43,011	W	5,507	₩	731	₩	(9,131)	₩	6,406	₩46	,524

8. Short-term borrowings

Short-term borrowings as of December 31, 2010 and 2009 consist of the following (Korean won in millions):

	Annual interest rate (%) as of Dec. 31, 2010		2010		2009
Short-term operating loans	LIBOR+0.96 ~ 6.49	₩	424,891	W	272,750
Banker's usance	0.96 ~ 1.52		15,690		21,729
		₩	440,581	₩	294,479

The Company entered into bank overdraft agreements with Woorl Bank and other seven banks as of December 31, 2010. In relation to bank overdraft agreement, long-term financial instruments are provided as collateral.



9. Long-term borrowings

Long-term borrowings of the Company as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Financial institution	Annual interest rate (%) as of Dec. 31, 2010		2010		2009
Local currency:					
Korea Mining Promotion Corporation	(Special energy fund rate - 2.25 ~ 5.00)	W	5,451	₩	6,185
Industrial Bank of Korea	3.96~4.40		1,588		-
Korea Development Bank Export-import Bank	LIBOR + 0.6		17,700		17,700
of Korea	6M Koribor + 2.6		15,000		20,000
Forestry Cooperative	4		2 406		
In Korea	1.50		3,196		
			42,935		43,885
Less current portion			(11,316)		(5,992)
		₩	31,619	₩	37,893
Foreign currency: Petroleum Development Fund	(Special energy fund rate - 2.25 ~ 5.00)	₩	70,429	₩	71,426
Korea Mining Promotion Corporation	(Special energy fund rate - 2.25 ~ 5.00)		34,438		40,955
Export-import Bank of Korea	6ML + (0.55 ~ 5.80)		257,901		297,812
Woorl Bank	6ML + 1.50		11,449		-
Korea Development Bank	6ML + 1.09		8,376		10,293
Calyon Bank	6ML + 1.20		56,390		57,811
Industrial Bank of Korea	2.67		1,034		-
GS E&C and Others	LIBOR + (0.50~3.00)		51,809		-
	•		491,826		478,297
Less current portion			(119,414)		(143,936)
		₩	372,412	W	334,361

The details of bonds issued as of December 31, 2010 and 2009 are as follows (Korean won in millions):

_	Annual interest rate (%) in 2010		2010		2009
Non-guaranteed debentures Less discount on bonds	5.18 ~ 8.21	₩	132,000 (366)	₩	130,000 (368)
Less current portion					(40,000)
		₩	131,634	₩	89,632

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9. Long-term borrowings (cont'd)

The repayment schedules of long-term borrowings and bonds as of December 31, 2010 are as follows (Korean won in millions):

Year	_	term loans al currency)	`-	-term loans eign currency)		Bonds		Total
2011	₩	11,316	W	119,414	₩	Donas -	W	130,730
2012	•••	8,876	"	84,802	**	92,000	**	185,678
2013	,	6,259		51,396		40,000		97,655
2014		6,259		47,658		-		53,917
2015		6,506		29,946		-		36,452
2016 and								·
thereafter		3,719		158,610		-		162,329
	W	42,935	₩	491,826	₩	132,000	₩	666,761

10. Severance and retirement benefits

Changes in net carrying amount of severance and retirement benefits for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010			2009
As of January 1,	W	24,854	₩	23,208
Provision during the year		6,427		5,888
Payments during the year		(4,672)		(3,712)
Transfer in (out)		(4,411)		(606)
Others		363		76
	-	22,561		24,854
Presented net of:				
Insurance deposits		(20,321)		(18,602)
Accumulated prepayments to the NPS		(109)		(144)
As of December 31,	₩	2,131	₩	6,108

The Company funded 90.07% and 74.84% of its severance and retirement benefits obligation as of December 31, 2010 and 2009, respectively, with insurance companies and offset the deposits against its liability for severance and retirement benefits.

11. Related party disclosures

Transactions between LGI and subsidiaries and among the consolidated subsidiaries, and outstanding balance related to these transactions which were all eliminated during consolidation are as follows (Korean won in millions):

			Sale	8	Purcha		Receivables		Payables	
Se	eller	Buyer	2010	2009	2010	2009	2010	2009	2010	2009
L	.GI	Subsidiaries	₩1,482,627	₩591,811	₩736,646	₩588,391	₩419,833	₩293,307	₩113,230	₩38,641
Subsi	idlaries	Subsidiaries	264,945	41,253	264,945	40.927	33.950	19.974	33.950	19 542

As of December 31, 2010, LGI is contingently liable in the amount of W405,163 million (US\$355,749 thousand) for guarantees issued for the indebtedness of its subsidiaries.

11. Related party disclosures (cont'd)

Significant transactions of LGI with related parties for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	20	10	2009			
	Sales	Purchases	Sales	Purchases		
Equity-method investees:						
LG International Yakutsk., Ltd.	₩ 304	₩ -	₩ -	₩ -		
Twinwine Co., Ltd.	216	-	204	•		
Tianjin LG Dagu Chem Co., Ltd	11,764	1,199	19,184	2,256		
PT. Green global lestari	1,331	-	-	-		
LG BOHAI	133,274	-	101,852	5,051		
POS-IPC	37,425	-	23,744	-		
Oman Polypropylene LLC	4,863	131,011	5,694	135,933		
De Zwarte Ponk B.V,	767	-	-	-		
KERNHEM B.V.	1,336	-	-	_		
FOSCO B.V.	371	-	~	-		
ADA Oil LLP	132	6	-	-		
Other equity-method investees	611	57	1,018	156		
Other related parties :	5,818,580	4,388,358	4,695,567	3,472,216		
	₩ 6,010,974	₩ 4,520,631	₩ 4,847,263	₩ 3,615,612		

Outstanding balances of LGI with related parties as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Receiva	bles	Payable				
		- ajabio	<u>. </u>	Receivables	F	ayables
Equity-method investees:						
LG International Yakutsk., Ltd ₩ 6	,760	₩	- ¥	/ -	₩	-
Twinwine Co., Ltd.	-		-	17		-
Tianjin LG Dagu Chem Co., Ltd	-		-			137
PT. Green global lestari 32	880		-	· <u>-</u>		-
LG BOHAI	•		-	•		8
POS-IPC	278		-	47		-
Oman Polypropylene LLC 4	972	6,2	03	40,132		16,956
De Zwarte Ponk B.V, 38,	444		•	32,272		-
KERNHEM B.V. 54,	763		•	46,426		_
FOSCO B.V. 23,	317		-	19,020		_
ADA OII LLP	39		3	-		-
Other equity-method investees 2,	145		-	2,294		33
Other related parties : 697,	684	551,68	37	799,220		515,022
₩ 861,	282	₩ 557,89)3 ¥	y 939,428	₩	532,156



12. Capital stock, capital surplus and capital adjustments

There is no change in capital stock of LGI during the years ended December 31, 2010 and 2009. Details of capital stock of LGI as of December 31, 2010 and 2009 are as follows:

Number of shares authorized

: 80,000,000 shares

Par value per share

: ₩5.000

Number of common shares issued : 38,760,000 shares in 2010 and 2009

Capital surplus of the Company as of December 31, 2010 and 2009 are as follows (Korean won in millions):

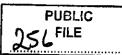
		2010		
Additional paid-in capital	₩	47,106	₩	47,106
Asset revaluation surplus		39,178		39,178
Other capital surplus		17,732		17,732
	₩	104,016	₩	104,016

In conformity with the Asset Revaluation Law, LGI revalued a substantial portion of its property, plant and equipment on July 1, 1998, based primarily on current replacement costs. The revaluation increments amounting to W87,151 million, net of revaluation taxes and foreign currency translation adjustments carried over from the previous year, were credited to asset revaluation surplus. Capital surplus may not be utilized for cash dividends, but may used to offset a future deficit, if any, or may be transferred to capital stock.

Capital adjustments of the Company as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2	010	2009		
Treasury stock	₩	(968)	₩	(968)	

As of December 31, 2010, LGI holds 100,751 shares of treasury stock amounting to W968 million with a par value of W504 million. LGI re-acquired its common stock to stabilize its stock price in the market. LGI sold a portion of its treasury shares and recorded a gain on disposal of treasury stock, net of the income tax effects, amounting to W17,732 million as of December 31, 2010, as other capital surplus on the statement of financial position.



13. Selling and administrative expense

Details of selling and administrative expenses for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875			2010		2009
Employee benefits 13,896 Travel expenses 8,402 Communication expenses 2,458 Utility expenses 1,190 Taxes and dues 15,539 Rental expenses 9,912 Depreciation of property, plant and equipment 5,454 Repairs expenses 780 Insurance 6,543 Entertainment expenses 4,954 Advertising and marketing expenses 14,056 Custody charges 5,058 Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 1 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 5,79 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allow	Salaries	₩	77,961	₩	73,893
Travel expenses 8,402 Communication expenses 2,458 Utility expenses 1,190 Taxes and dues 15,539 Rental expenses 9,912 Depreciation of property, plant and equipment 5,454 Repairs expenses 780 Insurance 6,543 Entertainment expenses 4,954 Advertising and marketing expenses 14,056 Custody charges 5,058 Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 <t< td=""><td>Provision for severance and retirement benefits</td><td></td><td>6,427</td><td></td><td>5,971</td></t<>	Provision for severance and retirement benefits		6,427		5,971
Communication expenses 2,458 Utility expenses 1,190 Taxes and dues 15,539 Rental expenses 9,912 Depreciation of property, plant and equipment 5,454 Repairs expenses 780 Insurance 6,543 Entertainment expenses 4,954 Advertising and marketing expenses 14,056 Custody charges 5,058 Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Employee benefits		13,896		13,550
Utility expenses 1,190 Taxes and dues 15,539 Rental expenses 9,912 Depreciation of property, plant and equipment 5,454 Repairs expenses 780 Insurance 6,543 Entertainment expenses 4,954 Advertising and marketing expenses 14,056 Custody charges 5,058 Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 Sales commissions 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 2,630 Conference expenses 331 Customs clearance expenses 5,976 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Travel expenses		8,402		6,345
Taxes and dues 15,539 Rental expenses 9,912 Depreciation of property, plant and equipment 5,454 Repairs expenses 780 Insurance 6,543 Entertainment expenses 4,954 Advertising and marketing expenses 14,056 Custody charges 5,058 Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Communication expenses		2,458		2,179
Rental expenses 9,912 Depreciation of property, plant and equipment 5,454 Repairs expenses 780 Insurance 6,543 Entertainment expenses 4,954 Advertising and marketing expenses 14,056 Custody charges 5,058 Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Utility expenses		1,190		684
Depreciation of property, plant and equipment 5,454 Repairs expenses 780 Insurance 6,543 Entertainment expenses 4,954 Advertising and marketing expenses 14,056 Custody charges 5,058 Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 623 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Taxes and dues		15,539		4,365
Repairs expenses 780 Insurance 6,543 Entertainment expenses 4,954 Advertising and marketing expenses 14,056 Custody charges 5,058 Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Rental expenses		9,912		8,935
Insurance 6,543 Entertainment expenses 4,954 Advertising and marketing expenses 14,056 Custody charges 5,058 Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 1 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Depreciation of property, plant and equipment		5,454		7,465
Entertainment expenses 4,954 Advertising and marketing expenses 14,056 Custody charges 5,058 Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 1 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Repairs expenses		780		4,873
Advertising and marketing expenses 14,056 Custody charges 5,058 Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 1 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Insurance		6,543		4,129
Custody charges 5,058 Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 1 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Entertainment expenses		4,954		3,953
Samples expenses 225 Packaging cost 20 Transportation expenses 125,015 1 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Advertising and marketing expenses		14,056		13,950
Packaging cost 20 Transportation expenses 125,015 1 Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Custody charges		5,058		3,932
Transportation expenses 125,015 1 Commission 52,686 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Samples expenses		225		202
Commission 52,686 Sales commissions 48,438 Purchases commissions 1,923 Supplies expenses 623 Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Packaging cost		20		6
Sales commissions48,438Purchases commissions1,923Supplies expenses623Publication expenses363Vehicles maintenance expenses1,239Loading and unloading expenses3,752Training expenses2,630Conference expenses331Customs clearance expenses579Amortization of intangible assets5,876Expenses for overseas branch office20,279Allowance for doubtful accounts6,875	Transportation expenses		125,015		115,302
Purchases commissions Supplies expenses Publication expenses Vehicles maintenance expenses Loading and unloading expenses Training expenses Conference expenses Customs clearance expenses Amortization of intangible assets Expenses for overseas branch office Allowance for doubtful accounts 1,923 1,923 2,630 1,239 1,239 2,630 2,630 Conference expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts	Commission		52,686		52,765
Supplies expenses623Publication expenses363Vehicles maintenance expenses1,239Loading and unloading expenses3,752Training expenses2,630Conference expenses331Customs clearance expenses579Amortization of intangible assets5,876Expenses for overseas branch office20,279Allowance for doubtful accounts6,875	Sales commissions		48,438		45,003
Publication expenses 363 Vehicles maintenance expenses 1,239 Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Purchases commissions		1,923		1,981
Vehicles maintenance expenses1,239Loading and unloading expenses3,752Training expenses2,630Conference expenses331Customs clearance expenses579Amortization of intangible assets5,876Expenses for overseas branch office20,279Allowance for doubtful accounts6,875	Supplies expenses		623		549
Loading and unloading expenses 3,752 Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Publication expenses		363		1,213
Training expenses 2,630 Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Vehicles maintenance expenses		1,239		1,167
Conference expenses 331 Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Loading and unloading expenses		3,752		3,008
Customs clearance expenses 579 Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Training expenses		2,630		2,114
Amortization of intangible assets 5,876 Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Conference expenses		331		317
Expenses for overseas branch office 20,279 Allowance for doubtful accounts 6,875	Customs clearance expenses		579		688
Allowance for doubtful accounts 6,875	Amortization of intangible assets		5,876		9,131
	Expenses for overseas branch office		20,279		19,938
₩ 443,484 ₩ 4	Allowance for doubtful accounts		6,875		1,239
		₩	443,484	₩	408,847

14. Income taxes

The major components of provision for income taxes for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

		2010		2009
Current income taxes	W	53,749	₩	33,121
Deferred income taxes arising from tax effect of temporary				
differences		31,673		(3,321)
Deferred income taxes recognized directly to equity		(1,331)		270
Provision for income taxes	₩	84,091	₩	30,070

The effective income tax rates for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

		2010		
Provision for income taxes	₩	84,091	₩	30,070
Income before income taxes		380,638		126,411
Effective income tax rate		22.09%		23.78%

15. Per share amounts

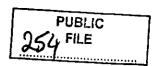
The Company's per share amounts for the years ended December 31, 2010 and 2009 are computed as follows (Korean won):

		2010		2009
Net income attributable to common stock	₩	285,997,770,225	₩	93,444,572,131
Weighted-average number of shares of common stock outstanding		38,659,249		38,659,249
Basic earnings per share	₩	7,398	₩	2,417

The Company has no potentially dilutive securities as of December 31, 2010 and 2009.

16. Commitments and contingencies

- (a) As of December 31, 2010, LGI is contingently liable for outstanding guarantees issued on behalf of certain foreign affiliated companies amounting to \text{W405,163} million (US\$ 355,749 thousand). In addition, outstanding guarantees provided by financial institutions for LGI's obligations as of December 31, 2010 amounted to \text{W130,346} million. In connection with opening of import letters of credit, LGI has also been provided with payment guarantees from several financial institutions.
- (b) LGI has provided its customers, creditors and guarantors with 7 checks and 45 notes as collaterals for LGI's guarantees and loans as of December 31, 2010.
- (c) As of December 31, 2010, LGI is contingently liable for trade accounts receivable sold under factoring arrangements with financial institutions but not yet matured amounting to W612,849 million, including letters of credit.



16. Commitments and contingencies (cont'd)

- (d) As of December 31, 2010, LGI has several pending lawsuits with total claims against LGI amounting to approximately \;\ \W110 \;\ million. The outcomes of the pending lawsuits cannot presently be determined.
- (e) As of December 31, 2010, LGI has a license agreement with LG Corp. for the use of "LG" brand.
- (f) LGI and newly incorporated entity, LG Fashion Corporation, are jointly and severally liable for the obligations of LGI existing before the spin-off.

17. Derivative financial instruments

The outstanding balances of unsettled derivative financial instruments of the Company as of December 31, 2010 and 2009 are presented as follows (Korean won in millions):

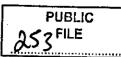
		2010				2009			
·		ain on Iluation		oss on aluation	_	ain on luation		oss on iluation	
Currency forward contracts	₩	1,008	₩	1,299	₩	1,132	₩	1,270	
Commodity futures		10,146		10,252		5,547		9,408	
•	₩	11,154	₩	11,551	₩	6,679	₩	10,678	

The outstanding commodity futures as of December 31, 2010 are as follows:

	Position	Quantity (ton)					oss on uation (*)
Aluminum futures	Buy	37,200	US\$ 86,289	₩	559	₩	5,676
	Sell	2,950	6,987		-		232
Cathode futures	Buy	4,000	30,369		9,259		-
Cathode futures	Sell	2,500	22,988		97		1,322
Tin futures	Buy	190	4,955		177		61
	Sell	705	18,126		54		965
Copper concentrate	Buy	-	-		-		-
•	Sell	2,150	18,821				1,996
		49,695	US\$ 188,535	₩	10,146	W	10,252

The Company's commitments to sell or buy commodities and the related commodity futures are both measured and recorded at fair value in the statement of financial position. The resulting gains and losses were recognized in current operations.

(*) The difference between gain (loss) on valuation and derivative assets (liabilities) recognized in the statement of financial position is attributable to foreign adjustment currency translation.



17. Drivative financial instruments (cont'd)

As of December 31, 2010, in order to hedge against the risk of fluctuations in foreign exchange rates, the Company has entered into the following currency forward contracts (Korean won in millions and foreign currencies in thousands):

	Position	Notional	amount	Gain o	n valuation	Loss on valuation		
US\$	Sell	US\$	32,527	₩	786	W	-	
US\$	Buy	US\$	217,284		65		913	
AUD	Sell	AUD	24,500		69		-	
EUR	Sell	EUR	14,971		24		64	
EUR	Buy	EUR	13,148		64		322	
				₩	1,008	₩	1,299	

18. Monetary assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies of the parent company as of December 31, 2010 and 2009 are as follows:

		2010)		2009					
		reign encies	ес	rean won uivalent millions)		reign encies	Korean won equivalent (in millions)			
Assets:										
Cash and cash equivalents	US\$	80,073	₩	91,196	US\$	12,950	₩	15,120		
	EUR	3,103		4,697	EUR	5,090		8,521		
	Others	-		1,940	Others	-		238		
Trade accounts receivable	US\$	324,986		370,127	US\$	277,864		324,434		
	JPY	721,779		10,084	JPY	522,443		6,598		
	EUR	11,895		18,005	EUR	2,362		3,955		
	Others	-		1,570	Others	-		34,720		
Short-term investments	US\$	-		-	US \$	2,000		2,335		
Other accounts receivable	US\$	23,821		27,130	US\$	50,155		58,561		
	JPY	203,879		2,848	JPY	5,233		66		
	EUR	1,371		2,075	EUR	1,376		2,304		
	Others	-		422	Others	-		273		
Accrued income	US\$	22,395		25,506	US\$	15,750		18,390		
	Others	-		369	-	-		1,016		
Long-term loan receivables	US\$	243,470		277,288	US\$	185,643		212,639		
	Others	-		28,752	Others	-		27,175		
			₩	862,009			₩	716,345		

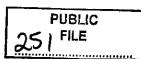
18. Monetary assets and liabilities denominated in foreign currencies (cont'd)

		2010		2009					
	Foreign currencies					reign ancies	ec	rean won quivalent millions)	
Liabilities:									
Trade accounts payable	US\$	432,549	₩	492,630	US\$	308,351	₩	360,030	
	JPY	876,611		12,247	JPY	487,676		6,158	
	EUR	24,844		37,604	EUR	9,111		15,254	
	Others	-		147	Others	. •		10,406	
Other accounts payable	US\$	34,765		39,594	US\$	28,011		32,706	
	JPY	83,692		1,169	JPY	2,267		29	
	EUR	1,357		2,054	EUR	1,036		1,735	
	Others	-		200	Others	•		330	
Borrowings	US\$	363,459		411,417	US\$	393,053		454,949	
	Others	-		-	Others	-		191	
			₩	997,062			₩	881,788	

19. Comprehensive Income

The details of comprehensive income for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	***	2010		2009
Net income	₩	296,488	W W	96,341
Other comprehensive income (loss):				
Gain (loss) on valuation of available-for-sale securities (Tax effect: \(\pi\)124 in 2010, \(\pi\)(165) in 2009)		1,344		814
Equity adjustments in equity method (Tax effect: ₩168 in 2010, ₩1,677 in 2009)		13,463		(729)
Foreign currency translation adjustments (Tax effect: ₩(1,781) in 2010, ₩(1,242) in 2009)	٠	(23,920)		(10,339)
Asset revaluation surplus (Tax effect: ₩158 in 2010)		(561)		
		(9,674)		(10,253)
Comprehensive income	₩	286,814	W	86,087
Attribute to:				
Equity holders of the parent	₩	282,159	W	81,753
Minority interests	₩	4,655	W	4,334



20. Segment information

The Company has three reportable business segments - resources/material, industrial goods, distribution - with each segment representing a strategic business unit that offers different products and serves different markets.

The following table presents the financial information of the Company by business segments for the years ended December 31, 2010 and 2009 (Korean won in millions):

	F	Resources/ Material		Industrial goods	Di	stribution		onsolidation dimination		Total	
Sales	₩	2,949,927	₩	13,181,160	₩	173,806	₩	(2,803,809)	₩	13,501,084	
Cost of sales		2,673,296		12,781,011		151,357		(2,741,519)		12,864,145	
Selling and administrative expenses		147,140		325,482		34,766		(63,904)		443,484	
Operating income (ioss)	₩	129,491	₩	74,667	₩	(12,317)	₩	1,614	₩	193,455	

						2009				
	Resources/ Material		Industrial goods		Distribution		Consolidation elimination			Total
Sales	₩	2,293,883	₩	9,075,953	₩.	158,373	₩	(1,202,628)	₩	10,325,581
Cost of sales		2,077,187		8,660,319		135,050		(1,141,719)		9,730,837
Selling and administrative expenses		101,959		337,492		31,054		(61,658)		408,847
Operating income (loss)	₩	114,737	₩	78,142	₩	(7,731)	₩	751	₩	185,897

The following table presents the sales of the Company by geographical segments for the years ended December 31, 2010 and 2009 (Korean won in millions):

Fiscal						Consolidation	
year	Korea	America	Europe	Asia	Others	elimination	Total
2010	₩3,909,229	₩1,218,517	₩1,497,683	₩8,904,444	₩775,019	₩(2,803,808)	₩13,501,084
2009	₩3,616,288	₩ 404,525	₩ 949,358	₩5,926,744	₩631,614	₩(1,202,628)	₩10,325,581



21. Adoption of K-IFRS

As all listed companies are required to adopt Korea International Financial Reporting Standards ("K-IFRS") from the fiscal year 2011, the Company is in the process of preparation for the implementation of K-IFRS as of the reporting date.

The Company operates a separate team for the purpose of preparation of K-IFRS adoption. The team periodically reports its result of progress to the management. The team has completed the analysis of the differences between K-IFRS and K-GAAP and prepared its plan for solution development and implementation. Based on the results of analysis of accounting differences and elective accounting treatments identified, the Company is currently preparing its monthly financial statements in accordance with K-IFRS to analyze the impact of such elective accounting treatments and to determine its choice of K-IFRS accounting policies to be finally adopted.