

LG Electronics and Subsidiaries
Interim Consolidated Financial Statements
March 31, 2012 and 2011, and December 31, 2011

LG Electronics and Subsidiaries

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March 31, 2012 and 2011

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Review Report on Interim Financial Information

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

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of LG Electronics Inc. and its subsidiaries (collectively the "Group"). These financial statements consist of the statement of financial position of the Group as of March 31, 2012, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") 1034, *Interim Financial Reporting*, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these interim consolidated financial statements based on our reviews. We have not reviewed the financial statements of certain consolidated subsidiaries, whose financial statements reflect 27% of the Group's consolidated total assets as of March 31, 2012, and 42% and 41% of the Group's consolidated total sales for the three-month periods ended March 31, 2012 and 2011, respectively. These financial statements were reviewed by other auditors whose reports have been furnished to us and our report, insofar as it relates to the amounts included for those consolidated subsidiaries, is based solely on the reports of the other auditors.

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our reviews and the reports of the other auditors, nothing has come to our attention that causes us to believe the accompanying interim consolidated financial statements do not present fairly, in all material respects, in accordance with the Korean IFRS 1034, *Interim Financial Reporting*.

Other matters

We have audited the accompanying consolidated statement of financial position of the Group as of December 31, 2011, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated March 7, 2012. These consolidated financial statements are not included in this review report. The consolidated statement of financial position as of December 31, 2011, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2011.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean review standards and their application in practice.



Seoul, Korea
May 9, 2012

This report is effective as of May 9, 2012, 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 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 and Subsidiaries
Interim Consolidated Statements of Financial Position
March 31, 2012 and December 31, 2011

<i>(in millions of Korean won)</i>	Note	March 31, 2012	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents	5,28	2,607,475	2,345,465
Financial deposits	5,28	150,000	150,000
Trade receivables	5,6	6,518,072	6,752,559
Loans and other receivables	5	541,942	494,239
Other financial assets	5,7	593	1,677
Inventories	8	4,896,105	4,947,160
Current income tax assets		190,823	197,968
Other current assets		859,251	890,388
Assets classified as held for sale		3,397	3,670
		<u>15,767,658</u>	<u>15,783,126</u>
Non-current assets			
Financial deposits	5	104,502	129,439
Loans and other receivables	5	591,288	610,709
Other financial assets	5,7	135,077	139,282
Property, plant and equipment	9	7,356,385	7,290,413
Intangible assets	9	1,024,117	1,035,797
Deferred income tax assets		1,180,527	1,246,071
Investments in jointly controlled entities and associates	10	5,426,598	5,603,199
Investment property		7,196	7,239
Other non-current assets		803,431	813,182
		<u>16,629,121</u>	<u>16,875,331</u>
Total assets		<u>32,396,779</u>	<u>32,658,457</u>
Liabilities			
Current liabilities			
Trade payables	5	5,456,777	5,486,871
Borrowings	5,11	2,716,430	3,178,212
Other payables		3,486,554	3,780,158
Other financial liabilities	5,7	15,352	13,860
Current income tax liabilities		104,004	81,643
Provisions	12	721,011	724,516
Other current liabilities		875,397	949,262
		<u>13,375,525</u>	<u>14,214,522</u>
Non-current liabilities			
Borrowings	5,11	4,534,636	4,257,406
Other payables		22,702	20,490
Other financial liabilities	5,7	2,205	378
Deferred income tax liabilities		13,743	15,237
Defined benefit liability	13	491,610	423,306
Provisions	12	561,571	575,632
Other non-current liabilities		3,244	3,238
		<u>5,629,711</u>	<u>5,295,687</u>
Total liabilities		<u>19,005,236</u>	<u>19,510,209</u>
Equity attributable to owners of the Parent Company			
Paid-in capital:			
Capital stock		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	14	9,685,997	9,499,534
Accumulated other comprehensive loss		(269,987)	(326,584)
Other components of equity	15	(271,329)	(271,339)
		<u>13,137,029</u>	<u>12,893,959</u>
Non-controlling interest		<u>254,514</u>	<u>254,289</u>
Total equity		<u>13,391,543</u>	<u>13,148,248</u>
Total liabilities and equity		<u>32,396,779</u>	<u>32,658,457</u>

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

LG Electronics and Subsidiaries
Interim Consolidated Statements of Operations
Three-Month Periods Ended March 31, 2012 and 2011

	Note	Three-Month Period Ended March 31	
		2012	2011
<i>(in millions of Korean won, except per share amounts)</i>			
Net sales	16	12,227,897	13,159,948
Cost of sales	17	<u>9,313,849</u>	<u>10,194,847</u>
Gross profit		2,914,048	2,965,101
Selling and marketing expenses	17,18	1,485,858	1,870,128
Administrative expenses	17,18	316,905	302,279
Research and development expenses	17,18	430,672	405,154
Service costs	17,18	317,647	318,037
Other operating income	19	300,875	383,281
Other operating expenses	17,20	<u>215,662</u>	<u>321,938</u>
Operating income		448,179	130,846
Financial income	21	184,155	206,698
Financial expenses	22	257,124	243,582
Income(expense) from jointly controlled entities and associates	10	<u>74,551</u>	<u>(55,492)</u>
Profit before income tax		449,761	38,470
Income tax expense		<u>207,259</u>	<u>54,236</u>
Profit(loss) for the period		<u><u>242,502</u></u>	<u><u>(15,766)</u></u>
Profit(loss) for the period attributable to:			
Equity holders of the Parent Company		235,747	(30,095)
Non-controlling interest		6,755	14,329
Earnings(loss) per share attributable to the equity holders of the Parent Company during the period (in won)			
	23		
Earnings(loss) per share for profit attributable to the ordinary equity holders of the Parent Company		1,308	(183)
Earnings(loss) per share for profit attributable to the preferred equity holders of the Parent Company		1,321	(176)

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

LG Electronics and Subsidiaries
Interim Consolidated Statements of Comprehensive Income
Three-Month Periods Ended March 31, 2012 and 2011

	Note	Three-Month Period Ended March :	
		2012	2011
<i>(in millions of Korean won)</i>			
Profit(loss) for the period		<u>242,502</u>	<u>(15,766)</u>
Other comprehensive income(loss):			
Available-for-sale financial assets		101	(543)
Cash flow hedges		1,116	283
Actuarial loss on defined benefit liability		(12,332)	(786)
Currency translation differences		52,424	(63,912)
Share of actuarial gain(loss) of associates		(70)	147
Other comprehensive income(loss) from jointly controlled entities and associates	10	<u>16</u>	<u>(14,309)</u>
Other comprehensive income(loss) for the period		<u>41,255</u>	<u>(79,120)</u>
Total comprehensive income(loss) for the period		<u>283,757</u>	<u>(94,886)</u>
Comprehensive income(loss) for the period attributable to:			
Equity holders of the Parent Company		279,942	(104,626)
Non-controlling interest		<u>3,815</u>	<u>9,740</u>
Total comprehensive income(loss) for the period		<u>283,757</u>	<u>(94,886)</u>

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

LG Electronics and Subsidiaries

Interim Consolidated Statements of Changes in Equity

Three-Month Periods Ended March 31, 2012 and 2011

		Attributable to equity holders of the Parent Company					Non-controlling Interest	Total Equity
	Note	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(loss)	Other Components of Equity	Total		
<i>(in millions of Korean won)</i>								
Balance at January 1, 2011		3,017,088	10,108,173	(209,844)	(271,277)	12,644,140	215,497	12,859,637
Comprehensive income								
Profit(loss) for the period		-	(30,095)	-	-	(30,095)	14,329	(15,766)
Available-for-sale financial assets		-	-	(642)	-	(642)	99	(543)
Cash flow hedges		-	-	283	-	283	-	283
Actuarial loss on defined benefit liability		-	(786)	-	-	(786)	-	(786)
Currency translation differences		-	-	(59,224)	-	(59,224)	(4,688)	(63,912)
Share of actuarial gain of associates		-	147	-	-	147	-	147
Other comprehensive income of jointly controlled entities and associates	10	-	-	(14,309)	-	(14,309)	-	(14,309)
Total comprehensive income (loss)		-	(30,734)	(73,892)	-	(104,626)	9,740	(94,886)
Transactions with equity holders of the Parent Company :								
Dividends		-	(33,072)	-	-	(33,072)	-	(33,072)
Total transactions with equity holders of the Parent Company		-	(33,072)	-	-	(33,072)	-	(33,072)
Balance at March 31, 2011		3,017,088	10,044,367	(283,736)	(271,277)	12,506,442	225,237	12,731,679
Balance at January 1, 2012		3,992,348	9,499,534	(326,584)	(271,339)	12,893,959	254,289	13,148,248
Comprehensive income								
Profit for the period		-	235,747	-	-	235,747	6,755	242,502
Available-for-sale financial assets		-	-	101	-	101	-	101
Cash flow hedges		-	-	1,116	-	1,116	-	1,116
Actuarial loss on defined benefit liability		-	(12,332)	-	-	(12,332)	-	(12,332)
Currency translation differences		-	-	55,364	-	55,364	(2,940)	52,424
Share of actuarial loss of associates		-	(70)	-	-	(70)	-	(70)
Other comprehensive income of jointly controlled entities and associates	10	-	-	16	-	16	-	16
Total comprehensive income		-	223,345	56,597	-	279,942	3,815	283,757
Transactions with equity holders of the Parent Company :								
Dividends		-	(36,872)	-	-	(36,872)	(12,410)	(49,282)
Issuance of new shares of subsidiaries		-	-	-	-	-	8,820	8,820
Other changes in equity		-	(10)	-	10	-	-	-
Total transactions with equity holders of the Parent Company		-	(36,882)	-	10	(36,872)	(3,590)	(40,462)
Balance at March 31, 2012		3,992,348	9,685,997	(269,987)	(271,329)	13,137,029	254,514	13,391,543

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

LG Electronics and Subsidiaries
Interim Consolidated Statements of Cash Flows
Three-Month Periods Ended March 31, 2012 and 2011

	Note	Three-Month Period Ended March 31	
		2012	2011
<i>(in millions of Korean won)</i>			
Cash flows from operating activities			
Cash generated from operations	24	672,072	321,570
Interest received		16,922	17,077
Interest paid		(88,059)	(68,229)
Dividends received		-	42
Income tax paid		(99,538)	(99,084)
Net cash generated from operating activities		<u>501,397</u>	<u>171,376</u>
Cash flows from investing activities			
Decrease in financial deposits		23,849	52,294
Decrease in loans and other receivables		88,464	81,999
Proceeds from disposal of other financial assets		7,407	9,474
Proceeds from disposal of property, plant and equipment	9	21,003	17,394
Proceeds from disposal of intangible assets	9	375	1,668
Proceeds from disposal of and recovery of investments in jointly controlled entities and associates	10	214,757	-
Decrease in other assets		352	1,380
Increase in financial deposits		-	(18,914)
Increase in loans and other receivables		(94,451)	(122,991)
Acquisition of other financial assets		(8,629)	(22,517)
Acquisition of property, plant and equipment	9	(281,039)	(404,515)
Acquisition of intangible assets	9	(61,054)	(58,612)
Acquisition of jointly controlled entities and associates	10	-	(998)
Increase in other assets		-	(1,357)
Net cash used in investing activities		<u>(88,966)</u>	<u>(465,695)</u>
Cash flows from financing activities			
Proceeds from borrowings		757,067	1,341,444
Issuance of ordinary shares of subsidiaries		8,820	-
Repayments of borrowings		(947,192)	(784,973)
Net cash provided by(used in) financing activities		<u>(181,305)</u>	<u>556,471</u>
Exchange gains on cash and cash equivalents		<u>30,884</u>	<u>5,596</u>
Net increase in cash and cash equivalents		<u>262,010</u>	<u>267,748</u>
Cash and cash equivalents at the beginning of period		<u>2,345,465</u>	<u>1,944,162</u>
Cash and cash equivalents at the end of period		<u>2,607,475</u>	<u>2,211,910</u>

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

LG Electronics and Subsidiaries

Notes to the Interim Consolidated Financial Statements

March 31, 2012 and 2011, and December 31, 2011

1. General Information

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

As of March 31, 2012, LG Corp. and its related parties own 33.7% of the Parent Company's total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Group is engaged in the manufacture and sale of electronic products including mobile phones, TV, air conditioners, refrigerators, washing machines, and personal computers. As of March 31, 2012, the Group operates four business segments and other supporting segments through the Parent Company and subsidiaries all over the world.

LG Electronics and Subsidiaries
Notes to the Interim Consolidated Financial Statements
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Consolidated subsidiaries as of March 31, 2012 are as follows:

Territory	Country	Subsidiaries	Percentage of ownership	Closing Month	Major Business	
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100%	December	Sales	
	Korea	Hi Business Logistics Co., Ltd.	100%	December	Logistics	
	Korea	Hi Entech Co., Ltd.	100%	December	Water engineering	
	Korea	LG-Hitachi Water Solutions Co., Ltd.	100%	December	Construction of Water Purification Facility	
	Korea	ACE R&A Co., Ltd.	100%	December	Production and Sales	
	Korea	Hi M Solutek	100%	December	Maintenance	
	Korea	Hi Teleservice Co., Ltd.	100%	December	Marketing	
	Korea	LGE Alliance Fund	96%	December	Investment	
	Korea	Innovation investment Fund	83%	December	Investment	
	Korea	KTB Technology Fund	100%	December	Investment	
	China	China	Hi Logistics (China) Co., Ltd.	100%	December	Logistics
		China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYF)	70%	December	Production
		China	LG Electronics (China) Co., Ltd.(LGECH)	100%	December	Sales
		China	LG Electronics (China) Research and Development Centre Co.,Ltd.(LGERD)	100%	December	R&D
China		LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70%	December	Production	
China		LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS)	100%	December	Production	
China		LG Electronics (Shanghai) Research and Development Center Co.,Ltd(LGCRC)	100%	December	R&D	
China		LG Electronics Air-Conditioning(Shandong) Co.,Ltd.(LGEQA)	100%	December	Production and Sales	
China		LG Electronics HK Ltd.(LGEHK)	100%	December	Sales	
China		LG Electronics Huizhou Ltd.(LGEHZ)	80%	December	Production	
China	LG Electronics Nanjing Display Co., Ltd.(LGEND)	70%	December	Production		

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China	LG Electronics Qinhuangdao Inc.(LGEQH)	100%	December	Production
China	LG Electronics Shenyang Inc.(LGESEY)	79%	December	Production
China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80%	December	Production
China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70%	December	Production
China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70%	December	Production
China	Shanghai LG Electronics Co., Ltd.(LGESEH)	70%	December	Production
China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100%	December	Production
China	Tianjin Lijie cartridge heater Co.,Ltd.(LGETL)	67%	December	Production
Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100%	December	Sales
India	LG Electronics India Pvt. Ltd.(LGEIL)	100%	March	Production and Sales
Japan	LG Electronics Japan Lab.Inc(LGEJL)	100%	December	R&D
Japan	LG Electronics Japan, Inc.(LGEJP)	100%	December	Sales
Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100%	December	Sales
Philippines	LG Electronics Philippines Inc.(LGEPH)	100%	December	Sales
Singapore	LG Electronics Singapore PTE LTD(LGESL)	100%	December	Sales
Taiwan	LG Electronics Taiwan Taipei Co., Ltd(LGETT)	100%	December	Sales
Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100%	December	Production and Sales
Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100%	December	Production and Sales
India	LG Soft India Private Limited.(LGS)	100%	March	R&D
Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100%	December	Production and Sales
Netherlands	Hi Logistics Europe B.V.	100%	December	Logistics
Austria	LG Electronics Austria GmbH(LGEAG)	100%	December	Sales
Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100%	December	Sales
Czech Republic	LG Electronics CZ, s.r.o.(LGE CZ)	100%	December	Sales

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Germany	LG Electronics Deutschland GmbH(LGEDG)	100%	December	Sales
Spain	LG Electronics Espana S.A.(LGEES)	100%	December	Sales
Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100%	December	European Holding
Netherlands	LG Electronics European Shared Service Center B.V.(LGESC)	100%	December	Services
France	LG Electronics France S.A.S(LGEFS)	100%	December	Sales
Greece	LG Electronics Hellas S.A(LGEHS)	100%	December	Sales
Italy	LG Electronics Italia S.p.A(LGEIS)	100%	December	Sales
Netherlands	LG Electronics JIT Europe B.V.(LGEJE)	100%	December	Logistics
Latvia	LG Electronics Latvia, LLC(LGELV)	100%	December	Sales
Hungary	LG Electronics Magyar KFT(LGEMK)	100%	December	Sales
Poland	LG Electronics Mlawa Sp. z o.o(LGEMA)	100%	December	Production
France	LG Electronics Mobilecomm France(LGEMF)	100%	December	R&D
Sweden	LG Electronics Nordic AB(LGESW)	100%	December	Sales
Norway	LG Electronics Norway AS(LGENO)	100%	December	Sales
Poland	LG Electronics Polska Sp. z o.o(LGEPL)	100%	December	Sales
Portugal	LG Electronics Portugal S.A.(LGEPT)	100%	December	Sales
Romania	LG Electronics Romania S.R.L.(LGERO)	100%	December	Sales
UK	LG Electronics United Kingdom Ltd.(LGEUK)	100%	December	Sales
Poland	LG Electronics Wroclaw Sp.z o.o(LGEWR)	100%	December	Production and Sales
North America	USA	100%	December	Sales
	USA	100%	December	Sales
	Canada	100%	December	Sales
	Mexico	100%	December	Production
	Mexico	100%	December	Sales

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USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMIR)	100%	December	R&D
USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100%	December	Sales
Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100%	December	Production
Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERS)	100%	December	Production
USA	LG Electronics U.S.A., Inc.(LGEUS)	100%	December	Sales
USA	LG Receivable Funding LLC	100%	December	Other
Mexico	Servicios Integrales LG S.A DE C.V	100%	December	Services
Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100%	December	Other
USA	Triveni Digital Inc.	88%	December	R&D
USA	Zenith Electronics Corporation of Pennsylvania	100%	December	Other
USA	Zenith Electronics Corporation(Zenith)	100%	December	R&D
Brazil	LG Armagem Geral Ltda.	100%	December	Services
Argentina	LG Electronics Argentina S.A.(LGEAR)	100%	December	Sales
Colombia	LG Electronics Colombia Ltda.(LGEGB)	100%	December	Sales
Brazil	LG Electronics do Brasil Ltda.(LGEBR) (former LGESP)	100%	December	Production and Sales
Honduras	LG Electronics Honduras S.de R.L. ¹	20%	December	Sales
Chile	LG Electronics Inc Chile Ltda.(LGECL)	100%	December	Sales
Panama	LG Electronics Panama, S.A.(LGEPS)	100%	December	Sales
Peru	LG Electronics Peru S.A.(LGEPR)	100%	December	Sales
Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100%	December	Sales
Brazil	SOCIO VIP Ltda	100%	December	Services
Panama	C&S America Solutions	100%	December	Services
Panama	LG Consulting corp.	100%	December	Services
Panama	LG Electronics Guatemala S.A.	100%	December	Sales

LG Electronics and Subsidiaries
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Middle East and Africa	Nigeria	EASYTEC GLOBAL SERVICES INNOVATION LIMITED	100%	December	Services
	Angola	LG Electronics Angola Limitada (LGEAO)	100%	December	Sales & Services
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100%	December	Sales
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100%	December	Sales
	Algeria	LG Electronics Algeria SARL(LGEAS)	70%	December	Sales
	UAE	LG Electronics Dubai FZE(LGEDF)	100%	December	Sales
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100%	December	Production and Sales
	UAE	LG Electronics Gulf FZE(LGEGF)	100%	December	Sales
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100%	December	Services
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100%	December	Sales
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100%	December	Other
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100%	December	Sales
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100%	December	Sales
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100%	December	Sales
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100%	December	Sales
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESE) ¹	49%	December	Production
Others	Russia	LG Alina Electronics(LGERI)	95%	December	Services
	Kazakhstan	LG Electronics Almaty Kazakhstan(LGEAK)	100%	December	Production and Sales
	Russia	LG Electronics RUS, LLC(LGERA)	100%	December	Production and Sales
	Russia	LG Electronics RUS-Marketing, LLC(LGERM)	100%	December	Services
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100%	December	Sales

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¹ Control exists as there is a power over more than half of the voting rights by virtue of an agreement with other investors, although the Parent Company owns less of the voting power.

Financial information of major subsidiaries as of and for the three-month periods ended March 31, 2012 and 2011, follows (before elimination of intercompany transactions):

Subsidiaries	2012. 3. 31			2012		Total Comprehensive Income(loss)
	Assets	Liabilities	Equity	Sales	Net Income(loss)	
LG Electronics U.S.A., Inc.(LGEUS)	1,832,036	1,564,542	267,494	1,224,658	(5,850)	(5,601)
LG Electronics do Brasil Ltda.(LGEBR) (former LGESP)	1,316,472	964,039	352,433	680,688	(5,706)	(7,186)
LG Electronics European Shared Service Center B.V.(LGESC)	1,219,035	1,200,766	18,269	41,677	(3,999)	(4,083)
LG Electronics RUS, LLC(LGERA)	829,641	527,217	302,424	561,027	21,734	26,541
LG Electronics Reynosa S.A. DE C.V.(LGERES)	753,510	503,506	250,004	612,567	30,612	28,951
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	746,018	444,218	301,800	403,227	14,892	13,361
LG Electronics India Pvt. Ltd.(LGEIL)	696,180	314,087	382,093	639,386	35,402	43,114
LG Electronics (China) Co. Ltd.(LGECH)	684,958	638,852	46,106	281,493	19,357	19,829
LG Electronics Mlawa Sp. z o.o(LGEMA)	543,966	249,280	294,686	421,814	2,073	3,625
P.T. LG Electronics Indonesia(LGEIN)	525,905	324,279	201,626	484,437	11,485	9,359
LG Electronics Mexico S.A. DE C.V.(LGEMS)	493,773	389,493	104,280	272,836	(16,092)	(16,302)
LG Electronics Wroclaw Sp.z o.o(LGEWR)	492,568	351,286	141,282	368,823	899	3,296
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	438,617	354,703	83,914	1,000,699	13,255	12,402
LG Electronics Nanjing Display Co., Ltd.(LGEND)	420,089	266,260	153,829	232,570	6,019	2,866
Hiplaza Co., Ltd.	399,747	293,262	106,485	281,841	(4,879)	(4,879)
LG Electronics Thailand Co., Ltd.(LGETH)	380,078	239,054	141,024	294,150	11,534	12,037
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	351,804	281,169	70,635	296,281	2,095	2,111
LG Electronics Huizhou Ltd.(LGEHZ)	350,679	250,703	99,976	320,743	4,508	3,271
LG Electronics Gulf FZE(LGEGF)	350,543	339,636	10,907	279,473	7,568	7,969
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	319,683	188,730	130,953	120,960	1,078	1,508

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Subsidiaries	2011. 12. 31			2011		
	Assets	Liabilities	Equity	Sales	Net Income(loss)	Total Comprehensive Income(loss)
LG Electronics U.S.A., Inc.(LGEUS)	1,820,097	1,542,988	277,109	1,266,181	(3,005)	(3,208)
LG Electronics European Shared Service Center B.V.(LGESC)	1,146,062	1,141,380	4,682	6,972	(270)	(218)
LG Electronics RUS, LLC(LGERA)	871,291	610,846	260,445	509,711	18,045	18,948
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	854,376	564,307	290,069	517,514	12,922	11,628
LG Electronics da Amazonia Ltda.(LGEAZ)	798,573	499,322	299,251	333,980	(30,152)	(39,178)
LG Electronics (China) Co., Ltd.(LGECH)	786,112	759,166	26,946	536,255	24,677	24,710
LG Electronics India Pvt. Ltd.(LGEIL)	759,343	304,022	455,321	766,856	33,919	33,292
LG Electronics de Sao Paulo Ltda.(LGESP)	631,506	488,408	143,098	352,606	2,943	3,209
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	586,147	514,555	71,592	1,047,297	(8,716)	(8,877)
LG Electronics Mlawa Sp. z o.o.(LGEMA)	565,413	292,606	272,807	481,874	696	35
LG Electronics Reynosa S.A. DE C.V.(LGERs)	562,283	341,792	220,491	587,054	22,800	25,431
LG Electronics Mexico S.A. DE C.V.(LGEMS)	548,181	422,268	125,913	308,905	(2,622)	(3,977)
LG Electronics Wroclaw Sp.z o.o.(LGEWR)	500,117	369,506	130,611	454,108	11,039	12,107
P.T. LG Electronics Indonesia(LGEIN)	492,848	300,127	192,721	488,025	10,185	11,976
LG Electronics Nanjing Display Co., Ltd.(LGEND)	444,390	294,862	149,528	379,665	16,661	17,156
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	378,682	247,351	131,331	168,117	3,209	2,903
Hiplaza Co., Ltd.	371,441	260,077	111,364	298,424	(6,042)	(8,412)
LG Electronics Huizhou Ltd.(LGEHZ)	346,424	249,923	96,501	347,755	6,892	6,524
LG Electronics Thailand Co., Ltd.(LGETH)	327,034	199,563	127,471	333,924	12,513	10,463
LG Electronics Deutschland GmbH(LGEDG)	318,172	284,049	34,123	278,329	(4,081)	(3,558)

Subsidiary newly included in the consolidation is:

Subsidiary	Remarks
LG-Hitachi Water Solutions Co., Ltd.	Newly established

Subsidiaries eliminated from the consolidation are:

Subsidiaries	Remarks
LG Electronics da Amazonia Ltda.(LGEAZ)	Merger with LGESP
LG Electronics European Logistics & Services B.V.(LGELS)	Merger with LGESC
Goldstar Panama S.A.	Liquidated

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2. Significant Accounting Policies

Basis of Preparation

The interim consolidated financial statements for the three-month period ended March 31, 2012, have been prepared in accordance with Korean IFRS 1034, '*Interim Financial Reporting*'. These interim consolidated financial statements have been prepared in accordance with the Korean IFRS standards and interpretations issued and effective at March 31, 2012.

The following standards, amendments to standards and interpretations have been issued and announced as of the reporting date and shall be newly adopted by the Group for the year 2013 or thereafter.

- Korean IFRS 1019 (amendment): 'Employee Benefits'
- Korean IFRS 1113 (enactment): 'Fair Value Measurement'

The Group is in the process of understanding the potential impacts from the application of Korean IFRS 1019 and 1113.

Application of Accounting Policies

The significant accounting policies and methods of computation followed by the Group in the preparation of its consolidated interim financial statements are the same as the policies and methods adopted for the financial statements for the year ended December 31, 2011.

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 reporting date are addressed below.

Estimated Impairment of Goodwill

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

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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 recognizes assets and 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 makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

Provisions

The Group recognizes provisions for product warranties and sales return as of the reporting date. The amounts are estimated based on historical data.

Defined Benefit Liability

The present value of the defined benefit liability depends on various 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 the reporting period. 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 on current market conditions.

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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:

<u>Divisions</u>	<u>Products</u>
Home Entertainment	LCD TV, PDP TV, PDP Module, LCD Monitor, PC, Navigation, Security device , Audio, Video and others
Mobile Communications	Mobile communications, Network and others
Home Appliance	Refrigerators, Washing machines, Microwave, Vacuum, Healthcare, and others
Air Conditioning & Energy Solution	Air conditioners, Chiller and others
Other	-

The segment information for sales and operating income(loss) for the three-month periods ended March 31, 2012 and 2011, is as follows:

<i>(in millions of Korean won)</i>	<u>2012</u>		<u>2011</u>	
	<u>Segment</u>	<u>Segment</u>	<u>Segment</u>	<u>Segment</u>
	<u>Sales</u>	<u>operating</u>	<u>sales</u>	<u>operating</u>
Home Entertainment (HE)	5,330,218	217,101	5,718,530	113,132
Mobile Communications (MC)	2,497,214	38,851	2,909,097	(100,456)
Home Appliance (HA)	2,535,694	151,640	2,607,129	102,084
Air Conditioning & Energy Solution(AE)	1,217,900	81,104	1,232,757	34,134
	<u>11,581,026</u>	<u>488,696</u>	<u>12,467,513</u>	<u>148,894</u>
Other segments ¹ and inter-segment transactions ²	646,871	(40,517)	692,435	(18,048)
	<u>12,227,897</u>	<u>448,179</u>	<u>13,159,948</u>	<u>130,846</u>

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

² Sales between segments are carried out at arm's length.

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The segment information for assets and liabilities is as follows:

<i>(in millions of Korean won)</i>	March 31, 2012		December 31, 2011	
	Segment assets ¹	Segment liabilities ¹	Segment assets ¹	Segment liabilities ¹
Home Entertainment (HE)	14,160,547	11,921,216	14,063,934	11,832,253
Mobile Communications (MC)	6,397,463	3,923,852	6,689,008	4,201,161
Home Appliance (HA)	7,403,783	5,341,995	7,307,851	5,327,816
Air Conditioning & Energy Solution (AE)	3,299,996	2,228,192	2,798,423	1,797,373
	<u>31,261,789</u>	<u>23,415,255</u>	<u>30,859,216</u>	<u>23,158,603</u>
Other segments and inter-segment transactions	1,134,990	(4,410,019)	1,799,241	(3,648,394)
	<u>32,396,779</u>	<u>19,005,236</u>	<u>32,658,457</u>	<u>19,510,209</u>

¹ The amounts of assets and liabilities of each segment are before inter-segment elimination and common assets and liabilities are allocated based on the operations of the segments.

External sales by geographic areas for the three-month periods ended March 31, 2012 and 2011, and non-current assets by geographic areas as of March 31, 2012 and December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	External sales		Non-current assets ¹	
	2012	2011	March 31, 2012	December 31, 2011
Korea	2,554,482	2,166,807	6,281,638	6,294,475
North America	2,471,665	2,621,060	135,671	139,883
Europe	1,244,900	1,949,623	266,418	249,278
Central & South America	1,574,901	1,622,040	470,245	431,712
Asia & Africa	2,751,858	2,960,863	422,301	418,773
China	880,047	1,172,567	623,716	635,135
Commonwealth of Independent States	750,044	666,988	187,709	164,193
	<u>12,227,897</u>	<u>13,159,948</u>	<u>8,387,698</u>	<u>8,333,449</u>

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

There is no external customer attributing to more than 10% of total sales for the three-month periods ended March 31, 2012 and 2011.

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5. Financial Instruments by Category

Categorizations of financial instruments as of March 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	Assets at fair value through profit or loss	Derivatives for hedge	Loans and Receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Total
Cash and cash equivalents	-	-	2,607,475	-	-	2,607,475
Financial deposits	-	-	254,502	-	-	254,502
Trade receivables	-	-	6,518,072	-	-	6,518,072
Loans and other receivables	-	-	1,133,230	-	-	1,133,230
Other financial assets	1,074	9,216	-	68,490	56,890	135,670
	<u>1,074</u>	<u>9,216</u>	<u>10,513,279</u>	<u>68,490</u>	<u>56,890</u>	<u>10,648,949</u>

<i>(in millions of Korean won)</i>	Liabilities at fair value through profit or loss	Derivatives for hedge	Liabilities carried at amortized cost	Total
Trade payables	-	-	5,456,777	5,456,777
Borrowings	-	-	7,251,066	7,251,066
Other payables	-	-	1,509,518	1,509,518
Other financial liabilities	17,557	-	-	17,557
Other liabilities	-	-	47,423	47,423
	<u>17,557</u>	<u>-</u>	<u>14,264,784</u>	<u>14,282,341</u>

Categorizations of financial instruments as of December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	Assets at fair value through profit or loss	Derivatives for hedge	Loans and Receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Total
Cash and cash equivalents	-	-	2,345,465	-	-	2,345,465
Financial deposits	-	-	279,439	-	-	279,439
Trade receivables	-	-	6,752,559	-	-	6,752,559
Loans and other receivables	-	-	1,104,948	-	-	1,104,948
Other financial assets	2,832	11,845	-	68,617	57,665	140,959
	<u>2,832</u>	<u>11,845</u>	<u>10,482,411</u>	<u>68,617</u>	<u>57,665</u>	<u>10,623,370</u>

<i>(in millions of Korean won)</i>	Liabilities at fair value through profit or loss	Derivatives for hedge	Liabilities carried at amortized cost	Total
Trade payables	-	-	5,486,871	5,486,871
Borrowings	-	-	7,435,618	7,435,618
Other payables	-	-	1,912,161	1,912,161
Other financial liabilities	14,238	-	-	14,238
Other liabilities	-	-	521	521
	<u>14,238</u>	<u>-</u>	<u>14,835,171</u>	<u>14,849,409</u>

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6. Trade Receivables

Carrying amount of trade receivables, net of allowance for doubtful accounts, is as follows:

<i>(in millions of Korean won)</i>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Trade receivables	6,621,567	6,853,722
Less: allowance for doubtful accounts	(103,495)	(101,163)
	<u>6,518,072</u>	<u>6,752,559</u>

The aging of the trade receivables is as follows:

<i>(in millions of Korean won)</i>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Within due	5,985,955	6,149,878
Up to 6 months	444,850	525,534
7 to 12 months	12,620	7,832
Over one year	19,162	18,803
Defaulted	158,980	151,675
	<u>6,621,567</u>	<u>6,853,722</u>

7. Other Financial Assets and Liabilities

The details of other financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Other financial assets		
Derivatives	10,290	14,677
Available-for-sale	68,490	68,617
Held-to-maturity	56,890	57,665
	<u>135,670</u>	<u>140,959</u>
Current	593	1,677
Non-current	<u>135,077</u>	<u>139,282</u>
Other financial liabilities		
Derivatives	17,557	14,238
	<u>17,557</u>	<u>14,238</u>
Current	15,352	13,860
Non-current	<u>2,205</u>	<u>378</u>

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8. Inventories

Inventories consist of:

<i>(in millions of Korean won)</i>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Merchandise and finished products	2,835,824	2,912,117
Work-in-process	232,189	182,655
Raw materials and supplies	1,548,898	1,592,184
Other	279,194	260,204
	<u>4,896,105</u>	<u>4,947,160</u>

The reversal of allowance for losses on valuation of inventories recognized as of the end of the reporting period amounts to ₩21,651 million (2011: loss ₩5,922 million).

9. Property, Plant and Equipment, and Intangible assets

Changes in property, plant and equipment are as follows:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
At January 1	7,290,413	6,500,484
Acquisitions	281,039	404,515
Transfer-in (out)	875	(1,074)
Disposals and others	(19,680)	(16,206)
Depreciation	(233,003)	(223,381)
Impairment / reversal	(1,188)	(2,669)
Exchange differences	37,929	(16,235)
At March 31	<u>7,356,385</u>	<u>6,645,434</u>

Changes in intangible assets are as follows:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
At January 1	1,035,797	763,382
Acquisitions	61,054	58,612
Transfer-in	20,995	25,358
Disposals and others	(5,892)	(6,032)
Amortization	(88,173)	(74,645)
Exchange differences	336	(300)
At March 31	<u>1,024,117</u>	<u>766,375</u>

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10. Investments in jointly controlled entities and associates

Investments in jointly controlled entities and associates as of March 31, 2012 and December 31, 2011, are as follows:

Location	Percentage of Ownership at March 31, 2012	March 31, 2012			December 31, 2011			
		Acquisition Cost	Net asset amount	Carrying amount	Acquisition Cost	Net asset amount	Carrying amount	
LG Display Co., Ltd.	Korea	37.90%	679,218	3,780,742	3,737,266	679,218	3,829,341	3,794,169
LG Innotek Co., Ltd.	Korea	47.89%	381,795	1,342,102	1,339,976	381,795	1,351,819	1,350,791
LG-Ericsson Co., Ltd.	Korea	25.00%	26,626	91,641	90,766	53,255	203,968	201,517
Other			280,448	266,619	258,590	280,448	266,877	256,722
			<u>1,368,087</u>	<u>5,481,104</u>	<u>5,426,598</u>	<u>1,394,716</u>	<u>5,652,005</u>	<u>5,603,199</u>

Assessment of the equity method of accounting on jointly controlled entities and associates for the three-month periods ended March 31, 2012 and 2011, are as follows:

(in millions of Korean won)	2012	2011
At January 1	5,603,199	6,008,145
Acquisitions	-	998
Income (loss) of jointly controlled entities and associates ¹	(61,053)	(54,962)
Other comprehensive income (expense) of jointly controlled entities and associates ²	16	(14,309)
Dividends / recovery of investment ³	(115,303)	(71,191)
Others	(261)	(384)
At March 31	<u>5,426,598</u>	<u>5,868,297</u>

¹ 'Income (loss) from jointly controlled entities and associates' on the statements of operations is as follows:

(in millions of Korean won)	2012	2011
Income (loss) of jointly controlled entities and associates	(61,053)	(54,962)
Gain on disposal of shares of jointly controlled entities and associates	135,795	-
Loss on disposal of shares of jointly controlled entities and associates	(191)	(530)
	<u>74,551</u>	<u>(55,492)</u>

² The ₩599 million of other comprehensive income is included in the investments in jointly controlled entities and associates due to their disposal.

³ The 25% of LG-Ericsson Co., Ltd. shares were disposed of in the current period.

The Group's share in the major jointly controlled entities and associates' profits and total assets, including goodwill, liabilities, non-controlling interests, sales, and net income (loss) for the three-month periods ended March 31, 2012 and 2011, are as follows:

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<i>(in millions of Korean won)</i>	March 31, 2012		2012	
	Assets	Liabilities and Non-controlling interest	Sales	Profit(loss)
LG Display Co., Ltd.	9,294,584	5,513,842	2,343,835	(47,568)
LG Innotek Co., Ltd.	2,866,720	1,524,618	590,631	(8,131)
LG-Ericsson Co., Ltd	238,743	147,102	99,372	2,890

<i>(in millions of Korean won)</i>	December 31, 2011		2011	
	Assets	Liabilities and Non-controlling interest	Sales	Profit(loss)
LG Display Co., Ltd.	9,532,770	5,703,429	2,033,723	(42,126)
LG Innotek Co., Ltd.	2,855,251	1,503,432	526,716	(11,902)
LG-Ericsson Co., Ltd	442,813	238,845	141,506	17,303

The fair values of listed associates are as follows:

<i>(in million Korean won)</i>	March 31, 2012			
	Shares owned (unit: shares)	Price per share (unit: won)	Fair value	Book value
LG Display Co., Ltd.	135,625,000	26,500	3,594,063	3,737,266
LG Innotek Co., Ltd.	9,653,181	98,600	951,804	1,339,976

<i>(in million Korean won)</i>	December 31, 2011			
	Shares owned (unit: shares)	Price per share (unit: won)	Fair value	Book value
LG Display Co., Ltd.	135,625,000	24,500	3,322,813	3,794,169
LG Innotek Co., Ltd.	9,653,181	67,800	654,486	1,350,791

11. Borrowings

The carrying amounts of borrowings are as follows:

<i>(in millions of Korean won)</i>	March 31, 2012	December 31, 2011
Current		
Short-term borrowings	1,506,670	1,673,417
Current maturities of long-term borrowings	451,127	548,830
Current maturities of debentures	758,633	955,965
	<u>2,716,430</u>	<u>3,178,212</u>

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Non-current		
Long-term borrowings	2,523,994	2,243,218
Debentures	2,010,642	2,014,188
	<u>4,534,636</u>	<u>4,257,406</u>
	<u>7,251,066</u>	<u>7,435,618</u>

Short-term borrowings consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at March 31, 2012	Carrying amount	
			March 31, 2012	December 31, 2011
General loans				
HSBC and others	2012-12-27	1.55~15.49	1,263,189	1,108,741
Borrowings on negotiated trade bills				
Woori Bank and others	-	1.09~2.56	243,481	564,676
			<u>1,506,670</u>	<u>1,673,417</u>

Long-term borrowings as of March 31, 2012, consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at March 31, 2012	March 31, 2012		
			Total	Current	Non-current
Local currency loans					
Kookmin Bank	2012-06-01	5.18	28	28	-
Kookmin Bank	2013-05-14	4.67	190,000	-	190,000
Kookmin Bank	2014-11-12	4.62	150,000	-	150,000
Kookmin Bank	2016-05-24	4.73	190,000	-	190,000
Nonghyup	2014-03-10	4.70	190,000	-	190,000
Shinhan Bank	2016-10-19	4.37	190,000	-	190,000
Shinhan Bank	2017-02-16	Financial Bond 6ML+0.94	190,000	-	190,000
Woori Bank	2014-02-18	5.67	10,000	-	10,000
Woori Bank	2017-10-28	4.62	190,000	-	190,000
Small & Medium Business Corporation	2014-11-17	3.80	187	51	136
The Korea Development Bank	2013-03-11	4.59	100,000	100,000	-
The Korea Development Bank	2014-04-07	4.45	190,000	-	190,000
The Korea Development Bank	2014-06-24	5.56	8,000	-	8,000
The Korea Development Bank	2014-06-24	5.68	6,000	-	6,000
The Korea Development Bank	2014-06-24	5.31	6,000	-	6,000
The Korea Development Bank	2014-11-24	4.55	150,000	-	150,000
The Korea Development Bank	2014-12-24	4.71	140,000	-	140,000
The Korea Development Bank	2015-03-10	5.06	90,000	-	90,000
Korea Finance Corporation	2014-02-28	4.56	90,000	-	90,000
Korea Finance Corporation	2015-03-02	4.80	100,000	-	100,000
Korea Finance Corporation	2015-09-14	4.57	80,000	-	80,000
Korea Finance Corporation	2015-12-24	4.64	40,000	-	40,000

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Korea Finance Corporation	2016-04-20	4.63	30,000	-	30,000
Korea Finance Corporation	2017-03-29	4.62	190,000	-	190,000
Foreign currency loans					
The Korea Development Bank	2012-06-26	3ML+0.4	227,560	227,560	-
SMBC Bank and others	-	2.07~10.3	227,346	123,488	103,858
			<u>2,975,121</u>	<u>451,127</u>	<u>2,523,994</u>

Long-term borrowings as of December 31, 2011, consist of:

(in millions of Korean won)	Latest maturity date	Annual interest rate (%) at Dec 31, 2011	December 31, 2011		
			Total	Current	Non-current
Local currency loans					
Kookmin Bank	2012-06-01	5.18	55	55	-
Kookmin Bank	2013-05-14	4.67	190,000	-	190,000
Kookmin Bank	2014-11-12	4.62	150,000	-	150,000
Kookmin Bank	2016-05-24	4.73	190,000	-	190,000
NH Bank	2014-03-10	4.70	190,000	-	190,000
Shinhan Bank	2016-10-19	4.37	190,000	-	190,000
Woori Bank	2014-02-18	5.67	10,000	-	10,000
Woori Bank	2017-10-28	4.62	190,000	-	190,000
Small and Medium Business Corporation	2014-11-17	3.90	204	68	136
The Korea Development Bank	2012-03-30	5.81	190,000	190,000	-
The Korea Development Bank	2013-03-11	4.59	100,000	-	100,000
The Korea Development Bank	2014-04-07	4.45	190,000	-	190,000
The Korea Development Bank	2014-06-24	5.56	8,000	-	8,000
The Korea Development Bank	2014-06-24	5.68	6,000	-	6,000
The Korea Development Bank	2014-06-24	5.31	6,000	-	6,000
The Korea Development Bank	2014-11-24	4.55	150,000	-	150,000
The Korea Development Bank	2014-12-24	4.71	140,000	-	140,000
The Korea Development Bank	2015-03-10	5.06	90,000	-	90,000
Korea Finance Corporation	2014-02-28	4.56	90,000	-	90,000
Korea Finance Corporation	2015-03-02	4.80	100,000	-	100,000
Korea Finance Corporation	2015-09-14	4.57	80,000	-	80,000
Korea Finance Corporation	2015-12-24	4.64	40,000	-	40,000
Korea Finance Corporation	2016-04-20	4.63	30,000	-	30,000
Foreign currency loans					
The Korea Development Bank	2012-06-26	3ML+0.4	230,660	230,660	-
SMBC Bank and other	-	5.99~10.3	231,129	128,047	103,082
			<u>2,792,048</u>	<u>548,830</u>	<u>2,243,218</u>

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Debentures as of March 31, 2012, consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at March 31, 2012	March 31, 2012		
			Total	Current	Non-current
Fixed rate notes in local currency					
Public, non-guaranteed bonds (49 th)	2012-04-11	5.27	190,000	190,000	-
Public, non-guaranteed bonds (54 th)	2013-04-22	4.20	190,000	-	190,000
Public, non-guaranteed bonds (55 th)	2013-06-16	4.60	190,000	-	190,000
Public, non-guaranteed bonds (56 th)	2015-09-09	4.63	190,000	-	190,000
Public, non-guaranteed bonds (57 th)	2015-10-22	4.30	190,000	-	190,000
Public, non-guaranteed bonds (58-1 st)	2014-02-16	4.44	130,000	-	130,000
Public, non-guaranteed bonds (58-2 nd)	2016-02-16	4.91	60,000	-	60,000
Public, non-guaranteed bonds (60 th)	2016-05-20	4.41	190,000	-	190,000
Public, non-guaranteed bonds (61 st)	2016-06-29	4.38	190,000	-	190,000
Public, non-guaranteed bonds (62-1 st)	2013-08-05	3.89	110,000	-	110,000
Public, non-guaranteed bonds (62-2 nd)	2016-08-05	4.34	80,000	-	80,000
Public, non-guaranteed bonds (64 th)	2016-09-30	4.32	190,000	-	190,000
Floating rate notes in foreign currency					
Citibank, N.A	2012-05-15	3ML+0.65	568,900	568,900	-
Public, non-guaranteed bonds (59 th) ¹	2014-04-28	3ML+1.00	193,426	-	193,426
Public, non-guaranteed bonds (63 rd) ¹	2014-08-23	3ML+0.70	113,780	-	113,780
Less: discount on debentures			(6,831)	(267)	(6,564)
			<u>2,769,275</u>	<u>758,633</u>	<u>2,010,642</u>

Debentures as of December 31, 2011, consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at Dec 31, 2011	December 31, 2011		
			Total	Current	Non-current
Fixed rate notes in local currency					
Public, non-guaranteed bonds (49 th)	2012-04-11	5.27	190,000	190,000	-
Public, non-guaranteed bonds (51 st)	2012-02-17	5.99	190,000	190,000	-
Public, non-guaranteed bonds (54 th)	2013-04-22	4.20	190,000	-	190,000
Public, non-guaranteed bonds (55 th)	2013-06-16	4.60	190,000	-	190,000
Public, non-guaranteed bonds (56 th)	2015-09-09	4.63	190,000	-	190,000
Public, non-guaranteed bonds (57 th)	2015-10-22	4.30	190,000	-	190,000
Public, non-guaranteed bonds (58 th -1)	2014-02-16	4.44	130,000	-	130,000
Public, non-guaranteed bonds (58 th -2)	2016-02-16	4.91	60,000	-	60,000
Public, non-guaranteed bonds (60 th)	2016-05-20	4.41	190,000	-	190,000
Public, non-guaranteed bonds (61 st)	2016-06-29	4.38	190,000	-	190,000
Public, non-guaranteed bonds (62 nd -1)	2013-08-05	3.89	110,000	-	110,000
Public, non-guaranteed bonds (62 nd -2)	2016-08-05	4.34	80,000	-	80,000
Public, non-guaranteed bonds (64 th)	2016-09-30	4.32	190,000	-	190,000

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Citibank, N.A	2012-05-15	3ML+0.65	576,650	576,650	-
Public, non-guaranteed bonds (59 th)	2014-04-28	3ML+1.00	196,061	-	196,061
Private, non-guaranteed bonds (63 th)	2014-08-23	3ML+0.70	115,330	-	115,330
Less: discount on debentures			(7,888)	(685)	(7,203)
			<u>2,970,153</u>	<u>955,965</u>	<u>2,014,188</u>

¹ The Group entered into Cross-currency Interest Rate Swap contract amounting to US\$270 million with BTMU (Bank of Tokyo-Mitsubishi UFJ) and others to hedge cash flow risk related to floating interest rate and foreign exchange rate. At the end of the reporting period, the loss on valuation of the effective portion changes in the fair value amounting to ₩3,807 million(2011: ₩4,923 million) is recognized cumulatively in other comprehensive loss.

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

<i>(in millions of Korean won)</i>	March 31, 2012		December 31, 2011	
	Carrying amount	Fair value ¹	Carrying amount	Fair value ¹
Long-term borrowings	2,523,994	2,583,750	2,243,218	2,303,461
Debentures	2,010,642	2,049,585	2,014,188	2,059,063
	<u>4,534,636</u>	<u>4,633,335</u>	<u>4,257,406</u>	<u>4,362,524</u>

¹The fair values of non-current finance liabilities are based on cash flows discounted using rates of return on non-guaranteed bonds having similar credit ratings as the Group.

Payment schedule¹ of borrowings as of March 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	Total	1 year	Less than 2 years	5 years	Over 5 years
Short-term borrowings	1,506,670	1,506,670	-	-	-
Current maturities of long-term borrowings	451,127	451,127	-	-	-
Current maturities of debentures	758,900	758,900	-	-	-
Long-term borrowings	2,523,994	-	619,708	1,712,617	191,669
Debentures	2,017,206	-	620,000	1,397,206	-
	<u>7,257,897</u>	<u>2,716,697</u>	<u>1,239,708</u>	<u>3,109,823</u>	<u>191,669</u>

¹ The above cash flow is undiscounted amounts.

12. Provisions

Changes in provisions during the three-month periods ended March 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012				
	Warranty	Sales returns	Restoration	Contingent	Total
At January 1, 2012	699,363	67,844	6,672	526,269	1,300,148
Addition	258,728	60,876	534	20,583	340,721
Utilisation	(279,629)	(67,844)	-	(21,592)	(369,065)
Exchange differences	4,669	536	-	5,573	10,778
At March 31, 2012	<u>683,131</u>	<u>61,412</u>	<u>7,206</u>	<u>530,833</u>	<u>1,282,582</u>

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Current	623,246	61,412	-	36,353	721,011
Non-current	59,885	-	7,206	494,480	561,571

	2011				
<i>(in millions of Korean won)</i>	Warranty	Sales returns	Restoration	Contingent	Total
At January 1, 2011	742,852	81,914	5,853	495,224	1,325,843
Addition	260,676	72,358	219	5,782	339,035
Utilisation	(279,330)	(81,914)	(23)	(909)	(362,176)
Exchange differences	(1,151)	(10)	1	1,851	691
At March 31, 2011	723,047	72,348	6,050	501,948	1,303,393
Current	642,723	72,348	-	35,516	750,587
Non-current	80,324	-	6,050	466,432	552,806

13. Defined Benefit Liability

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

<i>(in millions of Korean won)</i>	March 31, 2012	December 31, 2011
Present value of funded obligations	1,192,374	1,133,650
Present value of unfunded obligations	29,227	27,731
	1,221,601	1,161,381
Fair value of plan assets	(729,991)	(738,075)
Liabilities	491,610	423,306

The amounts recognized in the statements of operations for the three-month periods ended March 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012	2011
Current service cost	56,962	50,551
Interest cost	12,914	11,282
Expected return on plan assets	(7,478)	(6,222)
Past service cost	8	8
	62,406	55,619

The line items in which expenses are included for the three-month periods ended March 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012	2011
Cost of sales	30,231	27,653
Selling and marketing expenses	13,213	11,511
Administrative expenses	3,181	3,544
Research and development expenses	14,577	11,889
Service costs	1,204	1,022
	62,406	55,619

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Cumulative actuarial losses recognized in the statement of comprehensive income for the three-month period ended March 31, 2012, are ₩161,356 million (2011: ₩149,024 million).

Changes in the defined benefit obligations for the three-month periods ended March 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
At January 1	1,161,381	868,843
Current service cost	56,962	50,551
Net transfer of associates	(1,438)	(1,024)
Interest expense	12,914	11,282
Benefits paid	(25,255)	(22,673)
Actuarial loss	16,772	27
Other	265	(154)
At March 31	<u>1,221,601</u>	<u>906,852</u>

Changes in the fair value of plan assets for the three-month periods ended March 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
At January 1	738,075	550,731
Expected return on plan assets	7,478	6,222
Employer contributions	590	1,062
Benefits paid	(16,745)	(9,721)
Actuarial gain (loss)	525	(950)
Other	68	(103)
At March 31	<u>729,991</u>	<u>547,241</u>

The actual return on plan assets for the three-month period ended March 31, 2012, is ₩8,003 million (2011: ₩5,272 million).

The principal actuarial assumptions used are as follows:

(%)	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Discount rate	4.5	4.7
Expected rate of return	3.9	3.9
Future salary increase	6.0	6.0

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Plan assets consist of:

<i>(in millions of Korean won)</i>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Securities combined with derivatives (guaranteed)	455,244	460,724
Time deposits and others	274,747	277,351
	<u>729,991</u>	<u>738,075</u>

14. Retained Earnings

Retained earnings consist of:

<i>(in millions of Korean won)</i>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Legal reserve ¹	145,816	142,128
Discretionary reserve ²	6,351,342	6,756,716
Unappropriated retained earnings	3,188,839	2,600,690
	<u>9,685,997</u>	<u>9,499,534</u>

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

² The Company separately accumulates a discretionary reserve for research and human resource development through appropriation of retained earnings, which has been included as deductible expense for the corporate income tax return according to the Special Tax Treatment Law. The reserve could be reversed in accordance with the terms of related tax laws.

15. Other Components of Equity

Details of other components of equity consist of:

<i>(in millions of Korean won)</i>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
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 transactions within the Group ²	(238,510)	(238,520)
	<u>(271,329)</u>	<u>(271,339)</u>

¹ The Parent Company has treasury shares consisting of 763,165 (2011: 763,165 shares) of ordinary shares and 4,687 shares (2011: 4,687 shares) of preferred shares at 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, net of tax.

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16. Net Sales

Details of net sales for the three-month periods ended March 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Net sales		
Sales of goods	12,057,250	12,978,737
Sales of services	106,297	97,632
Royalty income	64,350	83,579
	<u>12,227,897</u>	<u>13,159,948</u>

17. Expenses by Nature

Expenses that are recorded by nature as cost of sales, general operating expenses and other operating expenses in the statements of operations for the three-month periods ended March 31, 2012 and 2011, consist of:

<i>(in millions of Korean won)</i>	<u>2012¹</u>	<u>2011¹</u>
Changes in inventories	123,877	(585,783)
Purchase of raw materials and merchandise	8,379,962	9,892,332
Employee benefit expenses	1,199,951	1,138,492
Depreciation, amortization and impairment	322,364	300,695
Advertising expenses	197,920	444,869
Sales promotional expenses	130,619	178,167
Transportation expenses	362,650	469,458
Commission expenses	561,040	533,795
Other expenses	802,210	1,040,358
	<u>12,080,593</u>	<u>13,412,383</u>

¹ Cost of sales, selling and marketing expenses, administrative expenses, research and development expenses, service costs, and other operating expenses in the statements of operations are included.

18. General Operating Expenses (Selling and marketing expenses, Administrative expenses, Research and development expenses, and Service costs)

Details of general operating expenses for the three-month periods ended March 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Wages and salaries	601,122	603,410
Severance benefits	29,928	28,950
Welfare expense	130,907	121,154
Freight expense	354,671	462,806
Rental expense	106,087	102,700
Commission expense	420,856	402,009

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Depreciation	49,409	45,280
Amortization	71,002	61,405
Taxes and dues	30,664	29,557
Advertising expense	197,920	444,869
Promotional expense	130,619	178,167
Direct R&D costs	67,748	64,880
Direct service costs	174,807	188,605
Other	185,342	161,806
	<u>2,551,082</u>	<u>2,895,598</u>

19. Other Operating Income

Other operating income for the three-month periods ended March 31, 2012 and 2011, consists of:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Rental income	8,566	6,257
Foreign exchange gain	271,375	329,685
Gain on settlement of derivatives	602	1,714
Gain on disposal of property, plant and equipment	2,638	1,815
Other	17,694	43,810
	<u>300,875</u>	<u>383,281</u>

20. Other Operating Expenses

Other operating expenses for the three-month periods ended March 31, 2012 and 2011, consists of:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Foreign exchange loss	185,001	300,373
Loss on settlement of derivatives	5,247	2,632
Loss on disposal of property, plant and equipment	1,315	627
Loss on disposal of intangible asset	5,517	4,365
Other	18,582	13,941
	<u>215,662</u>	<u>321,938</u>

21. Financial Income

Financial income for the three-month periods ended March 31, 2012 and 2011, consists of:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Interest income	22,374	20,753
Dividend income	289	437
Foreign exchange gain	159,521	177,854
Gain on settlement of derivatives	1,587	7,327
Other	384	327
	<u>184,155</u>	<u>206,698</u>

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22. Financial Expenses

Financial expenses for the three-month periods ended March 31, 2012 and 2011, consist of:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Interest expense	85,291	69,232
Foreign exchange loss	152,993	156,570
Loss on settlement of derivatives	3,973	4,838
Loss on settlement of trade receivables	10,064	8,680
Other	4,803	4,262
	<u>257,124</u>	<u>243,582</u>

23. Earnings(loss) 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 shares in issue excluding shares purchased by the Parent Company and held as treasury shares. Preferred shares have a right to participate in the profits of the Parent Company. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares. The Group had no potential dilutive ordinary shares in the prior period. For the current period, the diluted earnings per ordinary share was not computed due to anti-dilution.

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Profit(loss) attributable to ordinary shares ¹	213,058	(27,077)
Weighted average number of ordinary shares outstanding (unit: shares) ²	162,884,649	147,642,834
Basic earnings(loss) per ordinary share (in won)	1,308	(183)
<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Profit(loss) attributable to preferred shares ¹	22,689	(3,018)
Weighted average number of preferred shares outstanding (unit: shares) ²	17,181,305	17,181,305
Basic earnings(loss) per preferred share (in won)	1,321	(176)

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¹ Profit attributable to ordinary and preferred shares is as follows:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Profit for the period(loss) (A)	235,747	(30,095)
Ordinary shares dividends (B)	8,144	7,194
Preferred shares dividends (C)	1,074	1,074
Undistributed earnings(loss) (D=A-B-C)	<u>226,529</u>	<u>(38,363)</u>
Undistributed earnings(loss) available for ordinary shares (E)	204,914	(34,271)
Undistributed earnings(loss) available for preferred shares (F)	21,615	(4,092)
Profit(loss) attributable to ordinary shares (G=B+E)	<u>213,058</u>	<u>(27,077)</u>
Profit(loss) attributable to preferred shares (H=C+F)	<u>22,689</u>	<u>(3,018)</u>

² Weighted average numbers of shares are calculated as follows:

	<u>2012</u>	<u>2011</u>
Ordinary shares outstanding	163,647,814	144,647,814
Ordinary treasury shares	<u>(763,165)</u>	<u>(763,162)</u>
Ordinary shares	<u>162,884,649</u>	<u>143,884,652</u>
Weighted average number of ordinary shares outstanding³	<u>162,884,649</u>	<u>147,642,834</u>
Preferred shares outstanding	17,185,992	17,185,992
Preferred treasury shares	<u>(4,687)</u>	<u>(4,687)</u>
Preferred shares	<u>17,181,305</u>	<u>17,181,305</u>
Weighted average number of preferred shares outstanding	<u>17,181,305</u>	<u>17,181,305</u>

³ The comparative number of ordinary shares outstanding during the three-month period ended March 31, 2011, has been adjusted to reflect bonus element from rights issued in the fourth quarter of 2011.

24. Cash Generated from Operations

A reconciliation between operating profit(loss) and net cash inflow (outflow) from operating activities is as follows:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Profit(loss) for the period	<u>242,502</u>	<u>(15,766)</u>
Adjustments :		
Interest expense, net	62,917	48,479
Foreign exchange loss (gain), net	(26,428)	(39,770)
Gain(loss) on derivatives, net	7,031	(1,571)
Depreciation	233,003	223,381
Amortization	88,173	74,645
Loss on disposal of property, plant and equipment, intangible assets, net	4,194	3,177
Provisions, net	340,721	339,035

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Tax income (expense)	207,259	54,236
Expense (income) from jointly controlled entities and associates	(74,551)	55,492
Provisions for severance benefits	62,406	55,619
Other	(4,616)	47,352
	<u>900,109</u>	<u>860,075</u>
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	282,905	(527,531)
Decrease (increase) in other receivables	(895)	10,022
Decrease (increase) in inventories	123,877	(585,783)
Decrease in other assets	27,656	21,954
Increase (decrease) in trade payables	(105,598)	709,719
Increase (decrease) in other payables	(295,034)	182,690
Decrease in provisions	(369,065)	(362,176)
Increase (decrease) in other liabilities	(123,847)	43,404
Payment of defined benefit liability	(9,948)	(13,976)
Payment of plan assets, net	(590)	(1,062)
	<u>(470,539)</u>	<u>(522,739)</u>
Cash generated from operations	<u>672,072</u>	<u>321,570</u>

Significant transactions not affecting cash flows for the three-month periods ended March 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Reclassification of construction-in-progress of property, plant and equipment	167,392	166,200
Reclassification of intangible assets in progress	64,166	30,461
Reclassification of long-term prepayment to intangible assets	20,995	23,424
Reclassification of current maturities of borrowings	103,867	477,378

25. Contingencies

(a) At the end of the reporting period, borrowings are secured on property, plant and equipment including land, buildings and machinery and intangible assets including land use rights for the book value of ₩125,263 million (2011: ₩145,052 million).

(b) At the end of the reporting period, the Parent Company is provided with a performance guarantee of ₩120,146 million (2011: ₩118,361 million) from Seoul Guarantee Insurance and two other banks relating to the sales contracts.

(c) The Group has contingent liabilities with respect to investigations and litigations arising in the ordinary course of business. Major investigations and litigations are as follows:

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At the end of the reporting period, the Parent Company and certain foreign subsidiaries are under investigation by the European Commission with respect to possible anti-competitive activities among Cathode Ray Tube (CRT) manufacturers. The Group recognized a reasonably estimated loss related to this investigation as a litigation provision. The ultimate amount of loss resulting from the investigation may differ from the estimated loss accrued by the Group.

In addition, the Parent Company and certain foreign subsidiaries have been named as defendants in a number of class actions brought by purchasers of CRT products in the United States and in Canada in connection with the alleged anti-competitive activities among CRT manufacturers. The Group recognized a reasonably estimated loss related to this investigation as a litigation provision. The ultimate amount of loss resulting from the investigation may differ from the estimated loss accrued by the Group.

In addition, the Parent Company and certain foreign subsidiaries have been named as defendants in a number of class actions brought by purchasers of Optical Disk Drive (ODD) products in the United States and in Canada alleging violation of antitrust laws in connection with the anti-competitive activities among ODD manufacturers. The outcome of the cases and effect on the financial statements could not be ascertained at the end of the reporting period.

There are a number of other legal actions that remain pending at the end of the reporting period. It is not anticipated that any material liabilities will arise from these contingent liabilities other than those provided for.

26. Commitments

(a) At the end of the reporting period, the Parent Company has overdraft facility agreements with various banks including Shinhan Bank, with a limit of ₩245,500 million (2011: ₩245,500 million). Its overseas subsidiaries, including LG Electronics India Private Limited, have overdraft facility agreements with a limit of ₩1,199,470 million (2011: ₩1,205,823 million) with various banks including Standard Chartered New Delhi Bank. The Parent Company's domestic subsidiaries including Hi Plaza Inc. have overdraft facility agreements with various banks including Woori Bank with a limit of ₩2,350 million (2011: ₩2,350 million).

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with Shinhan Bank and 32 other banks amounting to ₩5,962,072 million (2011: ₩6,141,323 million) and for domestic trade receivables with Deutsche Bank amounting to ₩75,672 million (2011: ₩374,705 million). The Parent Company has corporate electronic settlement services contracts for collection of trade receivables with Hana Bank of up to ₩100,000 million (2010: ₩130,000 million).

The subsidiaries, LG Electronics UK., Ltd., LG Electronics Deutschland GmbH, and LG Electronics Espana S.A., transfer their accounts receivable to Societe Generale Bank on a revolving basis, for up to US\$543 million (2011: US\$554 million).

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LG Electronics U.S.A., Inc. and LG Electronics MobileComm U.S.A. Inc., subsidiaries of the Parent Company, transfer their accounts receivable to JP Morgan Chase Bank and Sumitomo Bank on a revolving basis, for up to US\$200 million (2011: US\$200 million).

(c) At the end of the reporting period, the Parent Company has corporate electronic settlement services contracts with Shinhan Bank and other seven banks of up to ₩935,450 million (2011: ₩935,450 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

In addition, two domestic subsidiaries including Hi Plaza Inc. provided payment guarantees to financial institutions, including Woori Bank, amounting to ₩40,000 million (2011: ₩40,000 million) in connection with discount of notes which are paid to their suppliers.

(d) At the end of the reporting period, the Group has other trade financing agreements and loan commitments with financial institutions including Industrial Bank of Korea in addition to the above commitments.

(e) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Property, plant and equipment	71,026	58,667
Intangible assets	3,259	5,161
	<u>74,285</u>	<u>63,828</u>

(f) Operating lease commitments – the Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases at the end of the reporting period are as follows:

<i>(in millions of Korean won)</i>	March 31, 2012			Total lease payments
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	
Buildings and offices	93,888	128,430	42,243	264,561
Vehicles	26,622	69,821	6,465	102,908
Equipment	24,198	2,794	-	26,992
	<u>144,708</u>	<u>201,045</u>	<u>48,708</u>	<u>394,461</u>

(g) Operating lease commitments – the Group as lessor

The Group has an operating lease agreement regarding healthcare rental business that lends water purifiers to customers. The future aggregate lease incomes under operating leases at the end of the reporting period are as follows:

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<i>(in millions of Korean won)</i>	March 31, 2012			
	No later than 1 year	Later than 1 year and no later than 3 years	Over 3 years	Total lease payments
Healthcare rental	43,393	94,676	76,356	214,425

The Group recognized ₩11,224 million lease income for the three-month period ended March 31, 2012.

(h) Trademark licenses commitments

At the end of the reporting period, the Group has various agreements as follows:

Purpose	Related products	Provided by	Used by
Use of license	Mobile	QUALCOMM Incorporated and other	The Group
Provision of license	Home appliance	The Group	Panasonic Corporation and other

27. Related Party Transactions

Significant transactions for the three-month periods ended March 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Sales	Purchases	Sales	Purchases
LG Corp.	705	29,938	26	26,714
Jointly controlled entities and associates	162,160	1,702,397	191,416	1,588,469
Other related parties	20,947	285,149	35,677	301,999
	<u>183,812</u>	<u>2,017,484</u>	<u>227,119</u>	<u>1,917,182</u>

The balances of significant transactions are as follows:

<i>(in millions of Korean won)</i>	March 31, 2012		December 31, 2011	
	Receivables	Payables	Receivables	Payables
LG Corp.	29,308	11,097	23,136	691
Jointly controlled entities and associates	159,861	874,675	187,259	757,488
Other related parties	92,867	279,679	89,028	361,525
	<u>282,036</u>	<u>1,165,451</u>	<u>299,423</u>	<u>1,119,704</u>

The jointly controlled entities and associates as of the end of the reporting period include LG Display Co., Ltd., LG Innotek Co., Ltd., LG-Ericsson Co., Ltd., and other related parties include SERVEONE Co., Ltd. and LG CNS Co., Ltd.

There is no payment guarantee provided for related parties other than subsidiaries as of the end of the reporting period.

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The Group has not recognized bad debt expenses nor allowance for trade receivables against the related parties for the three-month period ended March 31, 2012 and the year ended December 31, 2011.

28. Risk Management

Financial Risk Management

The Group's financial risk management ("FRM") policy supports each business division to achieve excellent performance solidly and continuously against market risk, credit risk and liquidity risk. In addition, FRM helps the Group to enhance cost competitiveness through cost-efficient financing cost by improving 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 recognizing, evaluating and hedging risks from a global point of view.

In addition, the Group operates four overseas regional treasury centers ("RTC") located in New Jersey in USA, Amsterdam in the Netherlands, Beijing in China, and Singapore to mitigate financial risks in a global business environment preemptively and systematically. RTC contributes by improving our 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 to provide the fundamental of stable business operation by minimizing the uncertainty and volatility of foreign exchange gains and losses from foreign exchange rate fluctuations.

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

The Group manages foreign exchange risk by matching inflow and outflow of each currency. The Group hedges its remaining foreign currency exposure with Leading & Lagging strategy and derivative financial instruments such as forward exchange contracts under its global hedge policy. The Group determines a hedge ratio for overseas subsidiaries considering

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factors highly related to foreign exchange rate fluctuation such as risk index, implied volatility, and market view. The Parent Company and the RTC scrutinize changes in foreign exchange exposure and the results of hedging activities on a monthly basis.

Speculative foreign exchange trading is strictly prohibited.

As of March 31, 2012 and December 31, 2011, 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, 2012		December 31, 2011	
	10% increase	10% decrease	10% increase	10% decrease
<i>(in millions of Korean won)</i>				
USD/KRW	(189,487)	189,487	(302,425)	302,425
EUR/KRW	17,259	(17,259)	28,888	(28,888)

The above sensitivity analysis is done with foreign currency denominated assets and liabilities which are not dominated in the Parent Company's 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 maximizing corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

As of March 31, 2012, the Group is in a net borrowing situation and is partially exposed to a risk of increase in interest rates. However, to mitigate interest rate risk, the Group manages interest rate risk proactively by minimizing external borrowings by maximizing 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 daily, weekly, and monthly interest rate trends in domestic and international markets.

As of March 31, 2012, if interest rates fluctuate by 100bp without other variables changing, the effects on income and expenses related to borrowings and financial deposits with variable interest rates are as follows:

	March 31, 2012		December 31, 2011	
	100bp increase	100bp decrease	100bp increase	100bp decrease
<i>(in millions of Korean won)</i>				
Interest expense	24,202	(24,202)	21,852	(21,852)
Interest income	27,075	(27,075)	24,687	(24,687)
Gain (loss) on valuation of derivatives (IRS ¹)	168	(169)	3,943	(3,977)

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¹ Interest rate swaps mainly create fair 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 global top three credit insurance companies (Euler Hermes, Atradius, Coface) and Korea Trade Insurance Corporation (K-Sure).

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, 2012, trade receivable balance of the Group is ₩6,518,072 million (2011: ₩6,752,559 million) and its risk is managed appropriately with insurer's credit limit of ₩27,576,354 million (2011: ₩32,468,797 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 assigns experts in four 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, 2012 is ₩2,757,475 million (2011: ₩2,495,465 million). The Group maintains total committed credit lines of ₩600,000 million (2011: ₩600,000 million) in Woori Bank, Kookmin Bank, and Shinhan Bank in Korea at March 31, 2012.

As of March 31, 2012, the cash and cash equivalents balance of the Group is about 102% (2011: 79%) of current borrowings with due date in 12 months. If committed credit lines are included, the balance covers about 124% (2011: 97%) of short-term borrowings.

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In addition, as of March 31, 2012, the Group is able to source funds any time in domestic and international financial markets because it has credit grades AA0(Stable) from Korea Investors Service, Korea Ratings, and Nice Information, along with investment credit grades from Standard & Poors and Moody's of BBB- Stable and Baa2 Negative, respectively.

Cash flow information on maturity of borrowings is presented in note 11.

Capital Risk Management

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

Debt/equity ratio and net borrowing ratio are as follows:

<i>(in millions of Korean won, except for ratios)</i>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Liability (A)	19,005,236	19,510,209
Equity (B)	13,391,543	13,148,248
Cash and cash equivalents and current financial deposits (C)	2,757,475	2,495,465
Borrowings (D)	7,251,066	7,435,618
Liability-to-equity ratio (A/B)	142%	148%
Net Borrowings ratio (D-C)/B	34%	38%

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 those 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).

<i>(In millions of Korean won)</i>	<u>March 31, 2012</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at fair value through profit or loss				
- Derivatives for trading	-	1,074	-	1,074
Available-for-sale financial assets				
- Listed securities	9,104	-	-	9,104
- Derivatives for hedge	-	9,216	-	9,216
	<u>9,104</u>	<u>10,290</u>	<u>-</u>	<u>19,394</u>

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Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	17,557	-	17,557
	<u>-</u>	<u>17,557</u>	<u>-</u>	<u>17,557</u>
		December 31, 2011		
		<hr/>		
<i>(In millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
	<hr/>			
Assets				
Financial assets at fair value through profit or loss				
- Derivatives for trading	-	2,832	-	2,832
Available-for-sale financial assets				
- Listed securities	8,969	-	-	8,969
- Derivatives for hedge	-	11,845	-	11,845
	<u>8,969</u>	<u>14,677</u>	<u>-</u>	<u>23,646</u>
	<hr/>			
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	14,238	-	14,238
	<u>-</u>	<u>14,238</u>	<u>-</u>	<u>14,238</u>
	<hr/>			

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, an entity in the same industry, 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 maximize 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 an instrument are observable, the instrument is included in 'level 2'. Financial instruments included in 'level 2' are derivative financial instruments. The fair value of derivative financial instruments is measured at discounted amount using forward exchange rate as of the reporting date.

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

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29. Share-Based Payments

The 259,250 shares of cash-settled, share-based compensation plans which were not exercised as of December 31, 2011, were all exercised in the three-month period ended March 31, 2012.

Movements in the number of stock appreciation rights outstanding and their related weighted average stock prices as of March 31, 2012 and December 31, 2011, are as follows:

	Weighted average stock price (in won) ¹		Number of options (unit: shares)	
	2012	2011	2012	2011
Beginning	72,065	101,507	259,250	275,500
Exercised ²	88,169	114,810	(259,250)	(16,250)
Ending	-	72,065	-	259,250

¹ The weighted average stock price is determined by an average of three share prices: average share price of last two months, last one month and last one week from each date of exercise.

² This line represents the weighted average of the stock prices determined by above calculation at each of exercise dates for the year.

30. Business Combination

LS Mtron Co., Ltd.'s air-conditioning business

On May 1, 2011, the Group acquired LS Mtron Co., Ltd.'s air-conditioning business which is engaged in the installation of chillers and heaters, and the manufacture and sale of air cooler to launch a new business.

As a part of the acquisition, the Group took over 100% of share capital of LS Air-Conditioning (Sandong) Co., Ltd. and Ace R&A Co., Ltd., and the acquisition is accounted for in accordance with Korean IFRS 1103, *Business Combination*. After the acquisition, the name of LS Air-Conditioning (Sandong) Co., Ltd. was changed to LG Electronics Air-Conditioning (Shandong) Co., Ltd.

The goodwill amounting to ₩64,531 million arising from the acquisition is due to the synergy benefits, increasing overseas market share and reducing R&D costs, resulting from combining business operations of the Group and acquired air-conditioning business.

The following table summarizes the consideration paid for LS Mtron Co., Ltd. and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

(in millions of Korean won)	Amount
Consideration ¹	150,300
Recognized amounts of identifiable assets acquired and liabilities assumed ²	
Current assets	
Cash and cash equivalents	2,025

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Trade receivables	84,927
Other receivables	1,233
Inventories	18,156
Other assets	25,100
Non-current assets	
Financial deposits	5,888
Other receivables	868
Other financial assets	40
Property, plant and equipment	27,450
Intangible assets	36,531
Other assets	558
Current liabilities	
Trade payables	(46,765)
Borrowings	(19,504)
Other payables	(4,858)
Current income tax liabilities	(20)
Provisions	(2,133)
Other liabilities	(32,625)
Non-current liabilities	
Borrowings	(8,450)
Other payables	(224)
Defined benefit liabilities	(1,769)
Deferred income tax liabilities	(659)
Total identifiable net assets	85,769
Goodwill ¹	64,531
	150,300

¹ The Group is under the settlement process with LS Mtron Co., Ltd. for the purchase consideration that might result in changes of the amounts of consideration and goodwill.

² The assets acquired and the liabilities assumed is measured at their acquisition-date fair values in accordance with Korean IFRS 1103, *Business Combination*.

The acquisition-related costs amounting to ₩3,646 million were all expensed.

The gross contractual amount for trade receivables is ₩88,496 million, of which ₩3,569 million is expected to be uncollectible.

Hi Entech Co., Ltd.

On November 1, 2011, the Group acquired 100% of ownership of Daewoo Entech Co., Ltd. which is engaged in management, operation, testing, and maintenance of the water pollution control facilities and sewage disposal facilities, and in development of water supply and water resources. The acquisition is accounted for in accordance with Korean IFRS 1103, *Business Combination*.

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After the acquisition, the name of Daewoo Entech Co., Ltd. was changed to Hi Entech Co., Ltd.

The goodwill amounting to ₩45,755 million arising from the acquisition is due to the synergy benefits based on future preoccupancy of private domestic market for water service and sewage market, and sales increase in the global water treatment market in long-term resulting from combining business operations of the Group and acquired water treatment business.

<i>(in millions of Korean won)</i>	<u>Amount</u>
Consideration	61,100
Recognized amounts of identifiable assets acquired and liabilities assumed ¹	
Current assets	
Cash and cash equivalents	4,121
Trade receivables	2,680
Other receivables	355
Inventories	87
Other assets	888
Non-current assets	
Financial deposits	50
Other receivables	273
Other financial assets	742
Property, plant and equipment	1,020
Intangible assets	14,413
Current liabilities	
Trade payables	(108)
Borrowings	(774)
Other payables	(2,402)
Current income tax liabilities	(250)
Other liabilities	(1,581)
Non-current liabilities	
Defined benefit liabilities	(1,135)
Deferred income tax liabilities	(2,992)
Provision	(42)
Total identifiable net assets	<u>15,345</u>
Goodwill ¹	<u>45,755</u>
	<u>61,100</u>

¹ The assets acquired and the liabilities assumed are measured at their acquisition-date fair values in accordance with Korean IFRS 1103, *Business Combination*.

The acquisition-related costs amounting to ₩825 million were all expensed.

The gross contractual amount for trade receivables is ₩2,741 million, of which ₩61 million is expected to be uncollectible.