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When you stroll

When you run

When you climb





Feel the soft touch on the ground





Feel the gentle breeze
touching your hands

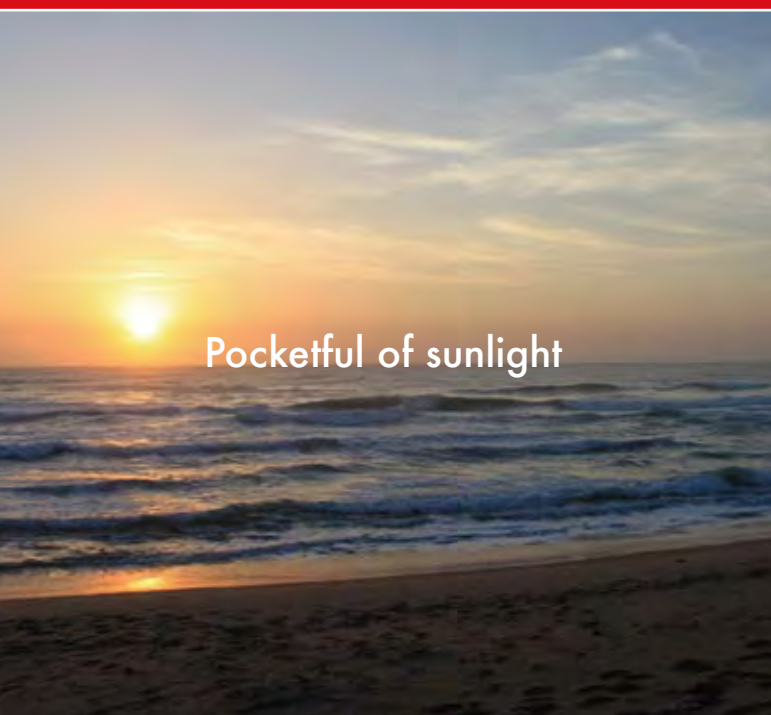




Feel the fragrance of sweet flowers



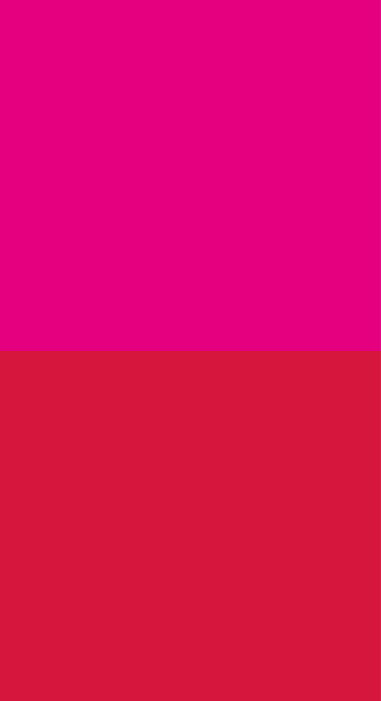
Flowers greet you,
birds sing,
and sunlight extends
a welcoming hand
to become your friend.



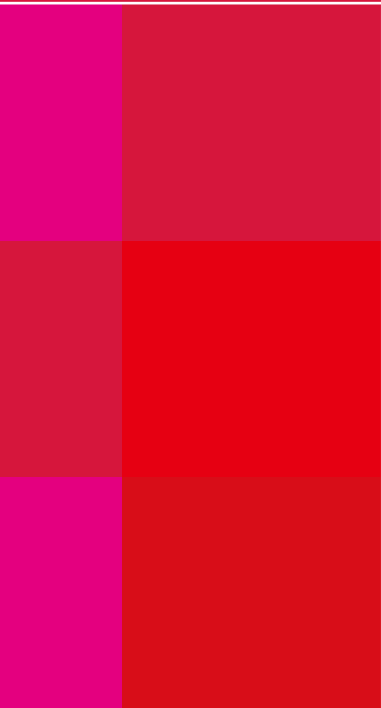
Pocketful of sunlight

Grass swaying in the breeze





Scent of flower



Smile of happiness



Eco Friends let you kick back
and relax from the consistently
changing, goal-driven
routine of everyday life.

LS Networks

CEO's Message

LS Networks is successfully transforming itself into a specialized brand licensee and consumer retailer based on its consistent market advantage in the consumer brand business and its successful advance into new retail businesses.



Distinguished Shareholders and Customers,

I would like to take this opportunity to extend my sincere appreciation for your unwavering interest and steadfast encouragement in LS Networks over the past year. Over that time, we took a significant step forward in transforming ourselves into a specialized brand licensee and consumer retailer, with a focus on improving profitability in our business structure. As a result, our existing consumer brand business realized remarkable growth, especially with the PROSPECS brand, while our revenue stream from the real estate lease business also showed a substantial increase. On top of that, we not only made successful forays into new consumer retail business markets but actually outperformed our management goals in this area.

To be more specific, in 2010 sales grew 32 percent, to KRW 358.2 billion, while operating profit jumped 43 percent, to KRW 29.9 billion. With sales surpassing the KRW 300 billion figure, LS Networks achieved its strongest performance since being incorporated into the LS Group. The recent trend which has seen walking become a much more popular way to stay healthy led PROSPECS sales to reach KRW 256.2 billion in 2010, up from KRW 225.0 billion in 2009. Launched as a licensee brand in 2009, Skechers saw a threefold growth in sales, reaching KRW 16.3 billion. In addition, we have successfully entered new retail businesses. Through Biclo we now deal in bicycles, and through the Toyota dealership business we now deal in automobiles. LS Yongsan Tower, which had its remodeling completed in 2010, realized a 30 percent growth in lease revenue, to KRW 34.7 billion, ensuring a stable source of revenue well into the future.

In addition to a sound financial performance, LS Networks was successful in several other aspects in 2010.

In the consumer brand business, the PROSPECS W brand saw unrivalled sales growth in the Korean walking shoe market, claiming the undisputed top spot among all walking shoes domestically in terms of brand recognition. Other new brand license businesses such as MontBell, Skechers, and Jack Wolfskin also made significant gains in their respective markets. The launch of Biclo had a tremendous impact on the domestic bicycle market and demonstrated a very high potential for growth. In addition, we laid the foundation for new business opportunities in our global trading business as we advanced our presence in strategic overseas markets such as Russia and the Middle East.

Alongside these accomplishments, we were relentless in our efforts to enhance shareholder and customer value, as we would not have been able to achieve nearly as much without the consistent support and encouragement of shareholders and customers alike. As such, I would like to express my deepest gratitude to both groups of stakeholders.

Due to the fact that we expect a challenging business environment at home and overseas in 2011, LS Networks has restructured the organization so that it has a more accountable management system than ever before. By realigning businesses into two main units, a Brand Business Unit and a Trading Business Unit, this new structure reflects LS Networks' new business model as a company that is a specialized brand licensee and consumer retailer. This change was also carried out to underscore our determination to become a leading global company, with sales of KRW 1 trillion by 2015.

The future not only favors the prepared but it opens new possibilities to those who are willing to change. To make such change possible, everyone at LS Networks is forging ahead with determination and confidence. Let me conclude by assuring you that every employee at LS Networks is dedicating themselves to achieving greater shareholder value than ever before in the coming year.

Thank you.

CEO & President
Seung-Dong Kim



Board of Directors

A fully accountable BOD
and transparent management practices
lead to greater achievements.



We are transforming ourselves into a company that
enhances stakeholder value through trust-based relationships.

Chairman

Christopher Koo



We are establishing a sound
management structure based
on transparent corporate
governance.

Chairman

Ja-Yong Koo



We will continue to
reinforce transparency
and independence in our
management structure through
BOD-centered management
activities.

Vice Chairman

Dae-Hoon Lee



We are setting the precedent
for efficient management
practices through accountable
and independent management
practices.

CEO & President

Seung-Dong Kim



We will strive to enhance
management rationality and
efficiency.

CEO & President

Jae-Beom Park

Committed to advanced corporate governance that measures up to the highest global standards, LS Networks practices a management policy whereby the BOD holds management fully accountable for all its decisions. Since its foundation, LS Networks has been backed by a management philosophy that believes in BOD-oriented accountable management and transparent management. Over the years the company has established independent, accountable management practices, under which the BOD makes important decisions in support of management results, while the CEO runs the business in an accountable and independent manner. The LS Group was transformed into a holding company in 2008, significantly enhancing its management transparency in terms of corporate governance and efficiency at both LS Networks and the LS Group. LS Networks will further enhance its management rationality and efficiency through a management system where the BOD coordinates with the CEO as an independent entity, with relentless efforts being made to ensure sustainable growth in the future.



We will establish an advanced management system that earns the trust of all our various stakeholders.

CFO

Kyung-Han Ahn



We are enhancing independence and professionalism in the operation of our Board of Directors.

Non-executive Director

Ho-Soo Oh



We pledge to act responsibly and contribute to the enhancement of LS Networks' corporate value.

Non-executive Director

Byong-Joo Kuem

History

Earning a Stronger Reputation around the World as Korea's Top Brand Name.

► Growing Alongside the Korean Economy in the Aftermath of the Korean War

1949



2000

- Signed top Korean singer
Seo Taeji as a spokesperson

1994

- Acquired ISO 9001 certificate

1998

- Ranked 1st among athletic shoe
companies according to Korea's National
Customer Satisfaction Index

1988

- Official sponsor of the
1988 Seoul Olympic Games

1985

- Official sponsor of the 1986 Seoul Asian Games

1982

- Sponsored athletes at
the 1982 New Delhi Asian Games

1973

- Conducts IPO
(Initial Public Offering)

1981

- PROSPECS brand launched
- PROSPECS awarded five stars by world-renowned
sports magazine *Runner's World*
- Exported 5,000 pairs of shoes to American
department store chain Sears

1949

- Kukje Chemicals founded



► Growing as Korea's Leading Export Brand Name

1990



2000



► Becoming a Leading Sports Brand Name

2009

- GH+ children's athletic shoe brand launched
- W walking shoe brand launched
- Acquired F.A.S.T, the Korean licensee of Skechers
- Toyota dealership launched

2011

- Launch of Walk & Talk, an outdoor multi-brand retail business

2008

- Renamed itself LS Networks / New brand name identity launched for PROSPECS
- Jack Wolfskin brand launched
- Incorporated OD. Camp (MontBell's owner) into a subsidiary
- Participated in E-Trade private equity fund

2010

- 2010 Launch of Bicio bicycle retail business
- Remodeling completed at LS Yongsan Tower

2007

- Incorporated into the LS Group
- KJ Motorrad (BMW motorcycle dealership) launched
- Recipient of the Korea Sports Industry Awards' top prize

2011

► From Sporting Goods Manufacturer to Consumer Brand Company



Highlights

We are solidifying a foundation for sustainable growth with successful brand licensee and consumer retail businesses.

01 PROSPECS Wins Grand Prize at Sports & Leisure Brand Awards

An advertisement for PROSPECS' Sports Walking Shoe W was awarded the grand prize as well as the first prize in the creativity category at the 4th Annual Sports & Leisure Brand Awards, organized by "Sports Kahn Daily", on February 23, 2010. The award took into account brand recognition, customer satisfaction, and potential purchase intention of sports & leisure brands that were popular with consumers over the past year. According to the official review it received from the award judges, PROSPECS scored high in all three areas. Specifically, the advertisement received high marks for its clear communication of the company's aim to produce shoes that are both good for the feet and contribute to one's exercise routine.

02 Toyota One-Stop Service Center Opens in Seoul Suburb

LS Networks opened a Toyota one-stop service center in Ilsan, a suburb just north of Seoul, on April 22, 2010. The three-story building has a floor area of 3,549m², and is the largest imported car service center in Ilsan. Offering body repairs and paint jobs, the service center now handles approximately 20,000 cars a year. Since its launch in 2009, LS Networks has run the only Toyota dealership in northern Seoul. With a service platform for imported cars that deals in everything from sales to maintenance services, the Ilsan service center provides enhanced customer convenience and satisfaction.

03 Launch of Bicycle Retail Brand

LS Networks entered the bicycle retail business in 2010 with the launch of Biclo. In addition to the sale of Korean and foreign bicycles and accessories, Biclo offers comprehensive customer service, from experts who consult on personalizing bicycles to training programs and an online community service for bicyclers. Since opening its first store in Jamwon-dong, Seoul on April 15, 2010, Biclo has opened six stores in and around Seoul, solidifying its position as a leading sports brand retailer. Biclo offers a wide array of high-quality products at affordable prices, and its standardized procedures have helped make Biclo a reliable brand name in the bicycle retail business.

04 LS Yongsan Tower Reborn as Landmark Building

LS Yongsan Tower has long been an important landmark in Seoul for its distinct exterior. In November 2007, work began on renovating both the building's exterior and its facilities, and was completed on May 27, 2010. For the first time in Korea, LS Yongsan Tower was able to carry out a major commercial remodeling job with a minimum amount of inconvenience for building tenants under a plan called "resident status remodeling." Reborn as an eco-friendly energy-efficient building that is equipped with state-of-the-art technology and facilities, LS Yongsan Tower has regained its reputation as a preeminent landmark in Seoul's Yongsan area, which is the city's official international business zone, as well as a structure that commands high rental revenue. LS Networks is already taking advantage of new opportunities from this remodeling as it increases synergies between its asset management business and brand license business in an effort to establish itself as a leading brand licensee and consumer retailer.



05 PROSPECS Selected Top Walking Shoe Brand

PROSPECS was named the top walking shoe brand in a survey on consumer brand recognition carried out by the HS Ad Communication Strategy Institute. A total of 1,000 adults between the ages of 20 and 59 who were living in five of Korea's largest cities were surveyed on May 31, 2010, and PROSPECS came out on top, with more than twice as many votes as the next closest competitor, an international brand. This marked the first time a Korean sports brand emerged as the market leader, as international brand names traditionally held this title. This achievement was realized through the introduction of a sports walking shoe called PROSPECS W. The high performance and attractive design of the shoes were the result of a thorough market analysis and consistent R&D investments.

06 Biclo: Official Sponsor of Guangzhou Gold Medalists

The bicycle retail brand Biclo held an autograph signing event on December 16, 2010 with six Korean cyclists who had won gold medalists at the 2010 Guangzhou Asian Games. Held at Biclo's Songpa and Banpo stores, the event was meant to congratulate the Korean cycling team, which had an unprecedented performance at the Asian Games, while also providing cycling fans a chance to meet their cycling heroes in person. Biclo was an official sponsor of the cycling team at the 2010 Guangzhou Asian Games. Committed to promoting cycling in Korea, Biclo also held the LS Biclo Festival and sponsored the 2010 Tour de DMZ-Seoul International Cycle Competition.

07 LS Yongsan Tower Recipient of Award for Safety Management

LS Yongsan Tower received an award at the 3rd Annual Safety Management Best Practice Awards, which was held by the Seoul Metropolitan Fire & Disaster Headquarters on December 23, 2010. LS Yongsan Tower received the prize for its cutting-edge alarm system, which sends text messages to tenants in the event of a fire or other disaster, allowing instant response and evacuation. Selected as a model workplace for safety management practices, LS Yongsan Tower is exempt from annual fire drills in connection with local fire authorities for two years as a result of this award. LS Yongsan Tower will continue its efforts to ensure the safest, most agreeable environment possible in the future.

08 Toyota Yongsan Employees Make Heartfelt Donation

LS Network's Toyota Yongsan car dealership held an event on December 30, 2010 to donate KRW 18.8 million to a local childcare center in Yongsan, Seoul. The money had been donated by employees, who had earmarked one percent of their monthly pay since January 2010. Dedicated to giving back to society, Toyota Yongsan will continue to engage in various community programs for underprivileged people in the area.

Vision & Strategy

**Aiming to Become a Global Retailer through
Strong Consumer Brands and KRW 1 Trillion in
Sales by 2015**

LS Networks has established a roadmap called Vision 2015 to achieve its goal of diversifying its existing businesses while also entering new businesses that are focused on eco-brands and eco-businesses.

As it makes eco-friendly outdoor sports brands the core of the company, LS Networks has successfully stabilized operations of Biclo, its new eco-friendly bicycle retail business, its walking gear multi-brand, Walk & Talk, and the selling of Toyota hybrid cars. By coordinating existing business lines with new business areas, LS Networks is on its way to becoming a leading global company, with planned sales of KRW 1 trillion by 2015. In addition, it is dedicated to becoming an integral part of the LS Group by effectively connecting the LS Group with consumers.

THE LEADING COMPANY TO HAPPINESS

NETWORKING YOUR

Channeling Resources into the Eco Brand Name Business

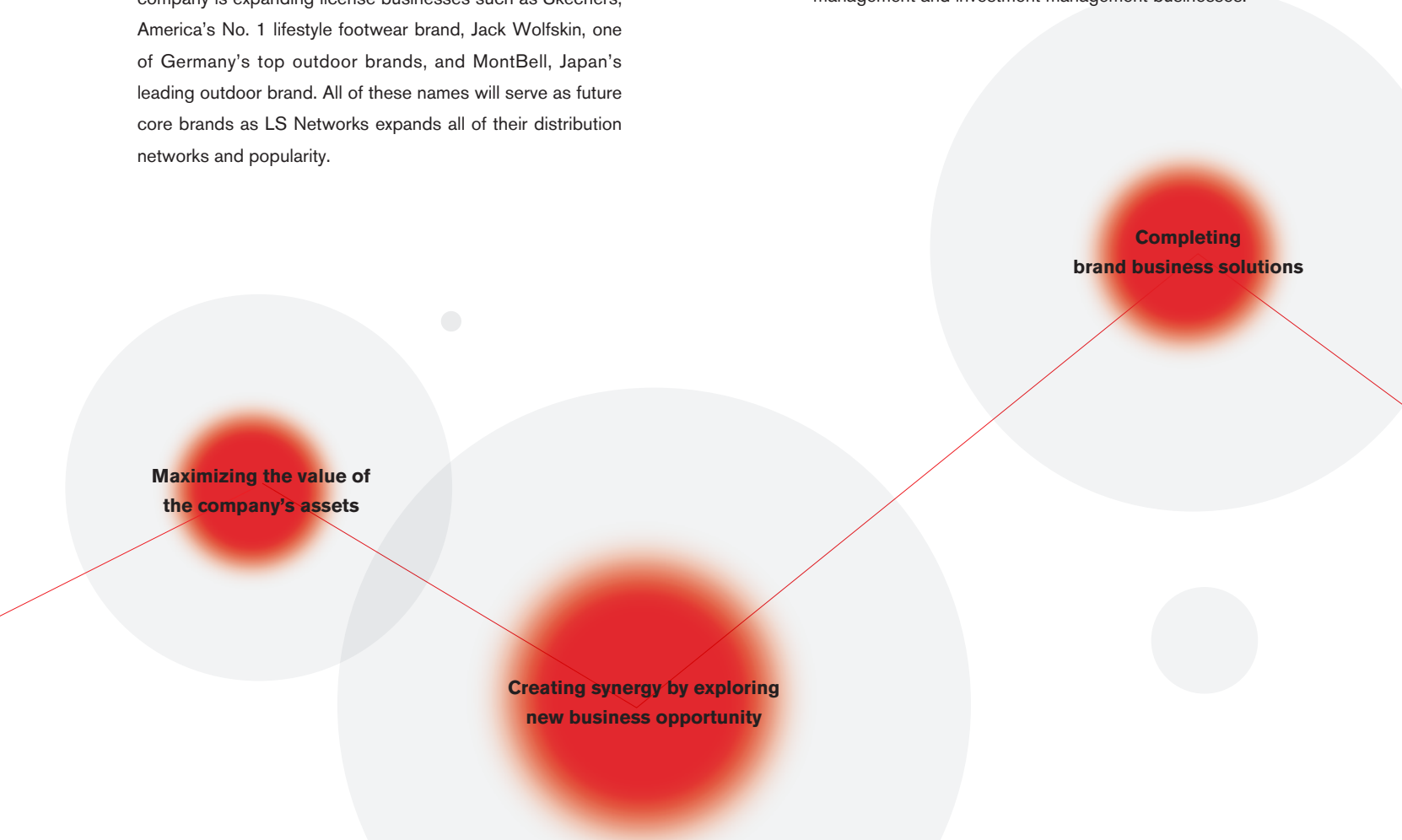
As it concentrates the company's core competencies into normalizing eco-friendly outdoor sports brand operations in an effort to solidify its foundation for growth, LS Networks is dedicated to creating total solutions for its brand distribution business.

Buoyed by the sensational popularity of innovative products like its W and GH+ line of shoes, PROSPECS will continue to enhance its stature as Korea's leading sports brand and further solidify its brand image as the country's favorite walking shoe brand. Furthermore, the company is expanding license businesses such as Skechers, America's No. 1 lifestyle footwear brand, Jack Wolfskin, one of Germany's top outdoor brands, and MontBell, Japan's leading outdoor brand. All of these names will serve as future core brands as LS Networks expands all of their distribution networks and popularity.

Advancing into New Consumer Retail Businesses & Expanding into More Eco-Businesses

The new consumer retail businesses that LS Networks launched in 2010 as future growth engines helped reposition it as an eco-business company, while its diversified business portfolio helped enhance corporate value.

Moreover, LS Networks has created new markets in which it has assumed a commanding position by maximizing the synergies between new businesses and its existing brand license businesses. At the same time, it is continuing to develop new business opportunities in overseas markets and further strengthen its creation of added value from its asset management and investment management businesses.



**Maximizing the value of
the company's assets**

**Creating synergy by exploring
new business opportunity**

**Completing
brand business solutions**

LIFE WITH FUTURE

MAKING LIFE BETTER FOR OUR CUSTOMERS



Consumer Brand Business

PROSPECS
SKECHERS
JACK WOLFSKIN
MONTBELL

Consumer Retail Business

TOYOTA YONGSAN DEALERSHIP
BMW MOTORCYCLE (KJ MOTORRAD)
BICYCLE RETAILER (BICLO)
OUTDOOR MULTI-BRAND (WALK & TALK)
GLOBAL TRADING BUSINESS

Since its inception, LS Networks has reinforced its consumer brand business areas by importing several brands from overseas, including Skechers, Jack Wolfskin and MontBell, while also adding dealership businesses such as BMW Motorcycle and Toyota to its business portfolio. Additionally, LS Networks is expanding its business scope into new growth engines like its bicycle retail business and its outdoor multi-brand store business for the purpose of sustainable growth in the years ahead. This has allowed it to rebrand itself from a conventional manufacturer to a total retailer. Moreover, LS Networks has been aggressively engaging in asset management and investment management businesses to ensure a stable source of funding in the future.

Asset Management Business

LS YONGSAN TOWER
GIMHAE/INCHEON/SEONGNAM/SANGJU

Investment Management Business

E-TRADE SECURITIES PEF
KTM MOTORCYCLE (SMK)
FRUIT BANK

Consumer Brand Business

Complete brand name solutions that cater to a diverse group of customers

LS Networks' consumer brand business is made up of PROSPECS, Korea's leading sports brand, Skechers, a top global lifestyle footwear brand, Jack Wolfskin, Germany's top travel outdoor brand, and MontBell, Japan's leading outdoor brand. PROSPECS is working hard to enhance its brand image and expand its market share, currently the third largest in Korea, while assertively pursuing overseas market. Also, the company will foster Skechers as its future core brand and focus on raising public recognition of the Jack Wolfskin and MontBell brands, both of which are popular for their designs as much as for their functionality. Furthermore, the company is setting itself the task of coming up with a brand solution that appeals to people of all ages with new brands which cater to different customer needs. Along the way, LS Networks will emerge as a core business of the LS Group.



**The Symbol of Walking:
Korea's Leading Walking Shoe Brand Employs
Advanced Science and Functions**



PROSPECS, LS Networks' flagship sports brand, launched its walking shoe brand PROSPECS W in 2009. A huge success from the very start, PROSPECS W helped the company emerge as Korea's top sports brand.

PROSPECS W is Korea's first walking shoe brand that caters to the characteristic foot shape of Koreans, with a unique shoe design and functions customized to the different needs of consumers, from those who do not walk very much to those who walk as part of their regular fitness routine.

On top of walking shoes, PROSPECS has a number of different walking shoes that it classifies by function and matrix, and according to the walking habits of consumers. In line with the recent boom in Korea with trail walking along Olle (a path along the south coast of Jeju Island) and Dulle (a trail on Mt. Jiri), PROSPECS was timely in its introduction of its trail walking shoes. In addition, it has also developed specialized shoes for pregnant women, an innovative new concept.

The walking shoe and walking shoe gear market is a new niche market that PROSPECS has created, one that rapidly grew to reach KRW 700 billion in 2010 and is only set to grow for years to come. As a result, sales of PROSPECS, the undisputed market leader, is also forecast to enjoy sustainable growth for the foreseeable future.

PROSPECS continues to develop new products tailored to diverse customer needs, which has helped solidify its dominant market position as Korea's top walking shoe brand. With firm control of the domestic market, PROSPECS is continuing to apply differentiated product strategies and increase its competitiveness in an effort to play a more active role in other sports markets around the world.

www.prospecs.com

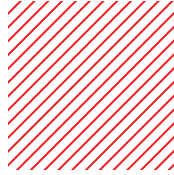


SKECHERS

Skechers is a lifestyle footwear company famous around the world and LS Networks has exclusive licensing rights for sales and distribution in Korea. Born as a sneaker company at California's Manhattan Beach in 1992, Skechers was a term used at the time by teenagers to describe a lively person who enjoyed taking on challenges. Today, it has established itself as a leading brand with stylish gear and shoes. It is an eclectic concept brand that offers an assortment of styles, ranging from lifestyle goods and sports gear to street fashion, casual wear and kids wear – all in one store.

With top-quality designs that come in more than 7,000 styles and in 12 categories, Skechers has the second highest sales figures in the American athletic shoe market after Nike. Now available in more than 100 countries, Skechers is popular with male and female consumers across every age and demographic group.

LS Networks is making full use of the brand's extensive product line-up, covering a lifestyle line of boots and sandals, a sports line and an active wear line. Together, these have all helped make Skechers a favorite global lifestyle brand in Korea.



Hollywood's Favorite Shoe:
The World's Most Successful Lifestyle
Footwear Brand



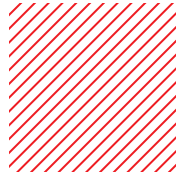
www.skecherskorea.co.kr



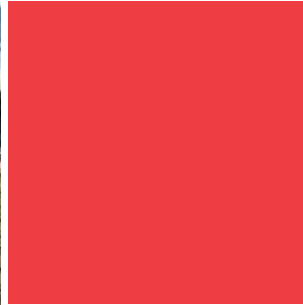
JACK WOLFSKIN

Founded in Germany in 1981 by Ulrich Dausien, Jack Wolfskin has grown into a top outdoor wear and equipment company that has a dominant market position in the European outdoor wear and equipment market. With an extensive network of global distributors that sell its products in more than 300 franchises and 2,700 retailers – and in over 20 countries – the company has grown into a global brand that is loved by customers everywhere, especially in Europe and Asia. Symbolized by its logo, the company has maintained successful growth by continually appealing to people's emotional value.

The differentiated, competitive edge to Jack Wolfskin has to do with its European style that values practicality and convenience, as well as its design that ensures the best fit, from day-to-day life to the most extreme natural environments. Its state-of-the-art technologies have earned the full support and trust of the world's most famous explorers. Through its license of this extensive outdoor collection, LS Networks will provide its customers with a greater lifestyle in their outdoor activities than ever before.



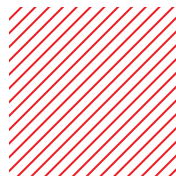
**The Dominant Market Leader
of European Outdoor Wear:
Germany's Premium Outdoor Brand**



www.jack-wolfskin.com



**One of the World's Top 5 Outdoor Light & Functional
Mountaineering Equipment Brand Names**



MONTBELL

Founded by renowned Japanese mountain climber Isamu Tastsuno in 1975, MontBell is Japan's top outdoor brand and one of the world's top five outdoor brands. The brand name MontBell comes from the French for "beautiful mountain." Under the concepts of "Light & Fast" and "Function Is Beauty," the company utilizes cutting-edge technologies and materials in its garments and equipment, ensuring all of its gear protects the human body under any and all circumstances.

With a wide assortment of different products for people of all ages, including garments and equipment for outdoor activities like mountaineering, fishing, canoeing, traveling and bicycling, LS Networks provides people with the very latest outdoor styles.

www.montbell.co.kr



Consumer Retail Business

Playing a Leading Role in Bettering People's Lives and Well-Being

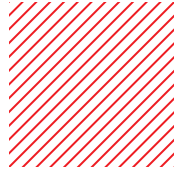
LS Network's consumer retail business includes some of the world's most premium brand name dealerships, including Toyota and BMW Motorrad. It also recently launched a bicycle retail business and an outdoor multi-brand retail business in line with its move toward becoming a specialized sports brand. Furthermore, it is advancing into overseas markets in response to changing business environments. Through all of these endeavors, LS Networks is establishing itself as a leading distributor of consumer goods for the LS Group, as well as a leading eco-business that is making Korean society healthier and more affluent.



biclo



LS Networks is Helping Bring about a Better Tomorrow for Everyone



TOYOTA YONGSAN DEALERSHIP

LS Networks opened its Toyota Yongsan dealership in LS Yongsan Tower in October 2009, marking the launch of Toyota's Korean distribution channel.

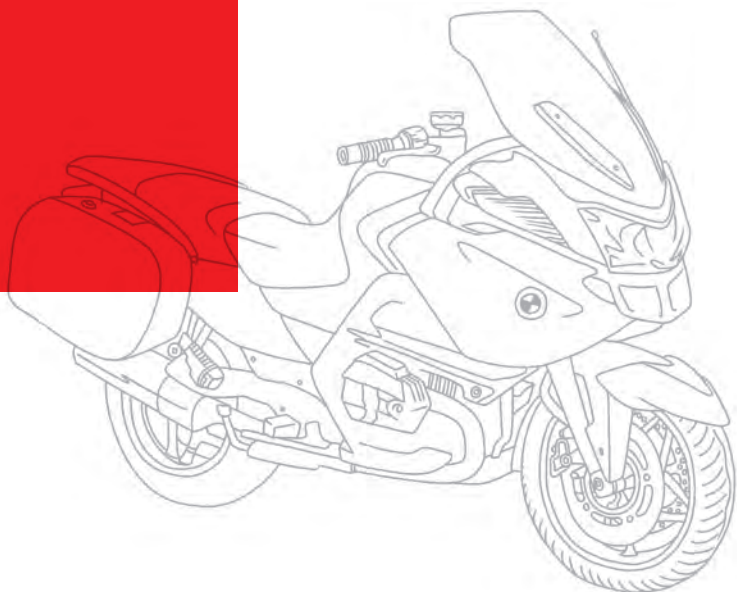
Located in the annex of LS Yongsan Tower, the Toyota Yongsan dealership showroom occupies a total of four stories and spans 5,200m² of total floor area. After selling 1,400 cars in 2010, the dealership has brought about a revolutionary change in the imported car market by opening an imported car dealership not in the southern Seoul area, as used to be the norm, but in the northern part of the city. Under the motto of "Customers deserve the highest quality service," the dealership is doing its utmost to deliver the best customer service.

Not only does the Yongsan dealership have 1,903m² of its basement floor dedicated to its service center, but in April 2010 LS Networks opened another one-stop service center in Ilsan, northern Seoul, on a total floor area of 5,216m². The two dealerships boast the largest car repair and maintenance facilities in the imported car business, offering convenient and comprehensive services that range from car sales to car maintenance.

LS Networks' Toyota Yongsan dealership consistently updates its state-of-the-art repair technologies and consistently offers the highest quality customer service training. After successfully opening a dealership in Janghanpyeong in 2010, it opened yet another dealership in Ilsan in March 2011. Both of these dealerships recently added the Corolla and Sienna models to their already impressive lineups.

www.toyotayongsan.com





BMW MOTORCYCLE (KJ MOTORRAD)

KJ Motorrad was launched as a subsidiary of LS Networks in August 2007 and has since opened showrooms in Gangnam (February 2008) and Busan (August 2009) to introduce BMW's fine line of motorcycles to Koreans. By combining the showroom and repair service in the same building, the official BMW Motorcycle stores provide one-stop service for the world's leading motorcycles.

BMW Motorcycle is a leading premium motorcycle brand manufactured by Germany's BMW. Debuting at motor shows in Paris and Germany in 1923, the R32 was the first-ever BMW motorcycle and came equipped with a flat-twin boxer engine that was placed sideways, a transmission directly connected to the engine, and a high-drive shaft. This innovative model garnered sensational reviews from the very beginning. Over the years, BMW Motorcycle has maintained its dominant market share in the world's premium motorcycle industry through ceaseless development and implementation of the most advanced technologies. With 22 lines of motorcycles, the company has captured the hearts of motorcycle enthusiasts the world over.

Like BMW Motorcycle, KJ Motorrad also places a great deal of importance on safe riding.

The Best Premium Motorcycle Only for You



BICYCLE RETAILER (Biclo)

Biclo is a specialized bicycle retail brand that was launched in 2010 in line with the eco-friendly business philosophy of LS Networks. Under the motto of "Bringing about a happy change in people's lives," Biclo bestows an eco-friendly and healthy leisure to bicycling. A combination of two English words, "bike" and "close" (as in keeping your bike close to you in life), not only form the word Biclo but also capture the essence of the company's motto.

From the outset, Biclo was different from other bicycle stores. The first bicycle store in Korea to adopt a one-stop shopping solution, Biclo lets customers find everything they need – from bicycle outfits to parts to accessories – all in one place. Furthermore, Biclo provides comprehensive bicycle-related customer service that is tailored to each individual customer. For instance, mechanics at every store help customers find the bicycle that fits their precise needs, while consulting one-on-one with them. The stores also provide a wide range of classes to teach people how to ride a bike, as well as mechanic training courses to show people how to fix problems with their bicycles on their own. In addition, Biclo offers an online community website for users, where people can share information and enjoy social networking activities with others who share an interest in bicycles.

Since opening the first Biclo bicycle store in the Banpo area in April 2010, Biclo has not only achieved higher-than-expected growth but has also been enthusiastically received by customers. Over the last year it has added five more stores in and around strategic parts of Seoul, including Yongsan, Mok-dong, Guro, Songpa and Ilsan. Biclo plans on continuing this success with the opening of five more stores by the end of June 2011. LS Networks has committed itself to making Biclo one of Korea's top bicycle retail businesses based on affordable prices, a diversified, high-quality product line-up, a top-of-the-line repair service, and standardized procedures.

Korea's Top Bike Partner

Becoming a Green Sports Business Leader and

Korea's Top Bicycle Retailer



www.biclo.co.kr



OUTDOOR MULTI-BRAND STORE (WALK & TALK)

An Innovative Multi-Brand Store Specializing in Walking and Eco-Traveling



With the growing popularity of walking and other leisure activities, the outdoor sportswear market has expanded considerably over the past few years. In pursuit of business opportunities related to this market, LS Networks has been working on an outdoor multi-brand retail business which will cater to the diverse needs of customers through an extensive product line-up, while fulfilling the market's need for an effective distribution channel.

The first Walk & Talk store opened in Daechi-dong, southern Seoul, in February 2011. Offering 90 different prestigious outdoor brands in one place, both from Korea and other countries, Walk & Talk is Korea's largest multi-brand store. In addition to famous LS Networks' brand names such as PROSPECS and MontBell, there are also a number of well-known international outdoor brands available at the store. Aside from the wide range of walking, trekking, and hiking wear from famous American and European manufacturers, Walk & Talk also sells items from the Swedish brand Peak Performance and the Swiss brand Odlo, the first store in Korea to carry such products.

Under the theme of "A brand store that specializes in walking and eco-traveling," Walk & Talk has created a store layout that allows customers to easily find the products they need according to their individual needs. In the future, LS Networks plans to turn this chain of stores into a total travel solutions provider, one where customers can find everything from travel gear to travel information, and even receive training and consulting services.

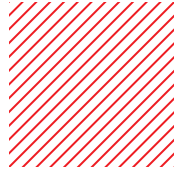
LS Networks is scheduled to open four to five more Walk & Talk stores in 2011. It will then increase the total number of stores to 30 nationwide by 2013, creating synergies with its existing brand license business. Ultimately, LS Networks aims to make Walk & Talk Korea's top sportswear retail brand, and people's first choice for outdoor wear.



www.walkntalk.co.kr

GLOBAL TRADING BUSINESS

A Leading Global Trading Company that Delivers Tangible and Intangible Resources & Products and Brand Names & Values



In response to fierce competition brought about by an ever-changing business environment internationally, LS Networks is constantly pursuing new business opportunities in the global trading business. Furthermore, by diversifying its business areas to include import/export, tri-party trading, and import distribution, LS Networks is reinforcing its trading business competencies. Today, the company is actively involved in the export of products from the LS Group, as well as products and plants from competitive SMEs, and import machinery, equipment, and raw materials.

With attention focused on such emerging markets as Russia, Central Asia, Eastern Europe, and North Africa, LS Networks has successfully gained a foothold in strategic points of Russia, Uzbekistan, and Kazakhstan, with business infrastructure having been established in these areas since 2010. In addition, the company is focused on projects to develop future business models and supply lines for the manufacturing of manholes and an e-solutions business. In the aftermath of the 2008 global financial crisis, new business opportunities have increased in emerging markets, while competition for natural resources has intensified. On top of that, depleting energy resources has expedited the growth of eco-friendly business markets.

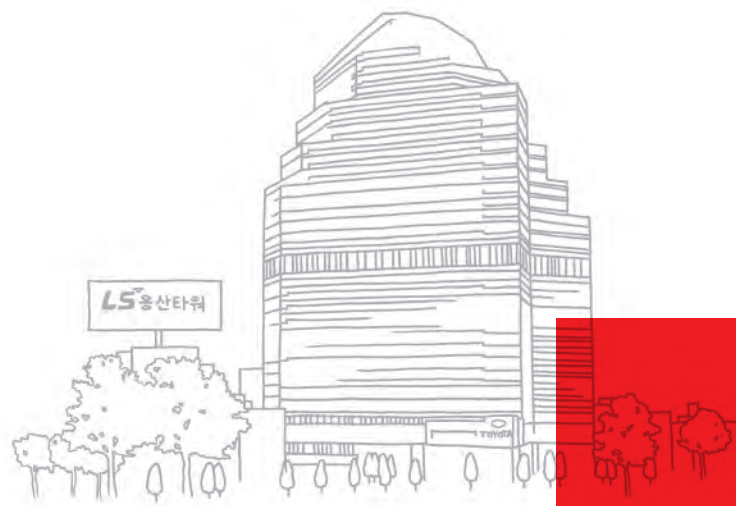
As a result, LS Networks is employing differentiated business strategies from other trading companies as it develops new business areas which can generate synergies with existing businesses among the Group's affiliates. At the same time, LS Networks is planning to get into renewable energy and other future-oriented resource & energy businesses, further solidifying its business platform as a global trading business. To that effect, it will further reinforce its core trading business competencies, such as financing, risk management, and global networking to ensure it grows as a leading global trading company that offers sustainable solutions.



Asset Management Business

Creating added value to its assets through lease and development businesses

LS Networks operates asset management businesses on top of its development businesses, with properties that include LS Yongsan Tower, as well as land in Gimhae, a logistics center, a cold storage facility in Seongnam, the Incheon container freight station (CFS) at Incheon Port (Free Economic Zone), and a new logistics site in Sangju. Its asset management businesses serve as a source of stable revenue for the company and contribute to the sound financial structure of the company. Today, LS Networks is further maximizing its value-added assets through well-organized development plans.



LS YONGSAN TOWER

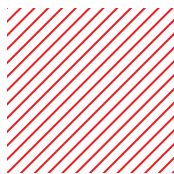
Completed in 1984, the former Kukje Center Building went through extensive renovations before it was renamed LS Yongsan Tower. Since then it has become a proud symbol and major source of revenue for LS Networks. Located in the heart of downtown Seoul, the building has become the undisputed landmark of the region with its prime location. Taking advantage of all of these strengths, LS Yongsan Tower is improving its already admirable customer service for tenants as it further improves its asset value by maximizing profitability.



A Landmark of Downtown Seoul

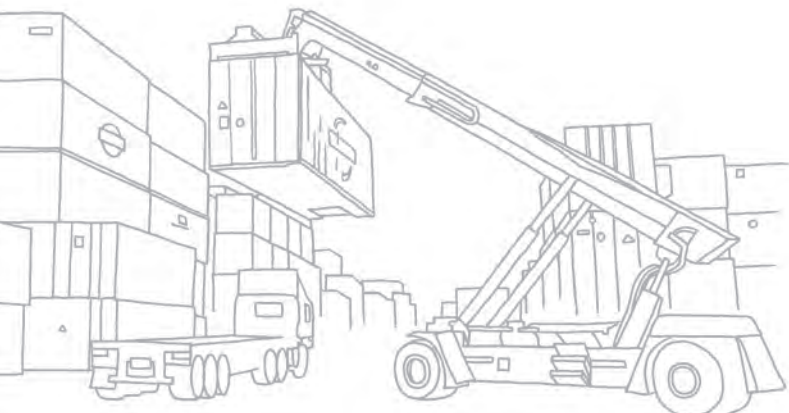
GIMHAE/INCHEON/ SEONGNAM/SANGJU

Strategic Points for Enhanced Future Investment Value and Business Expansion



LS Networks' Gimhae site will be leased to the Gimhae Logistics Center and local factories. When the land is granted use for other purposes in the future (currently waiting for approval with respect to city development plans), the investment value of this land will only go up.

The company's Incheon site, which is currently being used as a container unloading area, is located within the Incheon Port Free Economic Zone (FEZ). This spot will serve as a strategic outpost base for the company when LS Networks' trading company advances into the Chinese market. Its Seongnam site, which houses the LS Networks logistics center and a freezer warehouse, and the Sangju site, where a development project is slated to take place for a new logistics center, are expected to realize high value growth thanks to their geographical location and to contribute greatly to the company's future asset value.



Investment Management Business

A Secure and Diversified Investment Management Business

Committed to diversifying its business portfolio and enhancing the efficiency of its asset management, LS Networks is involved in investment management businesses such as KTM Motorcycle and Fruit Bank. It is also investing in E-Trade Securities as a limited partner (LP) in an effort to further enhance its financial stability.



E-TRADE SECURITIES PEF

Since its incorporation into the LS Group in January 2007, LS Networks' liquidity reached KRW240 million, of which it invested KRW101 billion into a private equity fund (PEF) as a limited partner (LP) in July 2008 to acquiring E-Trade Securities, an online securities firm. Gains made from this high-yield PEF investment will further solidify the company's financial structure.

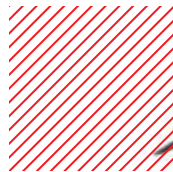
www.etrade.co.kr



KTM MOTORCYCLE (SMK)

KTM is an Austrian-based global premium motorcycle manufacturer that has been in the business for 75 years. LS Networks made an indirect investment into SMK, the exclusive importer and distributor of KTM products in Korea since 2007. KTM Motorcycle is a premium motorcycle brand that has won more awards in international off-road competitions than anyone else, including the Dakar Rally, which it has won two years in a row. Its dynamic functions and sophisticated designs have earned praise from bikers around the world.

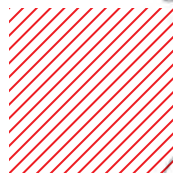
www.ktm.co.kr



FRUIT BANK

After entering into a business partnership with Fruit Bank, LS Networks began contributing to the creation of a healthy food culture that lives up to the company's pursuit of protecting the environment and well-being lifestyle for consumers.

www.fruitbank.kr



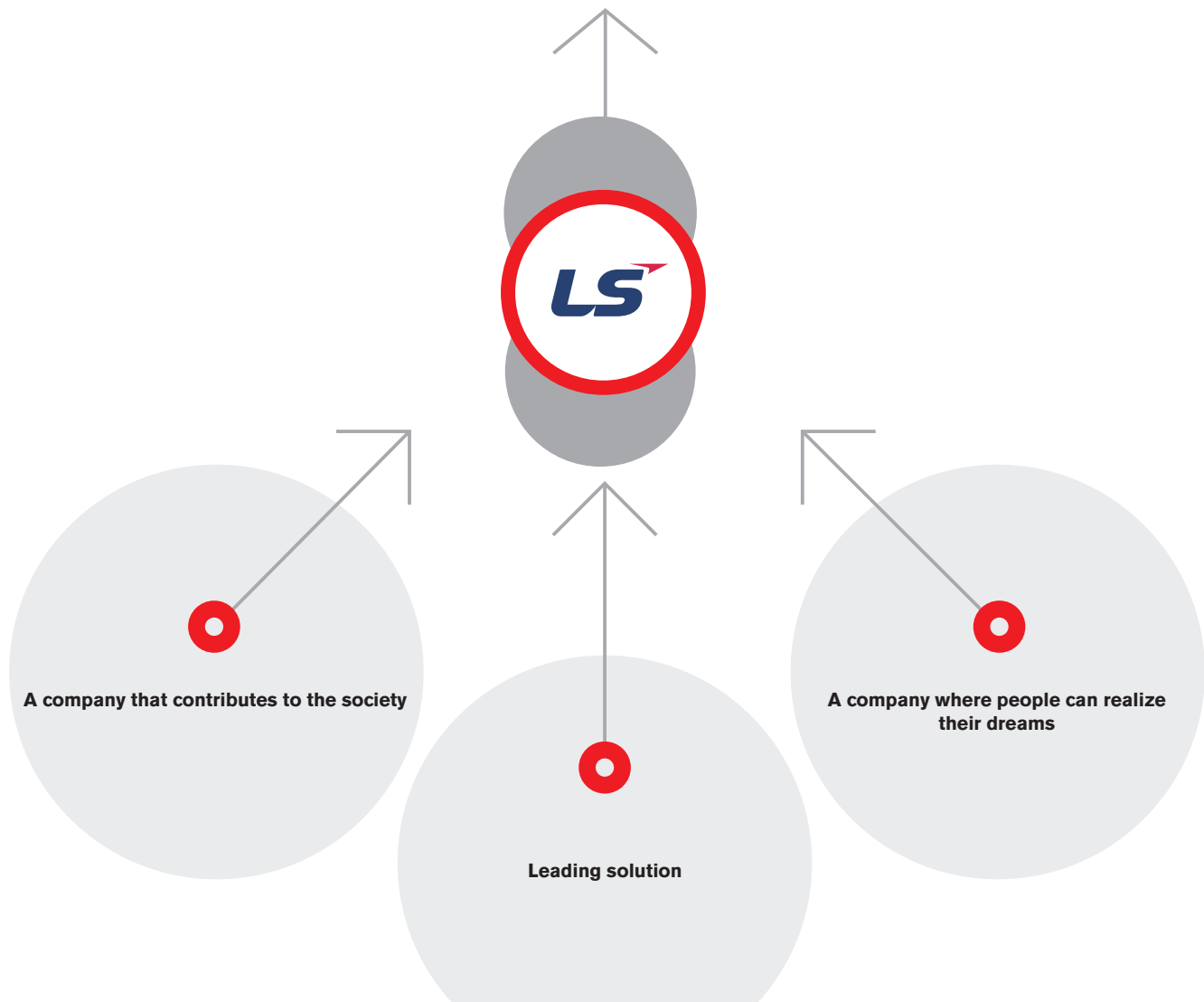
LS Group

Always with our customers

LS Group is developing into a company that provides its clients with leading solutions. At the same time, it is giving back to society and providing employees with a business environment where they can realize their dreams. Each and every LS employee will endeavor to establish the LS brand as the top brand name with both domestic and overseas clients under the overarching principle that LS Networks is a company that always serves its clients.

Many affiliates in the group are involved in a wide range of B2B industries. To ensure they perform at peak levels, LS Networks is becoming a global enterprise that provides the most cutting-edge technology and differentiated solutions to each of its customers.

Always with our customers

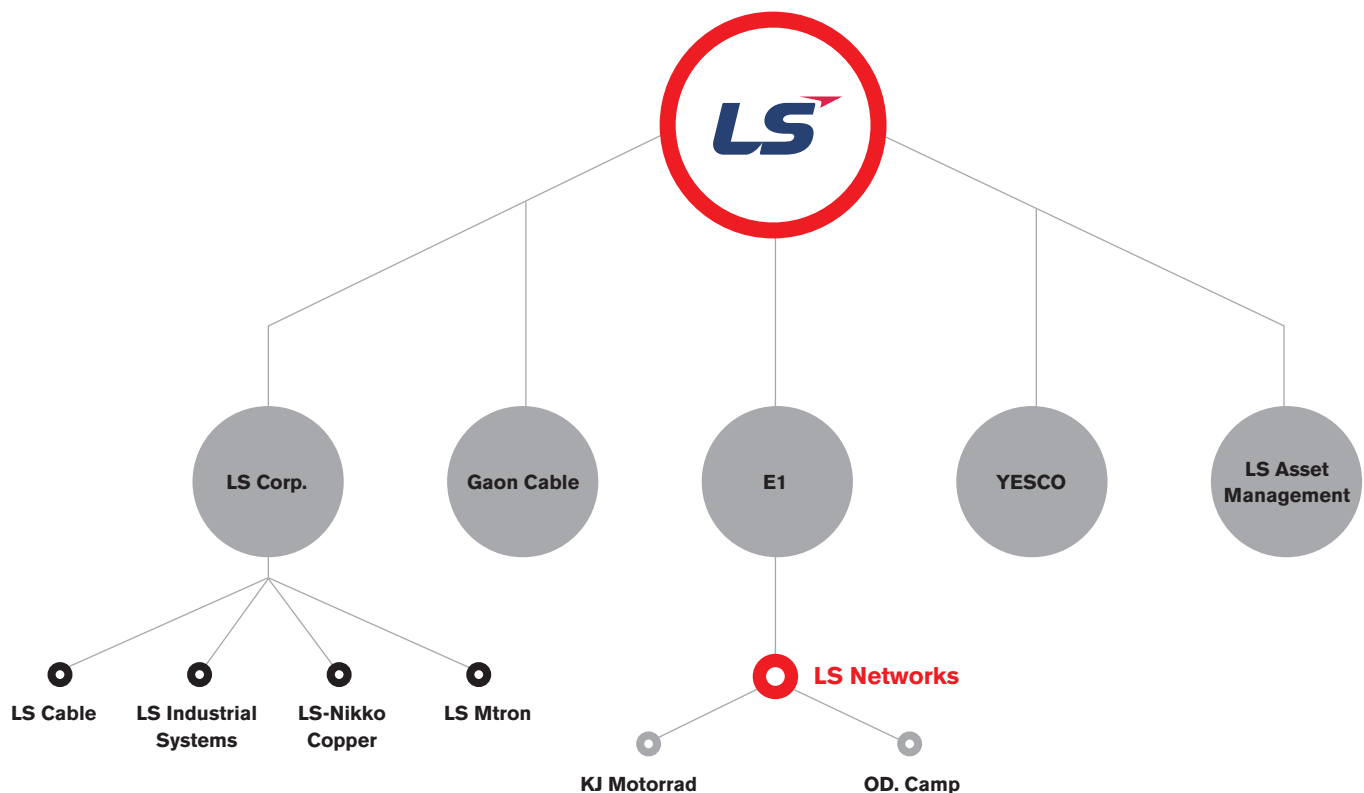


From Korea's top company to a world-class enterprise

Every major company in the LS group – LS Cable, LS Industrial Systems, LS-Nikko Copper, LS Mtron, GaonCable, E1 and YESCO – is well known in the electrical, electronic and materials industries they serve. LS Networks and all of its affiliates are striving to become not just global entities but leading solutions providers as well.

LS Networks to develop B2C industry within the LS Group

With the aim of broadening the group's business domain into the B2C area, the LS Group acquired Kukje Corporation (now part of LS Networks) in 2007. Since the acquisition, LS Networks has been expanding and diversifying its areas of business based on a multi-brand strategy, as it increases the value of its own brand name product, PROSPECS, which it aims to turn into one of the world's top 10 global athletic sports brand. Smart investments and good performances by the company's new businesses in leisure and fashion will enable LS Networks to communicate with more customers worldwide.



* The above table focuses on the major subsidiaries of the 43 domestic and 35 overseas subsidiaries of the LS Group.

Financial Section

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* Financial Information on page 46 to 53 are the translations of the Korean audit report by Ernst & Young.

* Changes in the above table are based on a KRW 1 million unit.

Financial Highlights

1. RESULTS OF OPERATION

(unit : KRW in billions)

Sales **+31.7%**



Gross Profit **+31.9%**



Operating Income **+43.3%**



Income (Loss) Before
Income Taxes Expenses **+37.7%**



Net Income or Loss **+32.9%**



2. FINANCIAL CONDITION

(unit : KRW in billions)

Total Assets **(2.2)%**



Total Liabilities **+2.5%**



Total Shareholders'
Equity **(3.2)%**



Management's Discussion and Analysis

The financial information and related discussions have been classified in accordance with the accounting principles generally accepted in Korea (Korean GAAP). This section also contains forward-looking statements with respect to financial conditions, operations results, LS Networks' businesses, as well as the plans and objectives of LS Networks' management. Statements that are not historical facts, including statements involving known and unknown risks, uncertainties, and other such factors which may affect the actual results or performance of LS Networks, may be materially different from any future results or performance expressed or implied by such forward-looking statements. LS Networks does not make any guarantees, whether expressed or implied, as to the accuracy or completeness of the information contained in this section, and nothing contained herein is, or shall be relied upon, as a promise, whether in reference to the past or future, and therefore undue reliance should not be placed on said information. Forward-looking statements speak only to the conditions as of the date they were made, and LS Networks undertakes no obligation to publicly update any of them in light of new information or future events. The term "the company" used herein, when done so without any other qualifying description, will refer to LS Networks.

*Information and data regarding OD Camp and KJ Motorrad's management and business are not included.

1. ANALYSIS OF BUSINESS RESULTS AND OUTLOOK

In 2010, the aftermath of the global financial crisis which had started two years earlier continued to have an effect on the Korean economy. Coupled with the unprecedented pandemic of foot-and-mouth disease, fluctuations in agricultural product prices triggered by extreme weather led to an abrupt rise in consumer prices, resulting in a slowdown in consumption. Amid this lagging economic recovery, LS Networks concentrated on reinforcing its competencies in the brand licensee and retail businesses, laying the groundwork for sustainable growth in the future.

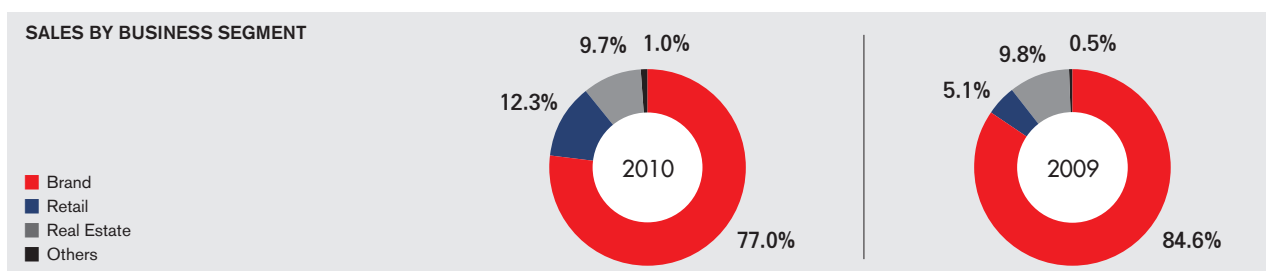
2. BUSINESS RESULTS

LS Networks was able to weather the storm in 2010 when one of its main arms in the retail business, its Toyota dealership, suffered a massive recall. In the brand license business, PROSPECS W became the most recognizable brand in the walking shoe market, while also realizing higher-than-expected business results. All in all, LS Networks saw a 31.7 percent and a 43.3 percent year-on-year growth in sales and operating profit, respectively, in 2010, reaching KRW 358.2 billion and KRW 29.9 billion each. Net income also jumped 32.9 percent from the previous year, to KRW 19.5 billion.

(unit : KRW in billions)

		2010		2009	change (%)
Sales	₩	358.2	₩	272.0	31.7
Operating Profit		29.9		20.8	43.3
Net Income	₩	19.5	₩	14.7	32.9

As of the end of 2010, the company's business portfolio comprised brand license businesses, including PROSPECS, Skechers and Jack Wolfskin, which made up 77.0 percent of total sales for LS Networks, with its retail and lease businesses accounting for 12.3 percent and 9.7 percent of total sales, respectively.



Sales & Operating Profit

Despite sagging consumer sentiment amid adverse economic developments, LS Networks' brand license business realized stable growth in sales, which increased between two and threefold from the previous year on the back of the robust sales growth of PROSPECS W, its sports walking shoe brand, and the launch of internationally popular brands such as Skechers and Jack Wolfskin. Sales increased by 19.9 percent year on year, to KRW 275.8 billion, and operating profit grew 108.6 percent, reaching KRW 19.6 billion.

Emerging as the company's newest main growth engine, the retail business helped offset the problems which arose in the wake of the Toyota recall in the first half of 2010 through a swift response to consumer demand and customized marketing, as well as service strategies emphasizing Toyota's advantageous technologies. At the same time, Biclo, LS Networks' new bicycle retail brand, enjoyed stable operations early on, realizing a twofold year-on-year growth in sales for 2010, to reach KRW 44.1 billion. Furthermore, the main sources of revenue for the lease business, LS Yongsan Tower, had its remodeling completed in April 2010, and as soon as it reopened the vacancy rate fell to below 1 percent, as long-term tenants completed moving in to the landmark structure. Coupled with accurate and timely customer service to tenants, LS Networks made KRW 34.7 billion in lease revenue, up 30.0 percent from the previous year, while operating profit expanded by 48.4 percent, reaching KRW 15.4 billion.

In 2011, concerns over a possible double-dip in the global economy, a sluggish Korean real estate market, and weak interest rate hikes are projected to hinder the growth of real income, leading to anemic growth in household consumption expenditure. Nevertheless, competition is expected to intensify more than ever, and LS Networks will promptly respond to market demands through relentless innovation and change, seizing on every opportunity for future growth.

(unit : KRW in billions)

		2010		2009	change (%)
Sales	₩	358.2	₩	272.0	31.7
Cost of Goods Sold		176.8		134.5	31.4
Gross Profit		181.4		137.5	31.9
SG&A		151.5		116.7	29.9
Operating Income	₩	29.9	₩	20.8	43.3
Operating Profit Margin		8.3%		7.7%	-

Net Income

In 2010, net income grew by 32.9 percent year on year, to KRW 19.5 billion. This growth can be attributed to the KRW 82.0 billion year-on-year decrease in cash reserves that stemmed from the retirement of stocks in April 2010 and the resultant KRW 3.7 billion decline in interest income, as well as the KRW 1.9 billion increase in non-operating expenses due to the equivalent amount of loss from the disposal of inventory assets.

(unit : KRW in billions)

		2010		2009	change (%)
Operating Profit	₩	29.9	₩	20.8	43.3
Non-Operating Income		7.4		6.5	14.5
Non-Operating Expenses		9.0		6.8	33.1
Income Before Income Tax Expense		28.3		20.5	37.7
Income Tax Expense		8.8		5.8	49.7
Net Income	₩	19.5	₩	14.7	32.9
Net Profit		5.4%		5.4%	-

3. FINANCIAL CONDITIONS

Total Assets

As of 2010, the company's total assets stood at KRW 1,018 billion, down 2.2 percent from the previous year. The main reason behind this decline was the KRW 43.7 billion drop in current assets as a result of the KRW 82.0 billion cash outflow to pay for the retirement of stocks in April, even after the KRW 35.8 billion cash inflow from the paid-in capital increase in November 2011.

(unit : KRW in billions)

		2010		2009	change (%)
Current Assets	₩	165.7	₩	209.4	(20.9)
Cash & Equivalents		28.1		112.3	(74.9)
Trade Receivables		22.9		15.6	46.9
Inventory		86.1		68.4	25.8
Miscellaneous Current Assets		28.6		13.1	116.9
Non-current Assets		852.3		831.0	2.6
Investment Assets		87.8		87.8	0.1
Tangible Assets		737.8		725.9	1.6
Other Intangible Assets		26.7		17.3	54.1
Total Assets	₩	1,018.0	₩	1,040.4	(2.2)

Total Liabilities and Shareholders' Equity

Total liabilities grew by 2.5 percent in 2010, to KRW 196.7 billion, with debt ratio reaching 24.0 percent. Of all non-current liabilities, most of the KRW 112.0 billion of deferred income taxes liability was the result of the calculation of the accrued income taxes following the revaluation of assets (land only) at the end of 2009. Aside from that, the net debt ratio dropped to 10.3 percent, which contributed to the 20.7 percent growth in current liabilities from the previous year and a 0.9 percent decline in non-current liabilities, due largely to the KRW 4.7 billion increase in trade payables and the KRW 4.4 billion growth in revenue from down payments for leases. Total shareholders' equity fell by 3.2 percent, to KRW 821.3 billion, which can be attributed to the fact that net income in 2010 accrued to an unappropriated surplus, despite the KRW 43.8 billion loss arising from a reduction of legal capital due to LS Networks' stock retirement in April of the same year.

(unit : KRW in billions)

		2010		2009	change (%)
Trades Payable	₩	12.5	₩	7.8	60.9
Long-Term/Short-Term Borrowings		3.4		3.4	1.3
Deferred Income Tax Liability		112.0		109.8	2.0
Miscellaneous Liabilities		68.8		70.9	(3.0)
Total Liabilities		196.7		191.9	2.5
Capital Stock		393.5		394.3	(0.2)
Capital Adjustments		(46.4)		(1.8)	(2,516.6)
Accumulated Other Comprehensive Income		397.6		397.2	0.1
Retained Earnings		76.6		58.8	30.3
Total Shareholders' Equity	₩	821.3	₩	848.5	(3.2)

4. CASH FLOW

In 2010, LS Networks generated cash flow amounting to KRW 10.2 billion from its operating activities. KRW 28.5 billion of this cash outflow came from changes in assets and liabilities and a KRW 32.9 percent year-on-year growth in net income. Investment activities generated KRW 32.6 billion in cash flow, of which KRW 80.0 billion was cash inflow from the decrease in short-term financial instruments and KRW 6.1 billion represented a contribution to investment stock using the equity method of subsidiary and cash outflow to pay for the remodeling construction costs of LS Yongsan Tower. Cash flow from financial activities amounted to an outflow of KRW 46.9 billion, owing mainly to the KRW 82.0 billion stock redemption and KRW 34.9 billion of paid-in capital increase. All in all, the company posted a KRW 4.1 billion decline in cash flow for 2010.

(unit : KRW in billions)

		2010		2009
Cash Flow from Operating Activities	₩	10.2	₩	43.5
Cash Flow from Investment Activities		32.6		(44.6)
Cash Flow from Financial Activities		(46.9)		(1.2)
Increase (Decrease) in Cash Balance	₩	(4.1)	₩	(2.3)

5. 2011 OUTLOOK

LS Networks laid the foundation for long-term sustainable growth in 2010 by aggressively pursuing new growth engines. This led to sales surpassing the KRW 300 billion mark for the first time since the company's incorporation into the LS Group. Buoyed by this sound performance, and with the aim of establishing itself as a brand license and retail business leader, LS Networks is set to begin repositioning itself in 2011. In line with this vision, the company has devised a business policy which will encourage sustainable management practices through innovation, an enterprising spirit, and transparent management practices. It also reorganized its business structure so it now has two independent business units. Based on an up-to-date and thorough analysis of market trends and competitors, LS Networks is focusing on reinforcing its core competencies in each of its business areas, while discovering profitable new brand names. At the same time, it is continuing to export its own brands to overseas markets through timely expansion into strategic market points. Ultimately, LS Networks aims to become one of the world's top companies, one which can outpace its competitors as it helps bring about eco-friendly, future-oriented corporate value.

Independent Auditors' Report

March 9, 2011

The Board of Directors and Stockholders
LS Networks Co., Ltd.

We have audited the accompanying statements of financial position of LS Networks Co., Ltd. (the "Company") as of December 31, 2010 and 2009, and the related statements of income, appropriation of retained earnings, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain subsidiaries, the investments in which are reflected in the accompanying financial statements using the equity method of accounting. The investments in those subsidiaries represent 1.3% and 1.2% of the Company's total assets as of December 31, 2010 and 2009. These financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the subsidiaries, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the 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 provide a reasonable basis for our opinion.

In our opinion, based on our audits and the audit conclusions of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of LS Networks Co., Ltd. as of December 31, 2010 and 2009, and the results of its financial performance, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

This audit report is effective as of March 9, 2011, the independent 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 financial statements and may result in modifications to this report.

Internal Control over Financial Reporting Review Report

March 9, 2011

Representative Director
LS Networks Co., Ltd.

We have reviewed the accompanying management's report on the operations of the Internal Control over Financial Reporting ("ICFR") of LS Networks Co., Ltd. (the "Company") as of December 31, 2010. The Company's management is responsible for design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review the management's ICFR report and issue a report based on our review. The management's report on the operations of the ICFR of the Company states that "Based on its assessment of the operations of the ICFR, the Company's ICFR has been effectively designed and has operated as of December 31, 2010, in all material respects, in accordance with the ICFR standards."

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

A company's ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

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

We conducted our review of the ICFR in existence as of December 31, 2010, and we did not review the ICFR subsequent to December 31, 2010. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit of Stock Companies, and may not be appropriate for other purposes or for other users.

This report is annexed in relation to the audit of the financial statements as of December 31, 2010 and the review of internal control over financial reporting pursuant to Article 2-3 of the Act on External Audit of Stock Companies of the Republic of Korea.

Statements of Financial Position

As of December 31, 2010 and 2009

(unit : KRW)

Accounts	2010	2009
Assets		
I. Current Assets	₩ 165,683,731,610	₩ 209,404,511,669
(1) Quick Assets	79,611,888,828	141,006,411,797
1. Cash and Cash Equivalents	17,657,187,096	21,769,314,613
2. Short-term Financial Instruments	10,480,526,000	90,480,526,000
3. Short-term Available-for-sale Securities	4,510,000	1,510,000
4. Trade Receivables	22,945,751,015	15,636,617,646
Allowance for Doubtful Accounts for Trade Receivables	(63,244,230)	(63,244,230)
5. Other Receivables	4,538,167,256	3,832,896,188
6. Accrued Income	84,934,001	1,068,776,141
7. Advance Payments	12,274,922,834	192,725,888
8. Prepaid Expenses Total	61,582,534	62,584,103
9. Deferred Income Taxes Assets Current	11,627,552,322	8,024,705,448
(2) Inventories	86,071,842,782	68,398,099,872
1. Merchandises	83,939,887,932	67,603,184,841
Allowance for Loss on Valuation of Merchandises	(22,450,271)	(792,973,032)
2. Finished Goods	64,761,953	1,564,272,672
Allowance for Loss on Valuation of Finished Goods	(2,557,414)	(128,643,618)
3. Raw Materials	58,948,275	13,218,900
4. Supplies	1,363,230	40,277,250
5. Goods in Transit	2,031,889,077	98,762,859
II. Non-current Assets	852,287,564,851	831,033,107,437
(1) Investment Assets	87,777,035,580	87,728,166,735
1. Long-term Available-for-sale Securities	74,275,599,670	75,138,438,811
2. Equity Method Securities	13,382,352,710	12,446,477,924
3. Long-term Loans	119,083,200	143,250,000
(2) Property, Plant and Equipment	737,799,541,399	725,968,496,877
1. Land	626,084,627,300	626,084,627,300
2. Buildings	136,343,560,685	123,270,960,991
Accumulated Depreciation for Buildings	(43,203,142,430)	(37,673,648,492)
3. Structures	335,207,753	258,707,753
Accumulated Depreciation for Structures	(207,340,494)	(196,341,323)
4. Machinery	5,717,768,388	5,013,068,388
Accumulated Depreciation for Machinery	(4,895,716,067)	(4,797,809,672)
5. Vehicles	1,229,121,655	830,195,153
Accumulated Depreciation for Vehicles	(393,046,615)	(265,654,208)
6. Office Equipment	23,959,714,905	10,583,624,579
Accumulated Depreciation for Office Equipment	(10,122,251,340)	(4,087,582,830)
7. Tools	2,505,949,182	2,330,559,137
Accumulated Depreciation for Tools	₩ (2,090,293,096)	₩ (1,810,375,625)

Statements of Financial Position

As of December 31, 2010 and 2009

(unit : KRW)

Accounts	2010	2009
8. Other Property Plant Equipment	₩ 237,140,000	₩ 232,390,000
Accumulated Depreciation for Other Tangible Assets	(14,858,466)	(14,858,466)
9. Construction in Progress	2,313,100,039	6,210,634,192
(3) Intangible Assets	4,689,289,697	5,111,270,300
1. Goodwill	951,368,072	1,229,817,264
2. Industrial Property Rights	59,801,391	67,077,059
3. Other Intangible Assets	3,678,120,234	3,814,375,977
(4) Other Non-current Assets	22,021,698,175	12,225,173,525
1. Long-term Non-trade Receivables	3,061,987,214	3,061,987,214
Allowance for Doubtful Accounts for Long-term Non-trade Receivables	(2,067,225,481)	(2,067,225,481)
2. Deposits Provided	21,026,936,442	11,230,411,792
Total Assets	1,017,971,296,461	1,040,437,619,106
Liabilities		
I. Current Liabilities	36,384,619,344	30,155,948,167
1. Trade Payable	12,482,596,623	7,759,763,199
2. Short-term Borrowings	1,887,565,094	2,004,403,240
3. Current Portion of Long-term Borrowing	82,209,090	-
4. Other Payables	11,050,618,721	13,536,227,100
5. Accrued Expenses	11,587,704	12,531,152
6. Advance for Customers	2,368,374,166	1,151,774,907
7. Withholdings	2,467,408,604	795,951,299
8. Income Taxes Payable	6,034,259,342	4,895,297,270
II. Non-current Liabilities	160,344,313,701	161,781,388,701
1. Long-term Other Payables	1,917,543,224	1,919,287,224
Present Value Discount for Long-term Other Payables	-	(6,801,240)
2. Long-term Borrowings	1,565,541,447	1,404,597,416
3. Leasehold Deposits Received Non Current	26,899,898,500	22,465,631,000
4. Deposits Received for Non-current Liabilities	16,887,532,962	15,720,996,537
5. Provisions for Retirement and Severance Benefits	9,064,327,243	10,542,126,216
Transfer to National Pension Fund	(73,005,594)	(104,985,444)
Retirement Pension Assets	(7,943,476,117)	-
6. Deferred Income Taxes Liabilities Non-current	112,025,952,036	109,840,536,992
Total Liabilities	196,728,933,045	191,937,336,868
Stockholders' Equity		
I. Capital Stock	393,464,130,000	394,278,995,000
1. Common Stock	357,637,710,000	394,194,765,000
2. Preferred Stock	35,826,420,000	84,230,000
II. Capital Adjustments	(46,418,640,044)	(1,774,437,484)
1. Treasury Stock in Capital Adjustments	(149,472,644)	(119,076,830)
2. Losses on Capital Reduction in Other Capital Adjustments	(45,431,417,853)	(1,632,990,669)
3. Discount on Stock issuance in Capital Adjustments	₩ (837,749,547)	₩ (22,369,985)

Statements of Financial Position

As of December 31, 2010 and 2009

(unit : KRW)

Accounts	2010	2009
III. Accumulated Other Comprehensive Income	₩ 397,611,393,661	₩ 397,223,156,331
1. Gains on Valuation of Available for Sale Securities in Capital Adjustments	6,231,212,862	4,976,265,168
2. Losses on Valuation of Available for Sale Securities in Capital Adjustments	(28,991,704,095)	(28,158,272,331)
3. Losses on Valuation of Equity Method Securities	(59,006,333)	(25,727,733)
4. Gains on Revaluation of Property, Plant, & Equipment	420,430,891,227	420,430,891,227
IV. Retained Earnings or Accumulated Deficit	76,585,479,799	58,772,568,391
1. Retained Earnings Before Appropriations or Accumulated Deficit Before Disposition on Balance Sheet	76,585,479,799	58,772,568,391
Total Stockholders Equity	821,242,363,416	848,500,282,238
Total Liabilities and Stockholders Equity	₩ 1,017,971,296,461	₩ 1,040,437,619,106

Statements of Income

For the years ended December 31,
2010 and 2009

(unit : KRW)

Accounts	2010	2009
I. Sales Revenue	₩ 358,201,817,090	₩ 271,990,548,161
1. Sales Revenue of Finished Goods	756,117,003	4,178,962,980
2. Sales Revenue of Merchandises	321,082,669,493	239,470,128,170
3. Revenues-rental	34,698,350,647	26,697,840,123
4. Other Sales Revenue	1,075,131,482	1,108,355,072
5. Fees Revenues	589,548,465	535,261,816
II. Costs of Goods and Services Sold	176,752,568,277	134,468,011,891
1. Cost of Finished Goods Sold	1,078,527,377	3,932,105,659
A. Beginning Inventory of Finished Goods	1,435,629,054	5,378,320,267
B. Cost of Finished Goods	-	-
C. Transfer to Other Accounts	(294,897,138)	(10,585,554)
D. Ending Inventory of Finished Goods	(62,204,539)	(1,435,629,054)
2. Cost of Merchandises Sold	157,394,134,610	116,150,147,048
A. Beginning Inventory of Merchandises	66,810,211,809	58,117,255,546
B. Cost of Merchandises Purchased	176,674,152,426	125,455,858,959
C. Transfer to Other Accounts	(2,172,791,964)	(612,755,648)
D. Ending Inventory of Merchandises	(83,917,437,661)	(66,810,211,809)
3. Cost of Rental	16,544,928,375	14,251,691,800
4. Cost of Other Goods Sold	1,734,977,915	134,067,384
III. Gross Profit or Loss	181,449,248,813	137,522,536,270
IV. Selling and Administrative Expenses	151,588,300,514	116,688,455,427
1. Salaries and Wages	18,906,772,883	16,057,156,250
2. Retirement and Severance Benefits	2,536,580,943	1,758,346,992
3. Employee Benefits	3,293,599,409	2,413,598,905
4. Training Expenses	221,128,243	56,066,476
5. Travel Expenses	1,055,296,839	661,773,186
6. Communication Expenses	594,216,357	477,520,582
7. Utility Expenses	357,275,460	377,718,708
8. Taxes and Dues	327,048,123	293,104,403
9. Rental Expenses	3,619,148,100	2,247,332,593
10. Depreciation	3,856,954,979	1,760,488,120
11. Amortization of Intangible Assets	1,249,003,953	544,814,991
12. Repair Expenses	237,190,337	223,237,357
13. Insurance Premiums	114,517,043	67,259,130
14. Entertainment Expenses	1,175,265,155	883,366,244
15. Advertising Expenses	21,702,858,126	15,957,158,994
16. Sample Expenses	214,743,445	152,046,835
17. Packaging Expenses	874,712,569	570,389,479
18. Development Expenses	547,265,284	448,178,263
19. Freight Expenses	1,431,842,647	1,306,301,747
20. Commissions	₩ 88,427,801,239	₩ 69,565,130,382

Statements of Income

For the years ended December 31,
2010 and 2009

(unit : KRW)

Accounts	2010	2009
21. Vehicle Maintenance Expenses	₩ 334,783,325	₩ 269,379,637
22. Supply Expenses	442,232,422	504,414,885
23. Publication Expenses	68,063,633	57,931,009
24. Custody Charges	-	3,088,000
25. Expenses of Allowance for Doubtful Accounts	-	32,652,259
V. Operating Income or Loss	29,860,948,299	20,834,080,843
VI. Non-operating Revenues	7,380,983,780	6,445,414,994
1. Interest Income	1,502,183,206	5,194,763,046
2. Dividend Income	450,659,820	494,080
3. Gains on Sale of Available for Sale Securities in Investment Assets	-	579,420
4. Gains on Foreign Currency Transactions	406,260,332	228,378,955
5. Gains on Foreign Currency Translation	68,260,337	53,675,222
6. Gain on Sale of Property, Plant and Equipment	2,807,724	3,364,000
7. Gain on Prior Period Error Correction	2,806,072,202	-
8. Miscellaneous Income	2,144,740,159	964,160,271
VII. Non-operating Expenses	8,989,365,464	6,756,169,388
1. Interest Expenses	112,527,580	64,667,892
2. Impairment Losses on Inventory Obsolescence	1,862,197,833	80,159,178
3. Losses on Foreign Currency Transactions	285,785,380	130,622,509
4. Losses on Foreign Currency Translation	23,890,949	6,179,790
5. Donations	152,095,840	201,526,500
6. Impaired Loss on Available-for-sale Securities	1,400,000,000	-
7. Losses Valuation Property Plant Equipment Non Operating Expenses	-	150,415,411
8. Losses on Sale of Property, Plant and Equipment	461,698	554,648,644
9. Losses on Valuation of Equity Method Securities	5,130,846,614	5,545,168,103
10. Miscellaneous Losses	21,559,570	22,781,361
VIII. Income Loss Before Income Taxes Expenses	28,252,566,615	20,523,326,449
IX. Income Taxes Expenses	8,784,294,553	5,870,079,675
X. Net Income or Loss	19,468,272,062	14,653,246,774
XI. Earnings or Losses Per Share		
Basic and Diluted Earnings or Losses Per Share	₩ 239	₩ 186

Statements of Appropriations of Retained Earnings

For the years ended December 31, 2010 and 2009

(Dates of Appropriations : March 24, 2011 and March 12, 2010 for the years ended December 31, 2010 and 2009, respectively)

(unit : KRW)

Accounts	2010	2009
I. Retained Earnings Before Appropriations or Accumulated		
Deficit Before Disposition	₩ 76,585,479,799	₩ 58,772,568,391
1. Unappropriated Retained Earnings or Undisposed		
Accumulated Deficit from Beginning Year	57,117,207,737	44,119,321,617
2. Net Income or Loss	19,468,272,062	14,653,246,774
II. Appropriations of Retained Earnings	47,519,310,652	1,655,360,654
1. Provision of legal reserve	107,388,450	-
2. Cash dividends	1,073,884,500	-
Dividend per share (%)		
Current-term: Common share KRW 14 (0.28%)		
Preferred share KRW 10 (0.20%)		
3. Dividend on stocks	627,370,000	-
Dividend per share (%)		
Current-term: Common share KRW 7 (0.14%)		
Preferred share KRW 14 (0.28%)		
4. Losses on Capital Reduction	45,431,417,853	1,632,990,669
5. Amortization of Discount on Stock Issuance	279,249,849	22,369,985
III. Unappropriated Retained Earnings or Undisposed		
Accumulated Deficit Carried over to Subsequent Year	₩ 29,066,169,147	₩ 57,117,207,737

Statements of Changes in Shareholders' Equity

For the years ended December 31,

2010 and 2009

(unit : KRW)

Accounts	Capital Stock	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings or Accumulated Deficit	Total Equity
2009.01.01 (Beginning)	₩ 394,278,995,000	₩ (1,796,807,469)	₩ (30,458,226,780)	₩ 44,141,691,602	₩ 406,165,652,353
Net Income or Loss	-	-	-	14,653,246,774	14,653,246,774
Amortization of Discount on Stock Issuance	-	22,369,985	-	(22,369,985)	-
Gains on Revaluation of Property, Plant, & Equipment	-	-	420,430,891,227	-	420,430,891,227
Losses on Valuation of Equity Method Securities	-	-	12,513,867	-	12,513,867
Gains or Losses on Valuation of Available for Sale Securities	-	-	7,237,978,017	-	7,237,978,017
2009.12.31 (End)	394,278,995,000	(1,774,437,484)	397,223,156,331	58,772,568,391	848,500,282,238
2010.01.01 (Beginning)	394,278,995,000	(1,774,437,484)	397,223,156,331	58,772,568,391	848,500,282,238
Net Income or Loss	-	-	-	19,468,272,062	19,468,272,062
Amortization of Losses on Capital Reduction	-	1,632,990,669	-	(1,632,990,669)	-
Amortization of Discount on Stock Issuance	-	22,369,985	-	(22,369,985)	-
Capital Reduction by Payment in Cash	(36,564,865,000)	(45,461,813,667)	-	-	(82,026,678,667)
Paid-in Capital Increase	35,750,000,000	(837,749,547)	-	-	34,912,250,453
Losses on Valuation of Equity Method Securities	-	-	(33,278,600)	-	(33,278,600)
Gains or Losses on Valuation of Available for Sale Securities	-	-	421,515,930	-	421,515,930
2010.12.31 (End)	₩ 393,464,130,000	₩ (46,418,640,044)	₩ 397,611,393,661	₩ 76,585,479,799	₩ 821,242,363,416

Statements of Cash Flows

For the years ended December 31,
2010 and 2009

(unit : KRW)

Accounts	2010	2009
I. Cash Flows from Operating Activities	₩ 10,232,360,232	₩ 43,509,724,154
1. Net Income or Loss	19,468,272,062	14,653,246,774
2. Additions of Expenses of Non-Cash Transactions	22,151,115,863	14,509,424,460
Depreciation	9,672,510,985	5,576,914,709
Amortization of Intangible Assets	1,249,003,953	544,814,991
Losses on Sale of Property, Plant and Equipment	461,698	554,648,644
Retirement and Severance Benefits	2,805,494,187	2,008,396,884
Amortization on Present Value Discount	6,801,240	12,986,186
Impairment Losses on Inventory Obsolescence	1,862,197,833	80,159,178
Losses on Valuation of Equity Method Securities	5,130,846,614	5,545,168,103
Impaired Loss on Available-for-sale Securities	1,400,000,000	-
Losses on Foreign Currency Translation	23,799,353	2,901,643
Expenses of Allowance for Doubtful Accounts	-	32,652,259
Losses on Valuation of Inventories	-	150,415,411
Miscellaneous Losses	-	366,452
3. Deduction of Revenues of Non-Cash Transactions	(2,877,140,263)	(54,344,822)
Gains on Sale of Available for Sale Securities in Investment Assets	-	579,420
Gains on Sale of Property, Plant and Equipment	2,807,724	3,364,000
Gains on Foreign Currency Translation	68,260,337	50,401,402
Gain on Prior Period Error Correction	2,806,072,202	-
4. Changes in Assets and Liabilities from Operating Activities	(28,509,887,430)	14,401,397,742
Decrease or Increase in Trade Receivables	(7,307,675,526)	(1,400,949,342)
Decrease or Increase in Other Receivables	(705,271,068)	(555,501,477)
Decrease or Increase in Accrued Revenues	983,842,140	3,435,803,139
Decrease or Increase in Advance Payments	(82,196,946)	(97,728,342)
Decrease or Increase in Prepaid Expenses	1,001,569	9,152,695
Decrease or Increase in Inventories	(19,535,940,743)	477,611,796
Decrease or Increase in Deferred Income Taxes	(1,536,320,939)	(469,394,449)
Increase or Decrease in Trade Payables	4,726,047,905	1,745,119,559
Increase or Decrease in Other Payables	(2,485,463,508)	5,787,236,520
Increase or Decrease in Withholdings	1,671,457,305	(1,199,625,711)
Increase or Decrease in Advances from Customers	1,216,599,259	650,483,000
Increase or Decrease in Accrued Expenses	(943,448)	(263,845,373)
Increase or Decrease in Income Taxes Payable	1,138,962,072	1,917,083,615
Increase Decrease Withholdings Quarantee Deposits	1,166,536,425	16,740,814
Payment for Retirement and Severance Benefit	(4,283,293,160)	(952,815,842)
Increase or Decrease in National Pension Fund	31,979,850	8,636,000
Retirement Pension Assets	(7,943,476,117)	-
Increase or Decrease in Leasehold Deposits Received	₩ 4,434,267,500	₩ 5,293,391,140

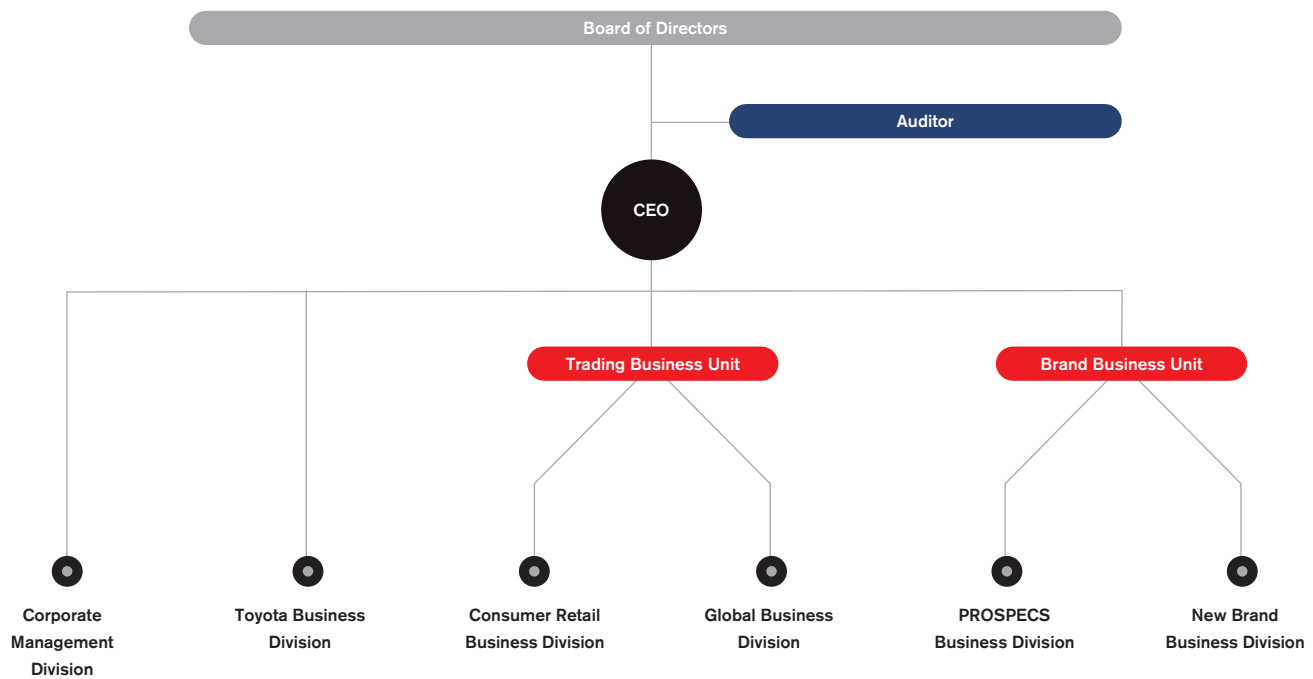
Statements of Cash Flows

For the years ended December 31,
2010 and 2009

(unit : KRW)

Accounts	2010	2009
II. Cash Flows from Investing Activities	₩ 32,605,725,701	₩ (44,629,662,079)
1. Cash Inflows from Investing Activities	90,385,563,166	60,351,627,827
Proceeds from Sale of Short-term Financial Instruments	90,000,000,000	60,000,000,000
Proceeds from Sale of Available for sale Securities	1,510,000	22,860,000
Proceeds from Sale of Long-term Investment Securities	-	986,358
Decrease in Long-term Loans	104,166,800	58,950,000
Decrease in Deposits Provided	49,000,000	10,000,000
Proceeds from Sale of Vehicles	225,636,366	3,364,000
Proceeds from Sale of Office Equipment	5,250,000	7,066,000
Cash Inflows from Merger	-	248,401,469
2. Cash Outflows from Investing Activities	(57,779,837,465)	(104,981,289,906)
Increase in Advance Payment	12,000,000,000	-
Purchase of Short-term Financial Instruments	10,000,000,000	50,049,634,640
Purchase of Long-term Investment Securities	1,265,820	457,080
Increase in Long-term Loans	80,000,000	60,000,000
Purchase of Equity Method Securities	6,100,000,000	800,000,000
Increase in Deposits Provided	9,845,524,650	4,491,740,000
Purchase of Land	-	4,303,210,794
Purchase of Buildings	9,036,065,541	32,640,745,166
Purchase of Structures	76,500,000	-
Purchase of Machinery	704,700,000	215,308,177
Purchase of Vehicles	670,644,734	523,509,648
Purchase of Office Equipment	8,118,973,325	3,990,976,838
Purchase of Tools	175,390,045	67,256,200
Purchase of Other Tangible Assets	4,750,000	173,590,000
Purchase of Construction in Progress	139,000,000	4,036,534,153
Purchase of Industrial Property Rights	10,811,240	34,182,920
Purchase of Other Intangible Assents	816,212,110	3,594,144,290
III. Cash Flows from Financing Activities	(46,950,213,450)	(1,161,291,910)
1. Cash Inflows from Financing Activities	44,000,629,389	1,404,597,416
Proceeds from Short-term Borrowings	7,714,037,248	-
Proceeds from Long-term Borrowings	1,374,341,688	1,404,597,416
Paid-in Capital Increase	34,912,250,453	-
2. Cash Outflows from Financing Activities	(90,950,842,839)	(2,565,889,326)
Repayments of Short-term Borrowings	7,791,231,605	2,565,889,326
Reduction on Long-term Accounts Payable	1,744,000	-
Redemption of Long-term Borrowings	1,131,188,567	-
Capital Reduction by Payment in Cash	82,026,678,667	-
IV. Increase or Decrease in Cash and Cash Equivalents (I+II+III)	(4,112,127,517)	(2,281,229,835)
V. Cash and Cash Equivalent at Beginning	21,769,314,613	24,050,544,448
IV. Cash and Cash Equivalent at End	₩ 17,657,187,096	₩ 21,769,314,613

- Organization Chart



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With LS Networks, Your life will change

A growing number of people believe that their health and the environment are the most important things in their lives and seek to enjoy all the splendors of nature. Based on its management philosophy of realizing eco-friendliness in its corporate value, LS Networks is dedicated to making life better for its customers as a friend of nature it likes to call Eco Friend.



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