LG Electronics
Interim Consolidated Financial Statements
March 31, 2010 and 2009

LG Electronics
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Auditors' Review Report

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

We have reviewed the accompanying interim consolidated financial statement of financial position of LG Electronics Inc. and its subsidiaries (collectively the "Group") as of March 31, 2010, and the related consolidated income statement, statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period ended March 31, 2010, expressed in Korean won. These interim consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our review. We have not reviewed the financial statements of certain consolidated subsidiaries, whose financial statements reflect 32% of the Group's consolidated total assets as of March 31, 2010, and 49% of the Group's consolidated total sales for three-month period then ended. These financial statements were reviewed by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for the consolidated subsidiaries, is based solely on the reports of the other auditors. We have not reviewed the interim consolidated income statement, statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period ended March 31, 2009, presented herein for comparative purposes.

We conducted our review in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review and the reports of the other auditors, nothing has come to our attention that causes us to believe that the interim consolidated financial statements referred to above are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

Without qualifying our opinion, we draw attention that the Group has adopted early the Korean IFRS on January 1, 2010, as explained in Note 2. These interim consolidated financial statements have been prepared in accordance with Korean IFRS issued and effective or issued and early adopted at the reporting date.

Samil PricewaterhouseCoopers

Seoul, Korea
May 26, 2010

This review report is effective as of May 26, 2010, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics
Interim Consolidated Statements of Financial Position
March 31, 2010 and December 31, 2009

(in millions of Korean won)	Note	March 31, 2010	December 31, 2009
Assets			
Current assets			
Cash and cash equivalents		1,976,895	2,423,787
Financial deposits		313,000	223,000
Trade receivables	5	8,041,597	7,637,131
Loans and other receivables		712,999	714,636
Other financial assets		489	902
Inventories		6,010,853	4,899,313
Other current assets		1,177,822	1,011,304
Assets classified as held for sale	22	175,002	-
		18,408,657	16,910,073
Non-current assets			
Financial deposits		162,807	162,373
Loans and other receivables		488,123	478,226
Other financial assets		107,163	102,473
Property, plant and equipment	6	7,735,616	7,708,933
Intangible assets	6	820,192	803,828
Deferred income tax assets		701,026	693,789
Investments in jointly controlled entities and associates	7	4,511,819	4,404,163
Investment property		12,866	12,979
Other non-current assets		845,905	837,675
		15,385,517	15,204,439
Total assets		33,794,174	32,114,512
Liabilities			
Current liabilities			
Trade payables		6,727,808	5,315,853
Borrowings	8	4,174,598	4,307,015
Other payables		4,070,997	4,269,470
Other financial liabilities		36,173	62,153
Current income tax liabilities		162,260	144,230
Provisions	9	794,434	814,859
Other current liabilities		1,466,852	1,255,087
Liabilities classified as held for sale	22	2,753	-
		17,435,875	16,168,667
Non-current liabilities			
Borrowings	8	2,732,062	2,601,583
Other payables		11,534	13,999
Other financial liabilities		100,733	80,222
Deferred income tax liabilities		30,756	25,682
Defined benefit liability	10	329,718	299,406
Provisions	9	495,186	495,981
Other non-current liabilities		3,515	3,726
		3,703,504	3,520,599
Total liabilities		21,139,379	19,689,266
Equity attributable to owners of the Parent Company			
Paid-in capital			
Capital stock		809,169	809,169
Share premium		2,207,919	2,207,919
Retained earnings	11	9,580,760	9,214,309
Accumulated other comprehensive income		(317,725)	(156,886)
Other components of equity	12	(269,968)	(270,333)
		12,010,155	11,804,178
Non-controlling interest		644,640	621,068
Total equity		12,654,795	12,425,246
Total liabilities and equity		33,794,174	32,114,512

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

LG Electronics
Interim Consolidated Income Statements
Three-Month Periods Ended March 31, 2010 and 2009

		Three-Month Period Ended March 31	
(in millions of Korean won, except per share amounts)	**Note**	**2010**	**2009**
			(Unreviewed)
Sales	13, 21	13,699,779	13,209,000
Cost of sales	14, 21	10,229,049	10,003,376
Gross profit		3,470,730	3,205,624
General operating expenses	14		
Selling and marketing expenses		1,800,958	1,579,028
Administrative expenses		342,161	320,163
Research and development expenses		367,499	320,681
Service costs		397,332	483,902
Other operating income	15	379,828	1,122,732
Other operating expenses	14, 16	413,238	1,108,724
Operating income		529,370	515,858
Financial income		279,957	510,385
Financial expenses		241,714	1,083,837
Share of profit of jointly controlled entities and associates	7	218,787	(113,399)
Profit (Loss) before income tax		786,400	(170,993)
Income tax expense		111,847	28,894
Profit (Loss) for the period		674,553	(199,887)
Profit (Loss) for the period attributable to:			
Equity holders of the Parent Company		650,499	(224,064)
Non-controlling interest		24,054	24,177
Earnings (Loss) per share attributable to the equity holders of the Parent Company during the period (in won)	17		
Earning (Loss) per share		4,037	(1,392)

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

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Interim Consolidated Statements of Comprehensive Income

Three-Month Periods Ended March 31, 2010 and 2009

(in millions of Korean won)	Note	Three-Month Period Ended March 31 2010	 2009 (Unreviewed)
Profit (Loss) for the period		674,553	(199,887)
Other comprehensive income			
Currency translation differences		(134,392)	220,956
Available-for-sale financial assets		(1,165)	3,406
Cash flow hedges		(62)	(486)
Actuarial gain (loss) on defined benefit liability	10	(1,316)	1,005
Share of actuarial loss of associates		(58)	-
Share of other comprehensive income of jointly controlled entities and associates		(34,395)	(4,305)
Other comprehensive income (loss) for the period, net of tax		(171,388)	220,576
Total comprehensive income for the period		503,165	20,689
Comprehensive income for the period attributable to:			
Equity holders of the Parent Company		488,337	(27,413)
Non-controlling interest		14,828	48,102
Total comprehensive income for the period		503,165	20,689

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

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Interim Consolidated Statements of Changes in Shareholders' Equity

Three-Month periods Ended March 31, 2010 and 2009

(in millions of Korean won)	Attributable to equity holders of the Parent Company						
	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Other Components of Equity	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2009	3,017,088	7,005,588	9,070	(269,712)	9,762,034	600,620	10,362,654
Comprehensive income							
Profit (Loss) for the period	-	(224,064)	-	-	(224,064)	24,177	(199,887)
Actuarial gain on defined benefit liability	-	983	-	-	983	22	1,005
Share of other comprehensive income of jointly controlled entities and associates	-	-	(4,305)	-	(4,305)	-	(4,305)
Cash flow hedges	-	-	(486)	-	(486)	-	(486)
Available-for-sale financial assets	-	-	3,429	-	3,429	(23)	3,406
Currency translation differences	-	-	197,030	-	197,030	23,926	220,956
Total comprehensive income (loss)	-	(223,081)	195,668	-	(27,413)	48,102	20,689
Transactions with equity holders of the Parent Company :							
Dividends	-	(57,232)	-	-	(57,232)	(3,667)	(60,899)
Others	-	-	-	85	85	-	85
Total transactions with equity holders of the Parent Company	-	(57,232)	-	85	(57,147)	(3,667)	(60,814)
Balance at March 31, 2009 (Unreviewed)	3,017,088	6,725,275	204,738	(269,627)	9,677,474	645,055	10,322,529
Balance at January 1, 2010	3,017,088	9,214,309	(156,886)	(270,333)	11,804,178	621,068	12,425,246
Comprehensive income							
Profit for the period	-	650,499	-	-	650,499	24,054	674,553
Actuarial loss on defined benefit liability	-	(1,265)	-	-	(1,265)	(51)	(1,316)
Share of actuarial loss of associates	-	(58)	-	-	(58)	-	(58)
Share of other comprehensive income of jointly controlled entities and associates	-	-	(34,395)	-	(34,395)	-	(34,395)
Cash flow hedges	-	-	(62)	-	(62)	-	(62)
Available-for-sale financial assets	-	-	(1,165)	-	(1,165)	-	(1,165)
Currency translation differences	-	-	(125,217)	-	(125,217)	(9,175)	(134,392)
Total comprehensive income (loss)	-	649,176	(160,839)	-	488,337	14,828	503,165
Transactions with equity holders of the Parent Company :							
Dividends	-	(282,725)	-	-	(282,725)	(2,964)	(285,689)
Other changes in equity	-	-	-	365	365	2,209	2,574
Changes in scope of subsidiaries	-	-	-	-	-	9,499	9,499
Total transactions with equity holders of the Parent Company	-	(282,725)	-	365	(282,360)	8,744	(273,616)
Balance at March 31, 2010	3,017,088	9,580,760	(317,725)	(269,968)	12,010,155	644,640	12,654,795

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

LG Electronics
Interim Consolidated Statements of Cash Flows
Three-Month periods Ended March 31, 2010 and 2009

(in millions of Korean won)	Note	Three-Month Period Ended March 31 2010	2009 (Unreviewed)
Cash flows from operating activities			
Cash generated from operations	18	194,704	1,775,901
Interest received		21,055	22,745
Interest paid		(57,813)	(121,345)
Dividends received		20	1,669
Income tax expense paid		(131,655)	(96,224)
Net cash generated from operating activities		26,311	1,582,746
Cash flows from investing activities			
Decrease in financial deposits		8,439	66,341
Decrease in loans and other receivables		53,897	33,173
Proceeds from disposal of other financial assets		9,015	72,936
Proceeds from disposal of property, plant and equipment	6	46,587	41,549
Proceeds from disposal of intangible assets	6	64	2,097
Increase in cash and cash equivalents due to changes in scope of subsidiaries		798	-
Decrease in other assets		121	395
Increase in financial deposits		(103,275)	(2,680)
Increase in loans and other receivables		(45,667)	(32,641)
Acquisition of other financial assets		(9,926)	(64,734)
Acquisition of property, plant and equipment	6	(527,846)	(230,400)
Acquisition of intangible assets	6	(58,468)	(26,022)
Increase in other assets		(152)	(2,833)
Net cash provided by (used in) investing activities		(626,413)	(142,819)
Cash flows from financing activities			
Proceeds from borrowings		1,216,639	775,918
Repayments of borrowings		(1,007,254)	(2,004,141)
Dividends paid		(1,651)	-
Net cash provided by (used in) financing activities		207,734	(1,228,223)
Exchange gains (losses) on cash, cash equivalents		(54,524)	(27,949)
Net increase (decrease) in cash, cash equivalents		(446,892)	183,755
Cash, cash equivalents at the beginning of period		2,423,787	2,609,939
Cash, cash equivalents at the end of period		1,976,895	2,793,694

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

1. General Information

General information about LG Electronics Inc. (the "Parent Company") and its subsidiaries (collectively referred to "the Group") is as follows.

LG Electronics Inc. was spun-off from LG Electronics Investment Ltd. on April 1, 2002. The Parent Company's shares are listed on the Korea Exchange, and some of its preferred shares, in form of global depositary receipts ("DRs"), are listed on the London Stock Exchange as of the reporting date. The Parent Company is domiciled in Korea at Yeouido-dong, Yeungdeungpo-gu, Seoul.

The Group is engaged in the manufacture and sale of electronic products including mobile phones, TV, air conditioners, refrigerators, washing machines, personal computers. As of March 31, 2010, the Group operates five business segments and other supporting segments through the Parent Company and subsidiaries all over the world (Note 4).

As of March 31, 2010, LG Corp. and its related parties own 34.8% of the Parent Company's total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Preparation

The Group financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

The consolidated financial statements of the Group were previously prepared in accordance with accounting principles generally accepted in the Republic of Korea ("K-GAAP"). The Group's Korean IFRS transition date according to Korean IFRS 1101, *'First-time Adoption of Korean IFRS'*, is January 1, 2009, and reconciliations and descriptions of the effect of the transition from K-GAAP to Korean IFRS on the Group's equity, its comprehensive income and cash flows are provided in Note 24.

The interim consolidated financial statements for the three-month period ended March 31, 2010, have been prepared in accordance Korean IFRS 1034, *'Interim Financial Reporting'*, and are subject to Korean IFRS 1101, *'First-time Adoption of Korean IFRS'*. These interim consolidated financial statements have been prepared in accordance with the Korean IFRS standards and interpretations issued and effective or issued and early adopted at the reporting date. The Korean IFRS standards and interpretations that will be applicable at December 31, 2010, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim consolidated financial statements.

The preparation of financial statements in accordance with Korean IFRS 1034 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1027, '*Consolidated and separate financial statements*'.

(a) *Subsidiaries*

Subsidiaries are all entities over which the Parent Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration includes any assets or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interest in the acquiree is measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Unrealised losses are also eliminated after recognising impairment of transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

(c) *Jointly controlled entities*

A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control. As with associates, investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss.

(d) *Transactions with non-controlling interests*

The Group applies a policy of treating transactions with non-controlling interests as transactions with owners of the Group. The difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposal of non-controlling interests are also recognised in equity. When control ceases, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the income statement.

Segment Reporting

Operating segments are established on the basis of business divisions whose internal reporting is provided to the chief operating decision-maker who is the chief executive officer (Note 4).

Foreign Currency Translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in 'Korean won', which is the Parent Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at each reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except qualifying cash flow hedges which are recognised in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are reported in 'financial income and expenses' in the income statement. All other foreign exchange gains and losses are reported in 'other operating income and expenses' in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the equity.

(c) *Group companies*

The results and financial position of all Group companies whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at monthly average exchange rates (unless this average is not a reasonable approximation of the effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in equity.

When the Parent Company ceases to control the subsidiary, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities less than three months.

Financial Instruments

(a) *Classification*

The Group classifies its financial instruments in the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments, and other financial liabilities at amortised cost. The classification depends on the purpose for which the financial instruments were acquired and the nature of the instruments. Management determines the classification of financial instruments at initial recognition.

i) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial instruments held for trading. Financial assets and liabilities are classified in this category if acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives that are not subject to hedge accounting and financial instruments having embedded derivatives are also included in this category.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'cash and cash equivalents', 'financial deposits', 'trade receivables', 'loans and other receivables'.

iii) Held-to-maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and are classified as 'other financial assets' in the statements of financial position. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months after the end of the reporting period, which are classified as current assets.

iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in 'other financial assets' as non-current assets unless maturities are less than 12 months or management intends to dispose of it within 12 months after the end of the reporting period.

v) Financial liabilities measured at amortised cost

The Group classifies non-derivative financial liabilities as financial liabilities measured at amortised cost except for financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition. In this case the transferred asset continues to be recognised and a financial liability is measured as the consideration received. Financial liabilities measured at amortised cost are included in non-current liabilities, except for maturities less than 12 months after the end of the reporting period, which are classified as current liabilities.

(b) *Recognition and Measurement*

Regular purchases and sales of financial assets are recognised on the trade date. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets carried at fair value through profit or loss are presented in the income statement within 'financial income and expenses' in the period in which they arise. The Group recognises a dividend from financial assets at fair value through profit or loss in the income statement when its right to receive the dividend is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reported in the income statement as 'financial income and expenses'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of 'financial income'. Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'financial income' when the Group's right to receive payments is established.

Impairment of Financial Assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio;
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss is recognised in 'other operating income and expense' or 'financial income and expenses' according to the nature of transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other operating income and expense' or 'financial income and expenses'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other operating income and expense' or 'financial income and expenses'.

Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value, less provision for impairment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method, except for inventories in-transit which are determined using the specific identification method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation except for certain land which was measured at fair value as deemed cost. Historical cost includes expenditures directly attribute to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

Buildings	20 - 40 years
Structures	20 - 40 years
Machinery	5 - 10 years
Vehicles	5 years
Tools	1 - 5 years
Equipment	5 years
Others	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income and expenses' in the income statement.

Borrowing Costs

The Group capitalises borrowing costs directly attributable to the acquisition or construction of qualifying asset as part of the cost of that asset during an extended period in which it prepares an asset for its intended use. The Group recognises other borrowing costs as an expense in the period incurred.

Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are presented as a deduction of related assets and are credited to depreciation over the expected lives of the related assets.

Intangible Assets

(a) *Goodwill*

Goodwill represents the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree over the net identifiable assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

(b) *Industrial property rights*

Industrial property rights are shown at historical cost. Industrial property rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of industrial property rights over their estimated useful lives of 5 to 10 years.

(c) *Development costs*

Development costs which are individually identifiable and directly related to a new technology or to new products which carry probable future benefits are capitalised as intangible assets. Amortisation of development costs based on the straight-line method over their estimated useful lives of 1 to 5 years begins at the commencement of the commercial production of the related products or use of the related technology.

(d) *Other intangible assets*

Other intangible assets such as software which meet the definition of an intangible asset are amortised using the straight-line method over their estimated useful lives of 5 - 25 years when the asset is available for use. Membership rights are regarded as intangible assets with indefinite useful life and not amortised because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. All membership rights are tested annually for impairment and stated at cost less accumulated impairment. Impairment losses are not reversed.

Research and Development Costs

Costs associated with research are recognised as an expense as incurred. Costs that are identifiable, controllable and directly attributable to development projects are recognised as intangible assets when all the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs which are stated as intangible assets are amortised using the straight-line method when the assets are available for use and are tested for impairment.

Investment Property

Investment property is held to earn rentals or for capital appreciation or both. Investment property is measured initially at its cost including transaction costs incurring acquiring the asset. After recognition as an asset, investment property is carried at its cost less any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land held for investment is not depreciated. Investment property, except for land, is depreciated using the straight-line method over their estimated useful lives.

The depreciation method, the residual value and the useful life of an asset are reviewed at least at each financial year end and, if the management judges that previous estimates should be adjusted, the change is accounted for as a change in an accounting estimate.

Impairment of Non-Financial Assets

Assets that have an indefinite useful life, for example goodwill and membership rights, are not subject to amortisation and are tested annually for impairment. At each reporting date, assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill or membership rights that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The Group classifies the liability as current as long as it does not have an unconditional right to defer its settlement for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. It represents future tax consequences that will arise when recovering or settling the carrying amount of its assets and liabilities. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention either to settle the balances on a net basis or to realise the asset and settle the liability simultaneously.

Interim period income tax expense is accrued, to the extent practicable, using a separate estimated average annual effective income tax rate determined for each taxing jurisdiction and applied individually to the interim period pre-tax income of each jurisdiction.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources required to settle the obligation is probable and can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognised as an interest expense.

A warranty reserve is accrued for the estimated costs of future warranty claims over generally one to two years of warranty periods based on historical experience. Sales return provision is for the estimated sales returns based on the historical. Where the Group, as a tenant, is required to restore its leased assets to their original state at the end of the lease-term, the Group recognises the present value of the estimated cost of restoration as a provision for restoration. When there is a probability that an outflow of economic benefits will occur from litigation or disputes, and whose amount is reasonably estimable, a corresponding amount of provision is recognised as litigation and others in the financial statements.

Employee Benefits

(a) *Defined benefit liability*

The Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group operates both defined contribution and defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For the defined contribution plan, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past-service costs are recognised in the income statement over the vesting periods.

(b) *Share-based payments*

The Group operates cash-settled, share-based compensation plans, under which the Group receives services from employees as consideration for the payments of the difference between market price of the stock and exercise price. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted considering the impact of any service and performance vesting conditions and non-vesting condition. Until the liability is settled, the Group shall remeasure the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

(c) Other long-term employee benefits

Some Group companies provide other long-term employee benefits to their employees. The entitlement to these benefits is usually conditional on the employee working more than 10 years. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the income statement as they occur. These benefits are calculated annually by independent actuaries.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary retirement in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary retirement.

Share Capital

Ordinary shares and preferred shares without mandatory dividends or the obligation to be repaid are classified as equity.

Where any Group company purchases the Parent Company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received is included in equity attributable to the Parent Company's equity holders.

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods*

The Group manufactures and sells home electronics and their related core parts and display, multimedia, mobile communication products. Sales of goods are recognised when the Group has delivered the products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume discounts and customers have a right to return faulty products. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. The Group recognises provisions for product warranties and sales returns based on reasonable expectation reflecting warranty obligation and sales return rates incurred historically (Note 9).

(b) *Sales of services*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with such a transaction is recognised by reference to the stage of performance of the services. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(c) *Royalty income*

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(d) *Interest income*

Interest income is recognised using the effective interest method. When receivables are impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired receivables are recognised using the original effective interest rate.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Dividend Distribution

Dividend liability is recognised in the financial statements when the dividends are approved by the shareholders.

Non-current Assets (or disposal groups) Held for Sale

Non-current assets (or disposal groups) are classified as 'assets and liabilities held for sale' when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

3. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities after the end of the reporting date are addressed below.

Estimated Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Fair Value of Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Provisions

The Group recognises provisions for product warranties and sales return as of the reporting date as described in Note 9. The amounts are estimated based on historical data.

Defined benefit liability

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit liability. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions. Additional information is disclosed in Note 10.

4. Segment Information

The segments of the Group are strategic business divisions providing different products and services. They are reported separately because each business division requires different technologies and marketing strategies. The main products of each business division are as follows:

Divisions	Products
Home Entertainment (HE)	Liquid Crystal Display (LCD) / Plasma Display Panel (PDP) TV, PDP Module, Audio, Video, Storage Device
Mobile Communications (MC)	Mobile communications, Personal computer systems, Enterprise communication
Home Appliance (HA)	Refrigerators, Washing machines, Microwave, Vacuum, Compressor, Motor
Air Conditioning (AC)	Air conditioners, Solar cells
Business Solutions (BS)	LCD Monitors, TVs for hotel, Telematics, Security device

The segment information for sales and operating income for the three-month periods ended March 31, 2010 and 2009, is as follows:

(in millions of Korean won)	**2010**		2009 (Unreviewed)	
	Segment sales	**Segment operating income [1]**	Segment sales	Segment operating income
HE	5,156,266	181,993	4,280,566	(774)
MC	3,421,520	23,529	4,244,493	239,095
HA	2,380,895	207,425	2,205,359	132,920
AC	1,172,324	42,960	1,248,653	63,250
BS	1,260,736	34,356	1,092,729	31,278
Total	13,391,741	490,263	13,071,800	465,769

The segment information for assets and liabilities is as follows:

(in millions of Korean won)	**March 31, 2010**		December 31, 2009	
	Segment assets	**Segment liabilities**	Segment assets	Segment liabilities
HE	11,961,435	8,923,093	9,553,683	8,688,280
MC	8,423,965	4,850,105	7,972,978	5,550,254
HA	6,027,580	4,191,202	5,279,244	4,020,196
AC	3,366,848	2,323,543	3,296,390	1,645,030
BS	2,337,421	1,892,644	1,808,758	1,882,506
Total	32,117,249	22,180,587	27,911,053	21,786,266

Reconciliations from total segment sales to consolidated net sales for the three-month periods ended March 31, 2010 and 2009, are provided as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Total segment sales	13,391,741	13,071,800
Other segments[1] and inter-segment sales	308,038	137,200
Consolidated net sales	13,699,779	13,209,000

[1] Other segments include operating segments not qualifying as reportable segments, supporting and R&D divisions.

Reconciliations from operating income of segments to income before tax for the three-month periods ended March 31, 2010 and 2009, are provided as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Operating income for segments	490,263	465,769
Other segments operating income	42,574	44,957
Less: inter-segment operating income (loss)	(3,467)	5,132
Unallocated:		
Financial income	279,957	510,385
Financial expense	(241,714)	(1,083,837)
Share of the profit (loss) of associates	218,787	(113,399)
Income (Loss) before tax	786,400	(170,993)

Reconciliations from segment assets to consolidated assets, are provided as follows:

(in millions of Korean won)	**March 31, 2010**	December 31, 2009
Assets for segments	32,117,249	27,911,053
Other segments and inter-segment assets	1,676,925	4,203,459
Consolidated assets	33,794,174	32,114,512

Reconciliations from segment liabilities to consolidated liabilities are provided as follows:

(in millions of Korean won)	**March 31, 2010**	December 31, 2009
Liabilities for reportable segments	22,180,587	21,786,266
Other segments and inter-segment liabilities	(1,041,208)	(2,097,000)
Consolidated liabilities	21,139,379	19,689,266

External sales by geographic areas for the three-month periods ended March 31, 2010 and 2009, and non-current assets by geographic areas are as follows:

(in millions of Korean won)	**External sales**		**Non-current assets[1]**	
	2010	2009 (Unreviewed)	**March 31, 2010**	December 31, 2009
Korea	2,491,985	2,323,851	6,976,724	6,893,486
North America	2,551,834	3,374,479	66,040	68,278
Europe	2,657,648	2,433,243	268,014	277,625
Central & South America	1,630,592	1,284,842	330,898	353,930
Asia	2,559,595	2,220,018	323,122	297,540
China	1,276,521	1,181,892	504,642	536,110
Commonwealth of Independent States	531,604	390,675	99,234	98,771
Total	13,699,779	13,209,000	8,568,674	8,525,740

[1] Non-current assets consist of property, plant and equipment, intangible assets, investment property.

There is no external customer attributing to more than 10% of total sales for the three-month periods ended March 31, 2010 and 2009.

5. Trade Receivables

Trade receivables, net of allowance for doubtful accounts, are as follows:

(in millions of Korean won)	**March 31, 2010**	December 31, 2009
Trade receivables	8,167,963	7,757,847
Less : allowance for doubtful accounts	(126,366)	(120,716)
Net book amount	8,041,597	7,637,131

The ageing analysis of these trade receivables is as follows:

(in millions of Korean won)	**March 31, 2010**	December 31, 2009
Within due	7,147,380	6,772,136
Up to 3 months	702,348	671,722
4 to 6 months	31,168	67,536
7 to 12 months	83,366	74,338
Over one year	90,998	67,453
Impaired	112,703	104,662
Total	8,167,963	7,757,847

6. Property, Plant and Equipment, and Intangible assets

Changes in carrying amounts of property, plant and equipment for the three-month periods ended March 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Beginning net book amount	7,708,933	7,775,316
Acquisitions	527,846	230,400
Transfer-in (out)	540	1,876
Disposals / reclassification to assets held for sale	(174,849)	(44,916)
Depreciation	(293,292)	(339,850)
Impairment / reversal	(133)	(1,006)
Changes in scope of subsidiaries[1]	18,412	-
Exchange differences	(51,841)	102,827
Closing net book amount	7,735,616	7,724,647

Changes in carrying amounts of intangible assets for the three-month periods ended March 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Beginning net book amount	803,828	698,944
Acquisitions	58,468	26,022
Transfer-in (out)	18,006	7,342
Disposals / reclassification to assets held for sale	(2,495)	(2,692)
Amortisation	(56,744)	(35,414)
Impairment / reversal	(264)	124
Changes in scope of subsidiaries[1]	333	-
Exchange differences	(940)	2,214
Closing net book amount	820,192	696,540

[1] Control over a new subsidiary was obtained during the period.

7. Investments in Jointly Controlled Entities and Associates

Carrying amounts of investments in jointly controlled entities and associates for the three-month periods ended March 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
At January 1	4,404,163	4,044,204
Share of profit (loss)	218,787	(113,399)
Share of other comprehensive loss	(34,395)	(4,305)
Dividends	(68,620)	(71,246)
Others[1]	(8,116)	(611)
At March 31	4,511,819	3,854,643

[1] The amounts include the effect from changes in scope of subsidiaries and share of actuarial gain (loss).

8. Borrowings

The carrying amounts of borrowings are as follows:

(in millions of Korean won)	**March 31, 2010**	December 31, 2009
Current		
Short-term borrowings	3,113,764	3,221,498
Current maturities of long-term borrowings	287,581	290,469
Current maturities of debentures	773,253	795,048
Sub-total	4,174,598	4,307,015
Non-current		
Long-term borrowings	929,831	940,107
Debentures	1,802,231	1,661,476
Sub-total	2,732,062	2,601,583
Total	6,906,660	6,908,598

Current borrowings consist of:

(in millions of Korean won)	**March 31, 2010**	December 31, 2009
Short-term borrowings[1]	3,113,764	3,221,498
Current maturities of long-term borrowings	287,581	290,469
Current maturities of debentures	773,480	795,560
Less : discount on debentures	(227)	(512)
Total	4,174,598	4,307,015

[1] Short-term borrowings include collateralised borrowings that are secured by trade receivables.

Non-current borrowings as of March 31, 2010, consist of:

(in millions of Korean won)	**Total**	**Less: current**	**Non-current**
Borrowings			
Foreign currency loans	365,665	65,976	299,689
Local currency loans	851,747	221,605	630,142
Sub-total	1,217,412	287,581	929,831
Debentures			
Fixed rate notes in local currency[1]	1,245,000	95,000	1,150,000
Fixed rate notes in foreign currency	678,480	678,480	-
Floating rate notes in foreign currency	565,400	-	565,400
Convertible bonds	45,116	-	45,116
Bonds with warrant	49,635	-	49,635
Add: redemption premium	10,442	-	10,442
Less: discount on debentures	(18,589)	(227)	(18,362)
Sub-total	2,575,484	773,253	1,802,231
Total	3,792,896	1,060,834	2,732,062

[1] The Group redeemed non-collateralised notes amounting to ₩ 40,000 million and issued non-collateralised notes amounting to ₩ 200,000 million during the current period.

Non-current borrowings as of December 31, 2009, consist of:

(in millions of Korean won)	Total	Less: current	Non-current
Borrowings			
Foreign currency loans	385,699	44,718	340,981
Local currency loans	844,877	245,751	599,126
Sub-total	1,230,576	290,469	940,107
Debentures			
Fixed rate notes in local currency	1,085,000	95,000	990,000
Fixed rate notes in foreign currency	700,560	700,560	-
Floating rate notes in foreign currency	583,800	-	583,800
Convertible bonds	47,065	-	47,065
Bonds with warrant	49,699	-	49,699
Add: redemption premium	10,663	-	10,663
Less: discount on debentures	(20,263)	(512)	(19,751)
Sub-total	2,456,524	795,048	1,661,476
Total	3,687,100	1,085,517	2,601,583

Carrying amounts and fair value of non-current borrowings consist of:

(in millions of Korean won)	**March 31, 2010**		December 31, 2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Long-term borrowings	929,831	947,008	940,107	953,368
Debentures	1,802,231	1,854,404	1,661,476	1,695,251
Total	2,732,062	2,801,412	2,601,583	2,648,619

[1] The fair values are based on the normal cash flows discounted using the borrowing rate of 4.76% (2009: 5.68%).

Payment schedule[1] of borrowings as of March 31, 2010, is as follows:

(in millions of Korean won)	**Total**	**Less than**			**Over**
		1 year	**2 years**	**5 years**	**5 years**
Short-term borrowings	3,113,764	3,113,764	-	-	-
Current maturities of long-term borrowings and debentures	1,061,125	1,061,125	-	-	-
Long-term borrowings	929,831	-	525,414	400,479	3,938
Debentures	1,820,593	-	660,000	1,160,593	-
Total	6,925,313	4,174,889	1,185,414	1,561,072	3,938

[1] The above cash flow is undiscounted amount.

9. Provisions

Changes in provisions during three-month period ended March 31, 2010, are as follows:

(in millions of Korean won)	**Warranty**	**Sales return**	**Restoration**	**Litigation and others**	**Total**
At January 1, 2010	735,474	79,385	4,665	491,316	1,310,840
Addition	278,536	34,299	205	51,933	364,973
Reversal	(5,471)	(20,495)	-	(1,001)	(26,967)
Utilisation	(259,856)	(17,649)	(83)	(47,313)	(324,901)
Exchange differences	(26,041)	(3,473)	(16)	(4,795)	(34,325)
At March 31, 2010	722,642	72,067	4,771	490,140	1,289,620
Current	722,367	72,067	-	-	794,434
Non-current	275	-	4,771	490,140	495,186

Changes in provisions during three-month period ended March 31, 2009, were as follows:

(in millions of Korean won)	Warranty	Sales return	Restoration	Litigation and others	Total
At January 1, 2009	641,860	75	1,283	157,544	800,762
Addition	381,660	27,575	3,898	1,773	414,906
Reversal	(26,686)	-	-	-	(26,686)
Utilisation	(301,743)	-	-	(862)	(302,605)
Exchange differences	21,920	3,300	2	10,012	35,234
At March 31, 2009	717,011	30,950	5,183	168,467	921,611
Current	715,986	30,950	-	-	746,936
Non-current	1,025	-	5,183	168,467	174,675

10. Defined benefit liability

The amounts recognised in the statements of financial position are determined as follows:

(in millions of Korean won)	**March 31, 2010**	December 31, 2009
Present value of funded obligations	773,242	738,938
Fair value of plan assets	(460,775)	(456,101)
Sub-total	312,467	282,837
Present value of unfunded obligations	17,251	16,569
Liabilities	329,718	299,406

The amounts recognised in the income statements for the three-month periods ended March 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Current service cost	42,830	38,074
Interest cost	11,032	11,562
Expected return on plan assets	(7,418)	(4,513)
Past service cost	(104)	6
Total expense	46,340	45,129

Cumulative actuarial losses recognised in the statement of other comprehensive income as of March 31, 2010, amount to ₩ 17,174 million (2009: ₩ 15,858 million).

The line items in which expenses are included for the three-month periods ended March 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Cost of sales	22,902	21,568
General operating expenses	23,438	23,561
Total	46,340	45,129

Changes in the defined benefit obligations for the three-month periods ended March 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
At January 1	755,507	744,939
Current service cost	42,830	38,074
Transfer-in (out)	(2,658)	7,489
Interest expense	11,032	11,562
Benefits paid	(14,558)	(57,553)
Others	(1,660)	661
At March 31	790,493	745,172

Changes in the fair value of plan assets for the three-month periods ended March 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
At January 1	456,101	467,349
Expected return on plan assets	7,418	4,513
Employer contributions	9,633	45,833
Benefits paid	(12,701)	(56,865)
Others	324	1,341
At March 31	460,775	462,171

The actual return on plan assets for the three-month period ended March 31, 2010, was ₩ 7,086 million (2009: ₩ 5,778 million).

The principal actuarial assumptions used were as follows:

(%)	March 31, 2010	December 31, 2009
Discount rate	6.2	6.2
Expected rate of return	6.1	6.1
Future salary increase	6.0	6.0

Plan assets consist of:

(in millions of Korean won)	**March 31, 2010**	December 31, 2009
Debentures	2,426	1,931
Insurance contracts	917	859
Deposits	457,432	453,311
Total	460,775	456,101

11. Retained Earnings

Retained earnings consist of:

(in millions of Korean won)	**March 31, 2010**	December 31, 2009
Legal reserve	138,822	110,549
Discretionary reserve	5,643,697	3,949,343
Unappropriated retained earnings	2,056,352	3,832,657
Retained earnings of subsidiaries	1,741,889	1,321,760
Total	9,580,760	9,214,309

12. Other Components of Equity

Other components of equity consist of:

(in millions of Korean won)	**March 31, 2010**	December 31, 2009
Treasury shares[1]	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Capital transaction within the Group[2]	(237,149)	(237,514)
Total	(269,968)	(270,333)

1 The Parent Company has treasury shares consisting of 763,157 ordinary shares (2009: 763,157 shares) and 4,685 preferred shares (2009: 4,684 shares) at the end of the reporting date. The Parent Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

2 The amounts include gain (loss) from transactions with non-controlling interests and other reserves of subsidiaries.

13. Net Sales

Net sales for three-month periods ended March 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Net sales		
Sales of goods	13,506,344	13,053,999
Sales of services	92,180	79,037
Royalty income	101,255	75,964
Total	13,699,779	13,209,000

14. Expenses by Nature

Expenses that are recorded by nature as cost of sales, general operating expenses and other operating expenses in the income statements for the three-month periods ended March 31, 2010 and 2009, consist of:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Changes in inventories	(1,301,336)	350,640
Purchase of raw materials and merchandise	10,558,019	9,134,824
Employee benefits	989,073	913,861
Advertising expense	503,505	409,332
Sales promotional expense	162,879	112,563
Transportation expense	430,210	376,402
Service fees	511,531	479,251
Depreciation, amortisation	350,433	376,135
Other expenses	1,345,923	1,662,866
Total	13,550,237	13,815,874

15. Other Operating Income

Other operating income for the three-month periods ended March 31, 2010 and 2009, consists of:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Rental income	6,329	7,697
Foreign exchange gain	336,286	1,002,977
Gain on settlement of derivatives	1,205	60,450
Gain on disposal of property, plant and equipment	4,327	6,086
Reversal of allowance for doubtful accounts	572	3,072
Others	31,109	42,450
Total	379,828	1,122,732

16. Other Operating Expenses

Other operating expenses for the three-month periods ended March 31, 2010 and 2009, consist of:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Foreign exchange loss	397,208	1,000,339
Loss on settlement of derivatives	1,373	35,302
Loss on disposal of property, plant and equipment	3,620	9,453
Others	11,037	63,630
Total	413,238	1,108,724

17. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Parent Company and held as treasury shares (Note 12). Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As of the reporting date, the Parent Company has no potential ordinary shares.

	2010	2009 (Unreviewed)
Profit (Loss) attributable to ordinary shares [1]	₩ 580,917 million	₩ (200,355) million
Weighted average number of ordinary shares outstanding [2]	143,884,657	143,884,657
Basic earnings (loss) per share	₩ 4,037	₩ (1,392)

[1] Profit (Loss) attributable to ordinary shares are as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Profit (Loss)	650,499	(224,064)
Preferred shares dividends	(7,732)	(1,718)
Additional profit (loss) available for dividends allocated to preferred shares	(61,850)	25,427
Profit (Loss) attributable to ordinary shares	580,917	(200,355)

[2] Weighted average number of ordinary shares is calculated as follows:

	2010	2009 (Unreviewed)
Beginning balance	144,647,814	144,647,814
Treasury shares	(763,157)	(763,157)
Weighted average number of ordinary shares outstanding	143,884,657	143,884,657

18. Cash Generated from Operations

A reconciliation of operating profit to net cash inflow (outflow) from operating activities is as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Profit (Loss) for the period	674,553	(199,887)
Adjustments :		
Interest income (expense)	42,357	106,838
Gain (Loss) on foreign currency translation, net	(87,163)	305,011
Gain (Loss) on derivatives, net	(7,876)	(18,188)
Depreciation, amortisation	350,036	375,264
Gain on disposal of property, plant and equipment, intangible assets, net	(530)	3,962
Provisions	338,006	388,220
Income tax expense	111,847	28,894
Gain (Loss) from jointly controlled entities and associates	(218,787)	113,399
Provisions for severance benefits	46,340	45,129
Others	21,489	12,323
Changes in operating assets and liabilities		
Increase in trade receivables	(711,625)	(347,011)
Decrease in loans and other receivables	26,967	191,726
Decrease (Increase) in inventories	(1,301,336)	350,640
Increase in other assets	(185,381)	(103,865)
Increase in trade payables	1,582,259	1,287,377
Decrease in other payables	(114,900)	(447,377)
Decrease in provisions	(324,901)	(302,605)
Increase (Decrease) in other liabilities	(32,504)	25,083
Payment of defined benefit liability	(1,857)	(688)
Transfer out of defined benefit liability, net	(2,658)	7,489
Payment of plan assets, net	(9,632)	(45,833)
Cash Generated from Operations	194,704	1,775,901

Significant transactions not affecting cash flows for the three-month periods ended March 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	2009 (Unreviewed)
Reclassification of construction-in-progress	194,065	237,965
Reclassification of current maturities of borrowings	128,734	27,593

19. Contingencies

As of March 31, 2010 and December 31, 2009, the Parent Company provided a note as collateral in relation to guarantees of indebtedness.

At the reporting date, borrowings are secured on property, plant and equipment including land, buildings and machinery and intangible assets including land use right for the value of ₩ 481,138 million.

As of March 31, 2010, the Parent Company has overdraft facility agreements with various banks including Shinhan Bank, with a limit of ₩ 240,500 million (2009: ₩ 240,500 million). Its overseas subsidiaries, including LG Electronics India Private Limited, have overdraft facility agreements with a limit of ₩ 852,214 million (2009: ₩ 898,205 million) with various banks including Standard Chartered New Delhi Bank. Its domestic subsidiaries, including LG Innotek Co., Ltd., have overdraft facility agreements with various banks with a limit of ₩ 46,700 million (2009: ₩ 47,179 million).

As of March 31, 2010, the Parent Company has sales agreements for export trade receivables with various banks amounting to ₩ 6,895,998 million (2009: ₩ 7,114,885 million), and also has sales agreements for domestic trade receivables with Woori Bank amounting to ₩ 50,000 million (2009: ₩ 50,000 million). The Parent Company has corporate electronic settlement services contracts for collection of trade receivables with two banks of up to ₩ 110,000 million (2009: ₩ 110,000 million).

The subsidiaries, LG Electronics UK., Ltd., LG Electronics Deutschland. GmbH, LG Electronics Espana S.A., LG Electronics France S.A.R.L., LG Electronics Benelux Sales B.V., LG Electronics Italia S.P.A and LG Electronics Portugal S.A., transfer their account receivables to Societe General Bank on a revolving basis, up to US$ 919 million (2009: US$ 934 million).

LG Electronics U.S.A., Inc. and LG Electronics MobileComm U.S.A. Inc., subsidiaries of the Parent Company, transfer their account receivables to JP Morgan Chase Bank and Sumitomo Bank on a revolving basis, up to US$ 400 million (2009: US$ 400 million).

As of March 31, 2010, the Parent Company has corporate electronic settlement services contracts with various banks of up to ₩ 965,450 million (2009: ₩ 965,450 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

As of March 31, 2010, the subsidiaries have other trade financing agreements and loan commitments in addition to the above commitments.

As of March 31, 2010, the Parent Company is provided with a performance guarantee of ₩ 83,853 million (2009: ₩ 91,902 million) from Seoul Guarantee Insurance relating to the sales contracts.

The Group has contingent liabilities in respect of legal claims and investigations arising in the ordinary course of business. Major legal claims and investigations are as follows:

The Parent Company and its subsidiary, LG Electronics European Holding B.V. are under investigation with respect to possible anti-competitive activities among CRT manufacturers by the European Commission. The Group recognises expected loss as provisions related to this investigation. The estimated loss made by the Group might not be accordant with the outcome of the investigation according to the progress of above investigation. In addition, the Parent Company is under investigation with respect to the same activities by the Fair Trade Commission in the Republic of Korea.

At the end of the reporting date, the Parent Company and a subsidiary, LG Electronics Canada Inc., have been named as defendant in a number of federal class actions in Canada alleging that the defendants violated the antitrust laws in connection with the anti-competitive activities among CRT manufacturers. These class actions are pending at the Superior Court of Justice of the Court of Ontario in the Toronto Region, the Court of Vancouver in the British Columbia Region and the Court of Quebec in the Quebec Region. Also, the Parent Company and a subsidiary, LG Electronics U.S.A. Inc., have been named as defendants in the United States in connection with above class actions. The federal class actions are consolidated at the United States District Court in the Nothern District of California. The outcome of the cases could not be ascertained as of the reporting date.

In addition, various other actions are pending at the end of the reporting period.

20. Commitments

(a) *Contractual commitments for the acquisition of assets*

The property, plant and equipment and intangible assets contracted to be acquired at the end of the reporting period but not yet incurred are as follows:

(in millions of Korean won)	**March 31, 2010**	December 31, 2009
Property, plant and equipment	25,326	12,789
Intangible assets	22,607	32,162
Total	47,933	44,951

(b) *Operating lease commitments – the Group as lessee*

The future aggregate minimum lease payments under non-cancellable operating leases as of March 31, 2010, are as follows:

(in millions of Korean won)	**No later than 1 year**	**Later than 1 year and no later than 5 years**	**Over 5 years**	**Total lease payments**
Buildings and offices	53,345	106,271	8,486	168,102
Vehicles	19,465	10,898	-	30,363
Equipment	12,371	8,253	-	20,624
Total	85,181	125,422	8,486	219,089

(c) *Trademark licenses commitments*

As of March 31, 2010, the Group has various agreements as follows:

Company	**Related products**	**Provided by**	**Used by**
Use of license	Mobile	Qualcomm and others	LG Electronics Inc.
Provision of license	Home appliance	LG Electronics Inc.	Panasonic and others

21. Related Party Transactions

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

Territory	Name
Domestic subsidiaries	LG Innotek Co., Ltd., Hiplaza CO., LTD, Hi Business Logistics, Innovation Investment Fund, System Air-con Engineering Incorporation, KTB Technology Fund, HITELESERVICE CO.,LTD, LG Innotek Alliance Fund
China	LG Electronics (China) Co. Ltd. (LGECH) Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR) LG Electronics HK Ltd.(LGEHK) LG Electonics (Hangzhou) Recording Media Co., Ltd.(LGEHN) LG Electronics Huizhou Ltd.(LGEHZ) LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS) LG Electronics Nanjing Display Co., Ltd.(LGEND) NanJing LG-Panda Appliances Co., Ltd. (LGEPN) Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD) LG Electronics Qinhuangdao Inc.(LGEQH) LG Electronics (China) Research and Development Centre Co., Ltd.(LGERD) Shanghai LG Electronics Co., Ltd.(LGESH) LG Electronics Shenyang Inc.(LGESY) LG Electronics Tianjin Appliances Co., Ltd. (LGETA) Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) LG Innotek (Huizhou) Inc. LG Innotek (Fuzhou) Co., Ltd. LG Innotek Yantai Co., Ltd. LG Micron(Yantai) Electronic.Co., Ltd. Hi Logistics (China) Co., Ltd.
Asia	LG Electronics Philippines Inc.(LGEPH) LG Electronics India Pvt. Ltd.(LGEIL) PT LG Electronics Indonesia (LGEIN) LG Electronics Malaysia SDN. BHD(LGEML) LG Soft India Private Limited.(LGSI) LG Electronics Singapore PTE LTD(LGESL) LG Electronics Vietnam Co., Ltd.(LGEVN) LG Electronics Thailand Co.Ltd.(LGETH) LG Electronics Taiwan Taipei Co., Ltd(LGETT) LG Electronics Australia Pty, Ltd.(LGEAP) LG Electronics Japan, Inc. (LGEJP) LG Electronics Venezuela S.A.(LGEVZ) PT LG Innotek Indonesia. LG Innotek (Taiwan) Ltd.
Europe	LG Electronics Austria GmbH(LGEAG) LG Electronics Benelux Sales B.V.(LGEBN) LG Electronics CZ, s.r.o.(LGECZ) LG Electronics Deutschland GmbH(LGEDG) LG Electronics European Holdings B.V.(LGEEH) LG Electronics Espana S.A.(LGEES) LG Electronics France S.A.R.L(LGEFS) LG Electronics Hellas S.A.R.L(LGEHS) LG Electronics Italia S.p.A(LGEIS) LG Electronics JIT Europe B.V.(LGEJE) LG Electronics Latvia, LLC(LGELV) LG Electronics Mlawa Sp. zo.o (LGEMA) LG Electronics Mobilecomm France(LGEMF)

Europe	LG Electronics Magyar KFT(LGEMK)
	LG Electronics Polska Sp. z o.o (LGEPL)
	LG Electronics Portugal S.A.(LGEPT)
	LG Electronics Romania S.R.L.(LGERO)
	LG Electronics European Shared Service Center B.V.(LGESC)
	LG Electronics European Logistics & Services B.V.(LGELS)
	LG Electronics Nordic AB(LGESW)
	LG Electronics United Kingdom Ltd.(LGEUK)
	LG Electronics Wroclaw Sp z o.o(LGEWR)
	LG Innotek Poland., LTD
	HI Logistics Europe B.V.
North America	LG Electronics Alabama Inc. (LGEAI)
	LG Electronics Canada, Inc. (LGECI)
	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)
	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)
	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)
	LG Electronics Mexicalli, S.A. DE C.V.(LGEMX)
	LG Electronics Mexico S.A. DE C.V. (LGEMS)
	LG Electronics Reynosa S.A. DE C.V. (LGERS)
	LG Electronics U.S.A., Inc. (LGEUS)
	Zenith Electronics Corporation
	LG Innotek USA, Inc.
	Triveni Digital Inc.
South America	LG Electronics Argentina S.A.(LGEAR)
	LG Electronics da Amazonia Ltda.(LGEAZ)
	LG Electronics Colombia Ltda.(LGECB)
	LG Electronics Inc, Chike Ltda.(LGECL)
	LG Electronics Peru S.A.(LGEPR)
	LG Electronics Panama, S.A.(LGEPS)
	LG Electronics de Sao Paulo Ltda.(LGESP)
	C & S America Solution Inc.
	LG Electronics Guatemala S.A.
Middle-east Asia and Africa	LG Electronics Egypt S.A.E (LGEEG)
	LG Electronics Morocco S.A.R.L(LGEMC)
	LG Electronics S.A. (Pty) Ltd. (LGESA)
	LG Electronics Africa Logistic FZE(LGEAF)
	LG Electronics Dubai FZE (LGEDF)
	LG Electronics Gulf FZE (LGEGF)
	LG Electronics (Levant) Jordan (LGELF)
	LG Electronics Middle East Co., Ltd.(LGEME)
	LG-Shaker Co. Ltd.(LGESR)
	LG Electronics Ticaret A.S.(LGETK)
	LG Electronics Overseas Trading FZE(LGEOT)
	LG Electronics Algeria SARL(LGEAS)
Others	LG Electronics Almaty Kazakhstan(LGEAK)
	LG Electronics Ukraine Inc.(LGEUR)
	LG Electronics RUS, LLC (LGERA)
	LG Alina Electronics(LGERI)
	LG Electronics RUS-Marketing, LLC(LGERM)

Significant transactions for the three-month periods ended March 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**		2009 (Unreviewed)	
	Sales	**Purchases**	Sales	Purchases
LG Corp.	98	28,199	247	29,485
Jointly controlled entities and associates	321,823	1,753,737	313,583	1,046,441
Other related parties	34,519	351,200	13,173	247,748
Total	356,440	2,133,136	327,003	1,323,674

The balances of significant transactions are as follows:

(in millions of Korean won)	**March 31, 2010**		December 31, 2009	
	Receivables	**Payables**	Receivables	Payables
LG Corp.	16,125	8,104	16,074	10,426
Jointly controlled entities and associates	279,227	1,240,431	236,542	832,217
Other related parties	113,104	284,347	98,483	234,447
Total	408,456	1,532,882	351,099	1,077,090

The Group provides no guarantee as of the reporting date.

The Group has not recognised any bad debts expense or allowance for trade receivables against related parties for the three-month periods ended March 31, 2010 and 2009.

22. Non-Current Assets Held for Sale and Disposal Groups

Assets and liabilities held for sale consist of:

(in millions of Korean won)	**March 31, 2010**
Non-current assets classified to assets held for sale[1]	22,893
Assets of a disposal group classified to assets held for sale[2]	152,109
Total	175,002
Liabilities of a disposal group classified to assets held for sale[2]	2,753
Total	2,753

1 Non-current assets held for sale of ₩ 22,893 million, are measured at the lower of carrying amount and fair value less costs to sell. They relate to LG Electronics Reynosa, S.A. de C.V.

decision during the period to sell a certain factory which produces parts for TV.

[2] LG Innotek Co., Ltd. and its subsidiary are under the contract to transfer their LCD module and Cell businesses in Korea and China to LG Display Co., Ltd. and its subsidiaries, on May 1, 2010, following the approval of the Board of Directors on February 25, 2010. Accordingly, the assets and liabilities of the related business division are classified as assets held for sale.

(in millions of Korean won)	**LG Innotek Co., Ltd.**
Assets of a disposal group classified as held for sale	
Inventories	43,226
Property, plant and equipment	104,788
Intangible assets	2,331
Non-current other assets	1,764
Total	152,109
Liabilities of a disposal group classified to assets held for sale[2]	
Defined benefit liability	2,753
Total	2,753

23. Risk Management

Financial Risk Management

The Group's financial risk management ("FRM") supports each business division to achieve excellent performance solidly and continuously against any market risk, credit risk and liquidity risk. In addition, FRM helps the Group to enhance its cost competitiveness through cost-efficient financing by improving its financial structure and effective cash management.

While cooperating with other divisions, the finance team in the Parent Company mainly implements FRM. This involves setting-up risk management policies, and recognising, evaluating and hedging risks from a global point of view.

In addition, the Group operates five overseas regional treasury centers ("RTC") located in New Jersey in the USA, Amsterdam in the Netherlands, Beijing in China, Singapore, and Sao Paulo in Brazil to mitigate financial risks under global business environment preemptively and systematically. RTC contributes to improve overseas subsidiaries' business competitiveness by operating integrated financial functions.

The Group mitigates the adverse effects from financial risk by monitoring the risk periodically and updating FRM policy each year.

(a) *Market risk*

i) Foreign exchange risk

Due to its multinational business operations, the Group is mainly exposed to foreign exchange risk on the US Dollar and Euro. The Japanese Yen, Australian Dollar, British Pound and Canadian Dollar also need to be considered for foreign exchange risk.

The purpose of foreign exchange risk management is maximising the Group's value by minimising the uncertainty and volatility of foreign exchange gains and losses from foreign exchange rate fluctuations.

The Group's foreign exchange risk management is implemented under its global hedge policy. The policy contains its overall foreign exchange risk management philosophy which includes: strategy, exposure definition, hedge maturity, and hedge ratio.

The Group manages foreign exchange risk by matching inflow and outflow of each currency performing Leading & Lagging. The Group hedges its remaining exposure with derivative financial instruments such as forward exchange contracts under its global hedge policy. Speculative foreign exchange trading is strictly prohibited.

The Group determines a hedge ratio for overseas subsidiaries while considering factors highly related to foreign exchange rate fluctuation such as risk index, implied volatility, and market view. The finance team in the Parent Company and the RTC scrutinize changes in foreign exchange exposure and the results of hedging activities on a monthly basis.

As of March 31, 2010 and December 31, 2009, if the foreign exchange rate of the Korean won fluctuated by 10 % while other variables were fixed, the effects on income before tax would be as follows:

	March 31, 2010		December 31, 2009	
(in millions of Korean won)	**10% increase**	**10% decrease**	10% increase	10% decrease
USD/KRW	(414,376)	414,376	(413,377)	413,377
EUR/KRW	15,427	(15,427)	24,008	(24,008)

The above sensitivity analysis is done with foreign currency denominated assets and liabilities which are not in each entities' functional currency.

ii) Interest rate risk

The Group is exposed to interest rate risk through changes in interest bearing liabilities or assets. The risk mainly arises from borrowings and financial deposits with variable interest rates linked to market interest rate changes in the future. The objective of interest rate risk management lies in maximising corporate value by minimising uncertainty caused by fluctuations in interest rates and minimising net interest expenses.

To mitigate interest rate risk, the company manages interest rate risk proactively by: minimising external borrowings by maximising internal cash sharing, reducing borrowings with high interest rates, maintaining an adequate mix between short-term and long-term liabilities and between fixed and variable interest rates and monitoring weekly and monthly interest rate trends in domestic and international markets.

As of March 31, 2010, the Group is in a net borrowing situation and is partially exposed to a risk of increase in interest expenses. However, the Group minimises risks from changes in interest rate by matching variable interest-bearing short-term borrowings with variable interest-bearing financial deposits adequately.

As of March 31, 2010, if interest rates fluctuate by 100bp without other variables changing, the effects on annual income and expenses related to borrowings and financial deposits with variable interest rates are as follows:

	March 31, 2010		December 31, 2009	
(in millions of Korean won)	**100bp increase**	**100bp decrease**	100bp increase	100bp decrease
Interest expense	31,530	(31,530)	32,865	(32,865)
Interest income	20,376	(20,376)	23,146	(23,146)
Gain (loss) on valuation of derivatives (IRS[1])	7,103	(7,103)	7,885	(7,885)

[1] Interest rate swap mainly creates fair market value risk from changes in interest rates.

(b) *Credit risk*

The Group operates a consistent Global Credit / TR (trade receivables) policy to manage credit risk exposure.

The purpose of the Global Credit / TR policy is to support timely decision-making and minimize loss by securing payment of TR. The policy is composed of five categories: Credit Management, TR Management, Internal Credit Limit Management, Credit / TR Risk Monitoring and Country Risk Management.

Assumed TR risk is especially mitigated with credit insurance, guarantees / collateral, and internal credit limits. In order to manage the risk, Global Credit Insurance Program is structured with top three global credit insurance companies, namely, Euler Hermes, Atradius and Coface, and Korea Export Insurance Corporation (KEIC).

Adequate internal credit limit is assessed by the evaluation standards of Global Credit / TR Policy and applied strictly with authorization matrix and procedures.

As of March 31, 2010, trade receivable balance of the Group, excluding TR due from its subsidiaries, is ₩ 8,041,597 million (2009: ₩ 7,637,131 million), and its risk is managed appropriately with insurer's credit limit of ₩ 20,363,446 million (2009: ₩ 19,544,456 million).

(c) *Liquidity risk*

Liquidity risk is defined as the risk that the Group is unable to meet its short-term payment obligations on time due to deterioration of its business performance or inability to access financing.

The Group forecasts its cash flow and liquidity status and sets action plans on a regular base to manage liquidity risk proactively. The Group allocated experts in five RTCs to manage liquidity risk in overseas subsidiaries efficiently.

In addition, the Group copes with potential financial distress by maintaining adequate amount of cash and committed credit facilities. The balance of cash and cash equivalents and current-financial deposits at March 31, 2010, is ₩ 2,289,895 million (2009: ₩ 2,646,787 million). The Group maintains total committed credit lines of ₩ 500,000 million (2009: ₩ 600,000 million) in Woori Bank and Kookmin Bank in Korea at March 31, 2010.

As of March 31, 2010, the cash and cash equivalents, and current balance of the Group is about 55 % (2009: 61 %) of the borrowings due within 12 months. If committed credit lines are included, the balance covers about 67 % (2009: 75 %) of current borrowings.

In addition, the Group is able to source funds any time from the domestic and international financial markets because it has good investment credit grades from Standard & Poors and Moody's of BBB Stable and Baa2 Stable (2009: BBB Stable and Baa3 Stable), respectively.

Cash flow information on maturity of borrowings is presented in Note 8.

Capital Risk Management

The Group's capital risk management purpose is to maximise shareholders' value through maintaining a sound capital structure. The Group monitors financial ratios, such as debt/equity ratio and net borrowing ratio each month and implements required action plan to improve the capital structure.

As of March 31, 2010, debt/equity ratio and net borrowing ratio are as follows:

(in millions of Korean won, except for ratios)	**2010**	2009
Liability (A)	21,139,379	19,689,265
Equity (B)	12,654,795	12,425,246
Cash and cash equivalents and current financial deposits (C)	2,289,895	2,646,787
Borrowings (D)	6,906,660	6,908,598
Liability-to-equity ratio (A/B)	167%	158%
Net borrowings ratio (D-C)/B	36%	34%

Methods and Assumptions in Determining Fair Value

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in measurements.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments classified as available for sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses various valuation techniques and makes judgments based on current market conditions. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Borrowings without quoted market prices for similar instruments are measured at their fair values based on discounted cash flow analysis using an average borrowing rate. The fair values of interest swaps are measured as the present value of estimated future cash flows and the fair values of foreign exchange forward contracts are calculated at quoted forward exchange rate at the end of the reporting date. Trade receivables and other financial assets are estimated their fair value as carrying value less accumulated impairment.

24. Transition to Korean IFRS

Basis of Transition to Korean IFRS

(a) *The first adoption of Korean IFRS*

The financial statements for the year ending December 31, 2010, will be the first annual financial statements compliant with the Korean IFRS. These interim financial statements have been prepared as described in Note 2.

The Group's transition date to the Korean IFRS is January 1, 2009, and the adoption date is January 1, 2010.

In preparing these interim consolidated financial statements in accordance with the Korean IFRS 1101, the Group has applied the mandatory exceptions and certain optional exemptions allowed by Korean IFRS.

(b) *Exemptions elected by the Group*

The Group has elected to apply the following optional exemptions from full retrospective application.

i) Business combination

The Group has not retrospectively applied Korean IFRS 1103 to the business combinations that took place prior to the transition date of January 1, 2009.

ii) Deemed cost

The Group has elected to measure certain land at fair value as of January 1, 2009, the date of transition to Korean IFRS and use that fair value as its deemed cost at that date.

iii) Cumulative translation differences

The Group has elected to set the accumulated cumulative translation at January 1, 2009, to zero in accordance with Korean IFRS 1101.

iv) Decommissioning liabilities included in the cost of property, plant and equipment

Subject to Korean IFRS Interpretations 2101, *'Changes in Existing Decommissioning, Restoration and Similar Liabilities'*, regarding the changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates, the Group does not comply with these requirements for changes in such liabilities that occurred before the date of transition to Korean IFRS. The amounts to be included as costs of decommissioning assets are measured by discounting the liability over the intervening period and the accumulated depreciation on that amount is calculated at the date of transition to Korean IFRS.

v) Borrowing costs

In respect of capitalizing borrowing costs incurred in the construction of a qualifying asset, the Group capitalizes interest on all qualifying assets for which the commencement date for capitalization is after the transition date.

(c) *Reconciliations between Korean IFRS and K-GAAP*

The following reconciliations provide a quantification of the effect of the transition to Korean IFRS.

i) Effects on Total Assets, Liabilities and Equity

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

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

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

(in millions of Korean won)	**Total assets** (Unreviewed)	**Total liabilities** (Unreviewed)	**Total equity** (Unreviewed)
Reported amount under K-GAAP	44,765,792	30,326,842	14,438,950
Adjustments			
Changes in scope of consolidation[1]	(14,931,749)	(9,275,271)	(5,656,478)
Sold trade receivables[2]	1,559,137	1,546,453	12,684
Defined benefit liability[3]	-	13,340	(13,340)
Revaluation of land[4]	1,085,137	-	1,085,137
Equity method Investments[5]	(67,338)	-	(67,338)
Goodwill[6]	6,150	-	6,150
Development costs	7,900	-	7,900
Deferred tax[8]	(120,654)	(634,482)	513,828
Others	1,652	6,616	(4,964)
Total	(12,459,765)	(8,343,344)	(4,116,421)
Adjusted amount under Korean IFRS	32,306,027	21,983,498	10,322,529

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

(in millions of Korean won)	**Total assets**	**Total liabilities**	**Total equity**
Reported amount under K-GAAP	44,756,799	27,522,834	17,233,965
Adjustments			
Changes in scope of consolidation[1]	(14,888,451)	(8,459,329)	(6,429,122)
Sold trade receivables[2]	1,409,132	1,407,609	1,523
Defined benefit liability[3]	-	57,479	(57,479)
Revaluation of land[4]	1,085,137	-	1,085,137
Equity method Investments[5]	(21,024)	-	(21,024)
Goodwill[6]	20,124	-	20,124
Convertible right and warrant[7]	-	24,818	(24,818)
Development costs	100,952	-	100,952
Deferred tax[8]	(352,610)	(877,179)	524,569
Others	4,453	13,034	(8,581)
Total	(12,642,287)	(7,833,568)	(4,808,719)
Adjusted amount under Korean IFRS	32,114,512	19,689,266	12,425,246

ii) Effects on Consolidated Profit and Comprehensive Income

Effects on the consolidated profit and comprehensive income for the three-month period ended March 31, 2009, are as follows:

(in millions of Korean won)	**Profit** (Unreviewed)	**Comprehensive income** (Unreviewed)
Reported amount under K-GAAP	(405,936)	(216,102)
Adjustments		
Changes in scope of consolidation[1]	162,422	150,755
Sold receivables[2]	(3,217)	(3,217)
Defined benefit liability[3]	(4,699)	(3,694)
Equity method investments[5]	(34,940)	6,464
Goodwill[6]	6,188	6,188
Capitalization of development costs	7,900	7,900
Deferred tax[8]	72,590	72,590
Others	(195)	(195)
Total	206,049	236,791
Adjusted amount under Korean IFRS	(199,887)	20,689

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

(in millions of Korean won)	**Profit**	**Comprehensive income**
Reported amount under K-GAAP	2,790,814	2,549,033
Adjustments		
Changes in scope of consolidation[1]	(672,888)	(641,353)
Sold receivables[2]	(14,117)	(14,117)
Defined benefit liability[3]	(28,004)	(48,192)
Equity method investments[5]	31,728	79,176
Goodwill[6]	20,145	20,145
Convertible right and warrant[7]	(20,825)	(20,825)
Capitalization of development costs	100,952	100,952
Deferred tax[8]	146,382	146,382
Others	(4,059)	(4,059)
Total	(440,686)	(381,891)
Adjusted amount under Korean IFRS	2,350,128	2,167,142

1 The scope of consolidation as of January 1, 2010, has changed as follows:

The following entities are excluded from the consolidation because the Parent Company does not have control over them. Under K-GAAP, entities are consolidated when the Parent Company has more than 30% of shares and is the largest shareholder.

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

The following entities which were excluded from the consolidation as their total assets were less than ₩ 10 billion under the K-GAAP are newly included.

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

[2] The trade receivables which are transferred and sold, but cannot be derecognised under Korean IFRS are treated as borrowings with the collaterals.

[3] Defined benefit liability and other long-term employee benefit obligations are calculated by using an actuarial method. Actuarial loss on defined benefit liability is recognised in other comprehensive income and actuarial loss on other long-term defined benefit liability is recognised in the income statement.

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

[5] The effects on the changes in associates' financial statements according to new accounting policies.

[6] Goodwill amortisation is reversed.

[7] Reclassification of convertible right and warrant from equity to liabilities and fair value measurement.

[8] Deferred tax effects from the above adjustments and deferred tax recognition by reflecting the manner of reversals of each temporary difference from investments in subsidiaries, jointly controlled entities and associates.

The principal Korean IFRS transition effects presented by the Group in the statements of cash flows for the year ended December 31, 2009, were as follows:

According to Korean IFRS, cash flows of the related income (expenses) and assets (liabilities) are adjusted to separately disclose the cash flows from interest received, interest paid and cash payments of income taxes that were not presented separately under K-GAAP. And the effects of the change in exchange rate on cash and cash equivalents held or due in a foreign currency are presented separately from cash flows from operating, investing and financing activities.

Cash flows from operating and financing activities are adjusted respectively because some transactions are treated as borrowings with collateralised trade receivables, which were treated as a selling transaction under K-GAAP. Also, other Korean IFRS transition effects are reflected on cash flows if they have an effect on cash flow.