

LG Electronics
Interim Consolidated Financial Statements
March 31, 2011 and 2010

LG Electronics

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Report on Review of 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 as of March 31, 2011, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for the three-month periods ended March 31, 2011 and 2010, 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 29% of the Group's consolidated total assets as of March 31, 2011, and 41% and 49% of the Group's consolidated total sales for the three-month periods ended March 31, 2011 and 2010. 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.


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 does 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, 2010, and the related consolidated income statement and statements of comprehensive income, changes in shareholders' 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 4, 2011. These financial statements are not included in this review report. The consolidated statement of financial position as of December 31, 2010, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2010.

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 19, 2011

This review report is effective as of May 19, 2011, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics
Interim Consolidated Statements of Financial Position
March 31, 2011 and December 31, 2010

<i>(in millions of Korean won)</i>	Notes	March 31, 2011	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents	5	2,211,910	1,944,162
Financial deposits	5	40,000	85,000
Trade receivables	5, 6	7,375,636	7,001,962
Loans and other receivables	5	565,766	525,046
Other financial assets	5, 7	1,859	1,814
Inventories	8	6,375,556	5,872,420
Other current assets		1,084,024	1,079,099
Assets classified as held for sale		4,999	5,030
		<u>17,659,750</u>	<u>16,514,533</u>
Non-current assets			
Financial deposits	5	115,380	105,479
Loans and other receivables	5	573,855	543,562
Other financial assets	5, 7	115,896	105,601
Property, plant and equipment	9	6,645,434	6,500,484
Intangible assets	9	766,375	763,382
Deferred income tax assets		1,000,943	968,751
Investments in jointly controlled entities and associates	10	5,868,297	6,008,145
Investment property		5,938	7,295
Other non-current assets		781,753	801,267
		<u>15,873,871</u>	<u>15,803,966</u>
Total assets		<u>33,533,621</u>	<u>32,318,499</u>
Liabilities			
Current liabilities			
Trade payables	5	6,366,613	5,824,392
Borrowings	5, 11	4,191,550	4,009,229
Other payables		3,882,603	3,730,292
Other financial liabilities	5, 7	3,523	5,314
Current income tax liabilities		125,845	98,659
Provisions	12	750,587	748,146
Other current liabilities		975,916	901,201
		<u>16,296,637</u>	<u>15,317,233</u>
Non-current liabilities			
Borrowings	5, 11	3,529,698	3,183,706
Other payables		11,527	11,597
Other financial liabilities	5, 7	38,385	37,492
Deferred income tax liabilities		10,438	10,253
Defined benefit liabilities	13	359,611	318,112
Provisions	12	552,806	577,697
Other non-current liabilities		2,840	2,772
		<u>4,505,305</u>	<u>4,141,629</u>
Total liabilities		<u>20,801,942</u>	<u>19,458,862</u>
Equity attributable to owners of the Parent Company			
Paid-in capital			
Capital stock		809,169	809,169
Share premium		2,207,919	2,207,919
Retained earnings	14	10,044,367	10,108,173
Accumulated other comprehensive income		(283,736)	(209,844)
Other components of equity	15	(271,277)	(271,277)
		<u>12,506,442</u>	<u>12,644,140</u>
Non-controlling interest		<u>225,237</u>	<u>215,497</u>
Total equity		<u>12,731,679</u>	<u>12,859,637</u>
Total liabilities and equity		<u>33,533,621</u>	<u>32,318,499</u>

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

LG Electronics
Interim Consolidated Statements of Operations
Three-Month Periods Ended March 31, 2011 and 2010

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Three-Month Periods Ended March 31	
		2011	2010
Continuing operations			
Net sales	16, 27	13,159,948	13,217,322
Cost of sales	17, 27	<u>10,194,847</u>	<u>9,806,803</u>
Gross profit		2,965,101	3,410,519
General operating expenses			
Selling and marketing expenses	17, 18	1,870,128	1,831,988
Administrative expenses	17, 18	302,279	326,550
Research and development expenses	17, 18	405,154	337,190
Service costs	17, 18	318,037	399,140
Other operating income	19	383,281	359,528
Other operating expenses	17, 20	<u>321,938</u>	<u>394,084</u>
Operating income		130,846	481,095
Financial income	21	206,698	272,395
Financial expenses	22	243,582	213,441
(Loss) income from jointly controlled entities and associates	10	<u>(55,492)</u>	<u>218,787</u>
Profit before income tax		38,470	758,836
Income tax expense		<u>54,236</u>	<u>116,757</u>
(Loss) profit from continuing operations		(15,766)	642,079
Discontinued operations	29		
Profit from discontinued operations		<u>-</u>	<u>32,474</u>
(Loss) profit for the period		<u>(15,766)</u>	<u>674,553</u>
Profit for the period attributable to:			
Equity holders of the Parent Company		(30,095)	650,499
(Loss) profit for the period from continuing operations		(30,095)	632,510
Profit for the period from discontinued operations		-	17,989
Non-controlling interest		14,329	24,054
Profit for the period from continuing operations		14,329	9,569
Profit for the period from discontinued operations		-	14,485
(Loss) earnings per share attributable to the equity holders of the Parent Company during the period (in won)	23		
(Loss) earnings per share attributable to the ordinary equity holders of the company		(188)	4,037
(Loss) earnings per share from continuing operations		(188)	3,926
Earnings per share from discontinued operations		-	111
(Loss) earnings per share attributable to the preferred equity holders of the company		(176)	4,050
(Loss) earnings per share from continuing operations		(176)	3,938
Earnings per share from discontinued operations		-	112

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

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Interim Consolidated Statements of Comprehensive Income Three-Month Periods Ended March 31, 2011 and 2010

<i>(in millions of Korean won)</i>	Notes	Three-Month Periods Ended March 31	
		2011	2010
(Loss) profit for the period		<u>(15,766)</u>	<u>674,553</u>
Other comprehensive income (loss)			
Currency translation differences		(63,912)	(134,392)
Available-for-sale financial assets		(543)	(1,165)
Cash flow hedges		283	(62)
Actuarial loss on defined benefit liability		(786)	(1,316)
Share of actuarial gain (loss) of associates		147	(58)
Share of other comprehensive expense from jointly controlled entities and associates	10	<u>(14,309)</u>	<u>(34,395)</u>
Other comprehensive loss for the period, net of tax		<u>(79,120)</u>	<u>(171,388)</u>
Total comprehensive (loss) income for the period		<u>(94,886)</u>	<u>503,165</u>
Comprehensive (loss) income for the period attributable to:			
Equity holders of the Parent Company		(104,626)	488,337
Non-controlling interest		<u>9,740</u>	<u>14,828</u>
Total comprehensive (loss) income for the period		<u>(94,886)</u>	<u>503,165</u>

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

LG Electronics
Interim Consolidated Statements of Changes in Shareholders' Equity
Three-Month Periods Ended March 31, 2011 and 2010
(in millions of Korean won)

		Attributable to equity holders of the Parent Company						
	Notes	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Other Components of Equity	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2010		3,017,088	9,214,309	(156,886)	(270,333)	11,804,178	621,068	12,425,246
Comprehensive income								
Profit for the period		-	650,499	-	-	650,499	24,054	674,553
Actuarial loss on defined benefit liability		-	(1,265)	-	-	(1,265)	(51)	(1,316)
Share of actuarial loss of associates		-	(58)	-	-	(58)	-	(58)
Other comprehensive expense of jointly controlled entities and associates	10	-	-	(34,395)	-	(34,395)	-	(34,395)
Cash flow hedges		-	-	(62)	-	(62)	-	(62)
Available-for-sale financial assets		-	-	(1,165)	-	(1,165)	-	(1,165)
Currency translation differences		-	-	(125,217)	-	(125,217)	(9,175)	(134,392)
Total comprehensive income (loss)		-	649,176	(160,839)	-	488,337	14,828	503,165
Transactions with equity holders of the Parent Company :								
Dividends		-	(282,725)	-	-	(282,725)	(2,964)	(285,689)
Other changes in equity		-	-	-	365	365	2,209	2,574
Changes in scope of subsidiaries		-	-	-	-	-	9,499	9,499
Total transactions with equity holders of the Parent Company		-	(282,725)	-	365	(282,360)	8,744	(273,616)
Balance at March 31, 2010		3,017,088	9,580,760	(317,725)	(269,968)	12,010,155	644,640	12,654,795
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								
Income (loss) for the period		-	(30,095)	-	-	(30,095)	14,329	(15,766)
Actuarial loss on defined benefit liability		-	(786)	-	-	(786)	-	(786)
Share of actuarial gain of associates		-	147	-	-	147	-	147
Share of other comprehensive expense of jointly controlled entities and associates	10	-	-	(14,309)	-	(14,309)	-	(14,309)
Cash flow hedges		-	-	283	-	283	-	283
Available-for-sale financial assets		-	-	(642)	-	(642)	99	(543)
Currency translation differences		-	-	(59,224)	-	(59,224)	(4,688)	(63,912)
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)
Balance at March 31, 2011		3,017,088	10,044,367	(283,736)	(271,277)	12,506,442	225,237	12,731,679

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

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Interim Consolidated Statements of Cash Flows
Three-Month Periods Ended March 31, 2011 and 2010

<i>(in millions of Korean won)</i>	Notes	Three-Month Periods Ended March 31	
		2011	2010
Cash flows from operating activities			
Cash generated from operations	24	321,570	194,704
Interest received		17,077	21,055
Interest paid		(88,229)	(57,813)
Dividends received		42	20
Income tax paid		(99,084)	(131,655)
Net cash generated from operating activities		<u>171,376</u>	<u>26,311</u>
Cash flows from investing activities			
Decrease in financial deposits		52,294	8,181
Decrease in loans and other receivables		81,999	53,897
Proceeds from disposal of other financial assets		9,474	9,015
Proceeds from disposal of property, plant and equipment	9	17,394	46,587
Proceeds from disposal of intangible assets	9	1,668	64
Increase in cash and cash equivalents due to changes in scope of subsidiaries		-	798
Decrease in other assets		1,380	121
Increase in financial deposits		(18,914)	(103,017)
Increase in loans and other receivables		(122,991)	(45,867)
Acquisition of other financial assets		(22,517)	(9,926)
Acquisition of jointly controlled entities and associates	10	(998)	-
Acquisition of property, plant and equipment	9	(404,515)	(527,846)
Acquisition of intangible assets	9	(58,612)	(58,468)
Increase in other assets		(1,357)	(152)
Net cash used in investing activities		<u>(465,695)</u>	<u>(626,413)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,341,444	1,216,639
Repayments of borrowings		(784,973)	(1,007,254)
Dividends paid		-	(1,651)
Net cash provided by financing activities		<u>556,471</u>	<u>207,734</u>
Exchange gains (losses) on cash, cash equivalents		<u>5,596</u>	<u>(54,524)</u>
Net increase (decrease) in cash, cash equivalents		<u>267,748</u>	<u>(446,892)</u>
Cash and cash equivalents at the beginning of period		<u>1,944,162</u>	<u>2,423,787</u>
Cash and cash equivalents at the end of period		<u>2,211,910</u>	<u>1,976,895</u>

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

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Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

1. General Information

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

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

As of March 31, 2011, LG Corp. and its related parties own 34.8% of the Parent Company's total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

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, 2011, the Group operates four business segments and other supporting segments through the Parent Company and subsidiaries all over the world.

Consolidated subsidiaries as of March 31, 2011, are as follows:

Territory	Name
Domestic subsidiaries	Hiplaza Co., Ltd., Hi Business Logistics Co., Ltd., Innovation Investment Fund, Hi M Solutek (formerly System Air-con Engineering Incorporation), KTB Technology Fund, HI Teleservice Co.,Ltd., LG Electronics Alliance Fund
China	LG Electronics (China) Co., Ltd.(LGECH) Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR) LG Electronics HK Ltd.(LGEHK) LG Electronics (Hangzhou) Recording Media Co., Ltd.(LGEHN) LG Electronics Huizhou Ltd.(LGEHZ) LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS) LG Electronics Nanjing Display Co., Ltd.(LGEND) NanJing LG-Panda Appliances Co., Ltd.(LGEPN) Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD) LG Electronics Qinhuangdao Inc.(LGEQH) LG Electronics (China) Research and Development Centre Co., Ltd.(LGERD) Shanghai LG Electronics Co., Ltd.(LGESH) LG Electronics Shenyang Inc.(LGESY) LG Electronics Tianjin Appliances Co., Ltd.(LGETA) Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) Hi Logistics (China) Co., Ltd. LG Electronics (Shanghai) Research and Development Center.(LGECR) Tianjin Lijie cartridge heater Co.,Ltd.
Asia	LG Electronics Philippines Inc.(LGEPH) LG Electronics India Pvt. Ltd.(LGEIL) PT LG Electronics Indonesia (LGEIN) LG Electronics Malaysia SDN. BHD (LGEML) LG Soft India Private Limited.(LGS) LG Electronics Singapore PTE LTD (LGESL) LG Electronics Vietnam Co., Ltd.(LGEVN) LG Electronics Thailand Co.Ltd.(LGETH) LG Electronics Taiwan Taipei Co., Ltd.(LGETT) LG Electronics Australia Pty, Ltd.(LGEAP)

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LG Electronics Japan, Inc.(LGEJP)
LG Electronics Japan,Lab.(LGEJL)

Europe

LG Electronics Austria GmbH (LGEAG)
LG Electronics Benelux Sales B.V.(LGEBN)
LG Electronics CZ, s.r.o.(LGE CZ)
LG Electronics Deutschland GmbH (LGEDG)
LG Electronics European Holdings B.V.(LGE EH)
LG Electronics Espana S.A.(LGEES)
LG Electronics France S.A.R.L (LGEFS)
LG Electronics Hellas S.A.R.L (LGEHS)
LG Electronics Italia S.p.A (LGEIS)
LG Electronics JIT Europe B.V.(LGEJE)
LG Electronics Latvia, LLC (LGELV)
LG Electronics Mlawa Sp. z o.o (LGEMA)
LG Electronics Mobilecomm France (LGEMF)
LG Electronics Magyar KFT (LGEMK)
LG Electronics Norway AS.(LGENO)
LG Electronics Polska Sp. z o.o (LGEPL)
LG Electronics Portugal S.A.(LGEPT)
LG Electronics Romania S.R.L.(LGERO)
LG Electronics European Shared Service Center B.V.(LGESC)
LG Electronics European Logistics & Services B.V.(LGELS)
LG Electronics Nordic AB (LGESW)
LG Electronics United Kingdom Ltd.(LGEUK)
LG Electronics Wroclaw Sp z o.o (LGEWR)
HI Logistics Europe B.V.

North America

LG Electronics Alabama Inc.(LGEAI)
LG Electronics Canada, Inc.(LGE CI)
LG Electronics Miami Inc.(LGE MI)
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)
LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)
LG Electronics Mexicali, S.A. DE C.V.(LGEMX)
LG Electronics Mexico S.A. DE C.V.(LGEMS)
LG Electronics Reynosa S.A. DE C.V.(LGERS)
LG Electronics U.S.A., Inc.(LGEUS)
Zenith Electronics Corporation
Triveni Digital Inc.
Zenith Electronics Corporation of Pennsylvania
Zenith IP LLC
Servicios Integrales LG S.A DE C.V
Servicios LG Monterrey Mexico S.A. de C.V.
LG Receivable Funding LLC

South America

LG Electronics Argentina S.A.(LGEAR)
LG Electronics da Amazonia Ltda.(LGEAZ)
LG Electronics Colombia Ltda.(LGE CB)
LG Electronics Inc, Chile Ltda.(LGE CL)
LG Electronics Peru S.A.(LGE PR)
LG Electronics Panama, S.A.(LGE PS)
LG Electronics de Sao Paulo Ltda.(LGESP)
LG Electronics Venezuela S.A.(LGEVZ)
C & S America Solution Inc.
LG Electronics Guatemala S.A.
SOCIO VIP Ltda
LG Armagem Geral Ltda.
LG Consulting corp.
LG Electronics Honduras S.de R.L.
Goldstar Panama S.A.

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Middle-east Asia and Africa	LG Electronics Egypt S.A.E (LGEEG) LG Electronics Morocco S.A.R.L (LGEMC) LG Electronics S.A. (Pty) Ltd.(LGESA) LG Electronics Africa Logistic FZE (LGEAF) LG Electronics Dubai FZE (LGEDF) LG Electronics Gulf FZE (LGEGF) LG Electronics (Levant) Jordan (LGELF) LG Electronics Middle East Co., Ltd.(LGEME) LG-Shaker Co. Ltd.(LGESR) LG Electronics Ticaret A.S.(LGETK) LG Electronics Overseas Trading FZE (LGEOT) LG Electronics Algeria SARL (LGEAS) LG Electronics Nigeria Limited.(LGENI) LG Electronics North Africa EASYTEC GLOBAL SERVICES INNOVATION LIMITED
Others	LG Electronics Almaty Kazakhstan (LGEAK) LG Electronics Ukraine Inc.(LGEUR) LG Electronics RUS, LLC (LGERA) LG Alina Electronics (LGERI) LG Electronics RUS-Marketing, LLC (LGERM)

2. Significant Accounting Policies

Basis of Preparation

The Group financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The interim consolidated financial statements for the three-month period ended March 31, 2011, have been prepared in accordance 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 or issued and early adopted at March 31, 2011.

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

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, 2010. Certain prior year accounts, presented herein solely for comparative purposes, have been reclassified to conform to current period's financial statement presentation. Such reclassification does not impact the net income or net assets reported in the prior year.

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3. Critical Accounting Estimates and Assumptions

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

Estimated Impairment of Goodwill

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

Income Taxes

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

Fair Value of Financial Instruments

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

Provisions

The Group recognises provisions for product warranties and sales return as of the end of the reporting period as described in Note 12. The amounts are estimated based on historical data.

Defined Benefit Liabilities

The present value of the defined benefit liabilities 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 liabilities. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that

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is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liabilities. 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 liabilities are based in part on current market conditions. Additional information is disclosed in Note 13.

4. Segment Information

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

Divisions	Products
Home Entertainment	LCD TV / PDP TV, PDP Module, LCD Monitor, Audio, Video Security device and others
Mobile Communications	Mobile communications, Tablet PC, Network and others
Home Appliance	Refrigerators, Washing machines, Microwave, Vacuum, Compressors, Motor and others
Air Conditioning & Energy Solution	Air conditioners, Solar cells, LED and others
Others	Storage Device, PC, Telematics

As the Group restructured its business divisions from five to four, the comparative financial information have been reclassified based on the new division classification.

The segment information for sales and operating income for the three-month periods ended March 31, 2011 and 2010, is as follows:

	2011		2010	
	Segment sales	Segment operating income (loss)	Segment sales	Segment operating income
<i>(in millions of Korean won)</i>				
Home Entertainment	5,279,580	82,099	5,548,093	149,655
Mobile Communications	2,909,097	(100,456)	3,171,810	28,561
Home Appliance	2,698,826	102,702	2,380,895	207,420
Air Conditioning & Energy Solution	1,451,883	39,109	1,172,324	42,946
Sub total	12,339,386	123,454	12,273,122	428,582
Other segments ¹ and inter-segment transactions ²	820,562	7,392	944,200	52,513
Total	13,159,948	130,846	13,217,322	481,095

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

² Segment sales are traded at fair value.

The segment information for assets and liabilities is as follows:

<i>(in millions of Korean won)</i>	March 31, 2011		December 31, 2010	
	Segment assets ¹	Segment liabilities ¹	Segment assets ¹	Segment liabilities ¹
Home Entertainment	13,688,101	11,065,140	13,531,228	10,893,636
Mobile Communications	7,370,036	4,652,385	7,619,597	4,794,633
Home Appliance	7,379,898	5,285,815	7,010,524	4,944,189
Air Conditioning & Energy Solution	4,557,122	3,234,815	3,795,705	2,483,079
Sub total	32,995,157	24,238,155	31,957,054	23,115,537
Other segments and inter-segment transactions	538,464	(3,436,213)	361,445	(3,656,675)
Total	33,533,621	20,801,942	32,318,499	19,458,862

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, 2011 and 2010, and non-current assets by geographic areas as of March 31, 2011 and December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	External sales		Non-current assets ¹	
	2011	2010	March 31, 2011	December 31, 2010
Korea	2,166,807	2,009,528	5,552,316	5,475,146
North America	2,621,060	2,551,834	129,410	132,619
Europe	1,949,623	2,622,650	281,611	260,976
Central & South America	1,622,040	1,630,592	415,841	373,737
Asia & Africa	2,960,863	2,559,595	391,472	385,532
China	1,172,567	1,276,521	515,023	528,099
Commonwealth of Independent States	666,988	566,602	132,074	115,052
Total	13,159,948	13,217,322	7,417,747	7,271,161

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, 2011 and 2010.

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5. Financial Instruments by Category

Categorisations of financial instruments as of March 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	Assets at fair value through		Assets classified		Total
	profit or loss	Loans and receivables	as available-for-sale	Held-to-maturity financial assets	
Cash and cash equivalents	-	2,211,910	-	-	2,211,910
Financial deposits	-	155,380	-	-	155,380
Trade receivables	-	7,375,636	-	-	7,375,636
Loans and other receivables	-	1,139,621	-	-	1,139,621
Other financial assets	1,859	-	60,536	55,360	117,755
Total	1,859	10,882,547	60,536	55,360	11,000,302

<i>(in millions of Korean won)</i>	Liabilities at fair value through		Liabilities carried		Total
	profit or loss		at amortised cost		
Trade payables	-		6,366,613		6,366,613
Borrowings	-		7,721,248		7,721,248
Other payables	-		1,608,787		1,608,787
Other financial liabilities	41,875		-		41,875
Other liabilities	-		33,579		33,579
Total	41,875		15,730,227		15,772,102

Categorisations of financial instruments as of December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	Assets at fair value through		Assets classified		Total
	profit or loss	Loans and receivables	as available-for-sale	Held-to-maturity financial assets	
Cash and cash equivalents	-	1,944,162	-	-	1,944,162
Financial deposits	-	190,479	-	-	190,479
Trade receivables	-	7,001,962	-	-	7,001,962
Loans and other receivables	-	1,068,608	-	-	1,068,608
Other financial assets	1,814	-	47,471	58,130	107,415
Total	1,814	10,205,211	47,471	58,130	10,312,626

<i>(in millions of Korean won)</i>	Liabilities at fair value through the		Liabilities carried		Total
	profit and loss		at amortised cost		
Trade payables	-		5,824,392		5,824,392
Borrowings	-		7,192,935		7,192,935
Other payables	-		1,813,910		1,813,910
Other financial liabilities	42,543		-		42,543
Total	42,543		14,831,237		14,873,780

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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>	March 31, 2011	December 31, 2010
Trade receivables	7,493,483	7,122,430
Less: allowance for doubtful accounts	(117,847)	(120,468)
Net book amount	7,375,636	7,001,962

The ageing of the trade receivables

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Current	6,769,971	6,490,965
Up to 3 months	409,392	404,272
4 to 6 months	31,893	40,092
7 to 12 months	39,109	11,368
Over one year	64,866	58,173
Defaulted	178,252	117,560
Total	7,493,483	7,122,430

7. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Other financial assets		
Derivatives	1,859	1,814
Available-for-sale	60,536	47,471
Held-to-maturity	55,360	58,130
Less: current	(1,859)	(1,814)
Total	115,896	105,601
Other financial liabilities		
Derivatives	41,908	42,806
Less: current	(3,523)	(5,314)
Total	38,385	37,492

8. Inventories

Inventories consist of:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Merchandise and finished products	3,639,039	3,480,831
Work-in-process	296,952	237,413
Raw materials and supplies	2,188,825	1,917,378
Others	250,740	236,798
Total	6,375,556	5,872,420

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9. Property, Plant and Equipment and Intangible assets

Changes in property, plant and equipment are as follows:

<i>(in millions of Korean won)</i>	2011	2010
At January 1	6,500,484	7,708,933
Acquisitions	404,515	527,846
Transfer-(out) in	(1,074)	540
Disposals / reclassification to assets held for sale	(16,206)	(174,849)
Depreciation	(223,381)	(293,292)
Impairment / reversal	(2,669)	(133)
Changes in scope of subsidiaries	-	18,412
Exchange differences	(16,235)	(51,841)
At March 31	6,645,434	7,735,616

Changes in intangible assets are as follows:

<i>(in millions of Korean won)</i>	2011	2010
At January 1	763,382	803,828
Acquisitions	58,612	58,468
Transfer-in	25,358	18,006
Disposals / reclassification to assets held for sale	(6,032)	(2,495)
Amortisation	(74,645)	(56,744)
Impairment / reversal	-	(264)
Changes in scope of subsidiaries	-	333
Exchange differences	(300)	(940)
At March 31	766,375	820,192

10. Investments in jointly controlled entities and associates

<i>(in millions of Korean won)</i>	2011	2010
At January 1	6,008,145	4,404,163
Acquisitions ¹	998	-
Income and loss of jointly controlled entities and associates ²	(54,962)	218,787
Other comprehensive expense of jointly controlled entities and associates	(14,309)	(34,395)
Dividend / recovery of investment	(71,191)	(68,620)
Other	(384)	(8,116)
At March 31	5,868,297	4,511,819

¹ The Group additionally acquired the equity of MTH, Co., Ltd. during the three-month period ended March 31, 2011.

² Loss on disposal amounting to ₩530 million is included in the "Income and loss of jointly controlled entities and associates" in the statements of operations.

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11. Borrowings

The carrying amounts of borrowings are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Current		
Short-term borrowings	3,060,052	3,327,277
Current maturities of long-term borrowings	561,915	302,256
Current maturities of debentures	569,583	379,696
Sub-total	4,191,550	4,009,229
Non-current		
Long-term borrowings	1,840,781	1,478,910
Debentures	1,688,917	1,704,796
Sub-total	3,529,698	3,183,706
Total	7,721,248	7,192,935

Short-term borrowings consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at	Carrying amount	
		March 31, 2011	March 31, 2011	December 31, 2010
General loans				
HSBC and others	2012-2-17	1.2~15.8	1,492,057	1,191,907
Borrowings on negotiated trade bills				
Citibank and others	-	0.99~2.34	1,567,995	2,135,370
Total			3,060,052	3,327,277

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Long-term borrowings consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at March 31, 2011	March 31, 2011		
			Total	Less: current	Non-current
Local currency loans					
Kookmin Bank	2013-5-14	4.67	190,000	-	190,000
Kookmin Bank	2014-11-12	4.62	150,000	-	150,000
Nonghyup	2014-3-10	4.70	190,000	-	190,000
Shinhan Bank	2016-10-19	6M+1.28	190,000	-	190,000
Woori Bank	2014-2-18	5.67	10,000	-	10,000
The Korea Development Bank	2011-10-6	3M CD + 0.88	190,000	190,000	-
The Korea Development Bank	2012-3-30	5.81	190,000	190,000	-
The Korea Development Bank	2014-2-28	4.56	90,000	-	90,000
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	2015-3-2	4.80	100,000	-	100,000
Korea Finance Corporation	2013-3-11	4.59	100,000	-	100,000
Korea Finance Corporation	2015-3-10	5.06	90,000	-	90,000
Korea Finance Corporation	2015-9-14	4.57	80,000	-	80,000
Korea Finance Corporation	2015-12-24	4.64	40,000	-	40,000
Foreign currency loans					
The Korea Development Bank	2012-6-26	3ML+0.4	221,440	-	221,440
SMBC Bank and others	-	1.28~13.65	281,256	181,915	99,341
Total			2,402,696	561,915	1,840,781

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at Dec 31, 2010	December 31, 2010		
			Total	Less: current	Non-current
Local currency loans					
Kookmin Bank	2013-5-14	4.67	190,000	-	190,000
Kookmin Bank	2014-11-12	4.62	150,000	-	150,000
Shinhan Bank	2016-10-19	6M+1.28	190,000	-	190,000
The Korea Development Bank	2011-10-6	3M CD + 0.88	190,000	190,000	-
The Korea Development Bank	2011-10-17	5.94	20,000	20,000	-
The Korea Development Bank	2012-3-30	5.81	190,000	-	190,000
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
Korea Finance Corporation	2015-9-14	4.57	80,000	-	80,000
Korea Finance Corporation	2015-12-24	4.64	40,000	-	40,000
Foreign currency loans					
The Korea Development Bank	2012-6-26	3ML+0.4	227,780	-	227,780
SMBC Bank and others	2017-7-8	1.28~13.65	213,386	92,256	121,130
Total			1,781,166	302,256	1,478,910

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Debentures consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at Mar 31, 2011	March 31, 2011		
			Total	Less: current	Non-current
Fixed rate notes in local currency					
Public, non-guaranteed bonds (49 th)	2012-4-11	5.27	190,000	-	190,000
Public, non-guaranteed bonds (51 st)	2012-2-17	5.99	190,000	190,000	-
Public, non-guaranteed bonds (52 nd)	2011-5-28	4.30	190,000	190,000	-
Public, non-guaranteed bonds (53 rd)	2011-8-6	4.70	190,000	190,000	-
Public, non-guaranteed bonds (54 th)	2013-4-22	4.20	190,000	-	190,000
Public, non-guaranteed bonds (55 th)	2013-6-16	4.60	190,000	-	190,000
Public, non-guaranteed bonds (56 th)	2015-9-9	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 th)	2014-2-16	4.44	130,000	-	130,000
Public, non-guaranteed bonds (58-2 nd)	2016-2-16	4.91	60,000	-	60,000
Floating rate notes in foreign currency					
Citibank, N.A	2012-5-15	3ML+0.65	553,600	-	553,600
Less: discount on debentures			(5,100)	(417)	(4,683)
Total			2,258,500	569,583	1,688,917

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at Dec 31, 2010	December 31, 2010		
			Total	Less: current	Non-current
Fixed rate notes in local currency					
Public, non-guaranteed bonds (49 th)	2012-4-11	5.27	190,000	-	190,000
Public, non-guaranteed bonds (51 st)	2012-2-17	5.99	190,000	-	190,000
Public, non-guaranteed bonds (52 nd)	2011-5-28	4.30	190,000	190,000	-
Public, non-guaranteed bonds (53 rd)	2011-8-6	4.70	190,000	190,000	-
Public, non-guaranteed bonds (54 th)	2013-4-22	4.20	190,000	-	190,000
Public, non-guaranteed bonds (55 th)	2013-6-16	4.60	190,000	-	190,000
Public, non-guaranteed bonds (56 th)	2015-9-9	4.63	190,000	-	190,000
Public, non-guaranteed bonds (57 th)	2015-10-22	4.30	190,000	-	190,000
Floating rate notes in foreign currency					
Citibank, N.A	2012-5-15	3ML+0.65	569,450	-	569,450
Less: discount on debentures			(4,958)	(304)	(4,654)
Total			2,084,492	379,696	1,704,796

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

<i>(in millions of Korean won)</i>	March 31, 2011		December 31, 2010	
	Carrying amount	Fair value ¹	Carrying amount	Fair value ¹
Long-term borrowings	1,840,781	1,895,722	1,478,910	1,510,156
Debentures	1,688,917	1,720,356	1,704,796	1,731,695
Total	3,529,698	3,616,078	3,183,706	3,241,851

¹ The fair values are based on the cash flows discounted using the borrowing rate of 5.13% (2010: 5.00%).

Payment schedule¹ of borrowings is as follows:

<i>(in millions of Korean won)</i>	March 31, 2011				
	Total	Less than 1 year	2 years	5 years	Over 5 years
Short-term borrowings	3,060,052	3,060,052	-	-	-
Current maturities of long-term borrowings and debentures	1,131,915	1,131,915	-	-	-
Long-term borrowings	1,840,781	-	413,180	1,230,058	197,543
Debentures	1,693,600	-	743,600	950,000	-
Total	7,726,348	4,191,967	1,156,780	2,180,058	197,543

¹ The above cash flows are undiscounted.

12. Provisions

Changes in the provisions for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011				
	Warranty	Sales returns	Restoration	Litigation	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

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<i>(in millions of Korean won)</i>	2010				
	Warranty	Sales returns	Restoration	Litigation	Total
At January 1, 2010	735,474	79,385	4,665	491,316	1,310,840
Addition	273,065	75,540	205	50,932	399,742
Utilisation	(259,856)	(79,385)	(83)	(47,313)	(386,637)
Exchange differences	(26,041)	(3,473)	(16)	(4,795)	(34,325)
At March 31, 2010	722,642	72,067	4,771	490,140	1,289,620
Current	653,733	72,067	-	-	725,800
Non-current	68,909	-	4,771	490,140	563,820

13. Defined Benefit Liabilities

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

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Present value of funded obligations	884,995	848,689
Present value of unfunded obligations	21,857	20,154
Sub-total	906,852	868,843
Fair value of plan assets	(547,241)	(550,731)
Liabilities	359,611	318,112

The amounts recognised in the income statements for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Current service cost	50,551	42,830
Interest cost	11,282	11,032
Expected return on plan assets	(6,222)	(7,418)
Past service cost	8	(104)
Total expense	55,619	46,340

The line items in which expenses are included for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Cost of sales	27,653	22,902
Selling and marketing expenses	11,511	7,993
Administrative expenses	3,544	2,567
Research and development expenses	11,889	12,095
Service costs	1,022	783
Total expense	55,619	46,340

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Cumulative actuarial losses recognised in the statement of other comprehensive income as of March 31, 2011, are ₩55,754 million (2010: ₩54,968 million).

Changes in the defined benefit obligations for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
At January 1	868,843	755,507
Current service cost	50,551	42,830
Transfer-in(out)	(1,024)	(2,658)
Interest expense	11,282	11,032
Benefits paid	(22,673)	(14,558)
Actuarial loss	27	411
Others	(154)	(2,071)
At March 31	906,852	790,493

Changes in the fair value of plan assets for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
At January 1	550,731	456,101
Expected return on plan assets	6,222	7,418
Employer contributions	1,062	2,135
Benefits paid	(9,721)	(5,203)
Actuarial loss	(950)	(332)
Others	(103)	656
At March 31	547,241	460,775

The actual return on plan assets for the three-month period ended March 31, 2011, is ₩5,272 million (2010: ₩7,086 million).

The principal actuarial assumptions used are as follows:

(%)	March 31, 2011	December 31, 2010
Discount rate	5.5	5.5
Expected rate of return	4.3	4.3
Future salary increase	6.0	6.0

Plan assets consist of:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Securities combined with derivatives (guaranteed)	338,282	341,706
Time deposits and others	208,959	209,025
Total	547,241	550,731

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14. Retained Earnings

Details of retained earnings consist of:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Legal reserve ¹	142,128	138,821
Discretionary reserve ²	6,756,716	5,643,697
Unappropriated retained earnings	3,145,523	4,325,655
Total	10,044,367	10,108,173

¹ The Commercial Code of the Republic of Korea requires the Parent 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 Parent Company's Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the Parent Company's majority shareholders.

² The Parent Company separately accumulates discretionary reserve to the amount of reserves for research and human resource development at the appropriation of retained earnings, which has been included in deductible expense for the corporate income tax return according to the Special Tax Treatment Law. The reserves 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>	March 31, 2011	December 31, 2010
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	(238,458)	(238,458)
At December 31	(271,277)	(271,277)

¹ The Parent Company has treasury shares consisting of 763,162 (2010: 763,161 shares) of ordinary shares and 4,687 shares (2010: 4,687 shares) of preferred shares at the end of the reporting period. 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 the disposal of interest within Group and the differentials from changes in its ownership interest, which are net of the related deferred income tax effect.

16. Net Sales

<i>(in millions of Korean won)</i>	2011	2010
Net sales		
Sales of goods	12,978,737	13,015,226
Sales of services	97,632	100,704
Royalty income	83,579	101,392
Total	13,159,948	13,217,322

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17. Expenses by Nature

Expenses that are recorded by nature as cost of sales, general operating expenses and other operating expenses in the income statements for the three-month periods ended March 31, 2011 and 2010, consist of:

<i>(in millions of Korean won)</i>	2011	2010
Changes in inventories	(550,181)	(1,301,336)
Purchase of raw materials and merchandise	9,892,332	10,325,569
Employee benefit expenses	1,138,492	957,042
Depreciation, amortization and impairment loss	300,695	276,059
Advertising expenses	444,869	498,851
Sales promotional expenses	178,167	162,313
Transportation expenses	469,458	465,951
Commission expenses	533,795	511,531
Other expenses	1,004,756	1,199,775
Total ¹	13,412,383	13,095,755

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

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

Details of general operating expenses for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Wages and salaries	603,410	516,002
Severance benefits	28,950	22,945
Welfare expense	121,154	102,933
Freight expense	462,806	457,526
Rental expense	102,700	89,617
Commission expense	402,009	409,750
Depreciation	45,280	46,315
Amortization	61,405	43,401
Taxes and dues	29,557	20,219
Advertising expense	444,869	498,851
Promotional expense	178,167	162,313
Direct R&D costs	64,880	66,840
Direct service costs	188,605	285,778
Other	161,806	172,378
Total	2,895,598	2,894,868

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19. Other Operating Income

Other operating income for the three-month periods ended March 31, 2011 and 2010, consists of:

<i>(in millions of Korean won)</i>	2011	2010
Rental income	6,257	6,075
Foreign exchange gain	329,685	318,777
Gain on settlement of derivatives	1,714	1,039
Gain on disposal of property, plant and equipment	1,815	4,226
Others	43,810	29,411
Total	383,281	359,528

20. Other Operating Expenses

Other operating expenses for the three-month periods ended March 31, 2011 and 2010, consist of:

<i>(in millions of Korean won)</i>	2011	2010
Foreign exchange loss	300,373	380,519
Loss on settlement of derivatives	2,632	921
Loss on disposal of property, plant and equipment	627	3,382
Loss on disposal of intangible assets	4,365	177
Others	13,941	9,085
Total	321,938	394,084

21. Financial Income

Financial income for the three-month periods ended March 31, 2011 and 2010, consists of:

<i>(in millions of Korean won)</i>	2011	2010
Interest income	20,753	20,393
Dividend income	437	234
Foreign exchange gain	177,854	220,281
Gain on settlement of derivatives	7,327	31,487
Others	327	-
Total	206,698	272,395

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22. Financial Expenses

Financial expenses for the three-month periods ended March 31, 2011 and 2010, consist of:

<i>(in millions of Korean won)</i>	2011	2010
Interest expense	69,232	52,534
Foreign exchange loss	156,570	140,185
Loss on settlement of derivatives	4,838	10,047
Loss on disposal of trade receivables	8,680	6,849
Others	4,262	3,826
Total	243,582	213,441

23. Earnings per Share

Basic earnings per share for the three-month periods ended March 31, 2011 and 2010, 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. As of the reporting date, the Parent Company has no potential ordinary shares.

<i>(in millions of Korean won)</i>	2011	2010
(Loss)profit attributable to ordinary shares ¹	(27,077)	580,917
(Loss)profit from continuing operations attributable to ordinary shares	(27,077)	564,852
Profit from discontinued operations attributable to ordinary shares	-	16,065
Weighted average number of ordinary shares outstanding (unit: shares) ²	143,884,652	143,884,657
Basic (loss)earnings per ordinary share (in won)	(188)	4,037
(Loss)earnings per ordinary share from continuing operations	(188)	3,926
Earnings per ordinary share from discontinued operations	-	111

<i>(in millions of Korean won)</i>	2011	2010
(Loss)profit attributable to preferred shares ¹	(3,018)	69,582
(Loss)profit from continuing operations attributable to preferred shares	(3,018)	67,658
Profit from discontinued operations attributable to preferred shares	-	1,924
Weighted average number of preferred shares outstanding (unit: shares) ²	17,181,305	17,181,307
Basic (loss)earnings per preferred share (in won)	(176)	4,050
(Loss)earnings per preferred share from continuing operations	(176)	3,938
Earnings per preferred share from discontinued operations	-	112

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

<i>(in millions of Korean won)</i>	2011	2010
(Loss)profit from continuing operations	(30,095)	632,510
Ordinary shares dividends	7,194	61,209
Preferred shares dividends	1,074	7,518
Undistributed (loss)earnings from continuing operations	(38,363)	563,783
Undistributed (loss)earnings from continuing operations available for ordinary shares	(34,271)	503,643
Undistributed (loss)earnings from continuing operations available for preferred shares	(4,092)	60,140
(Loss)profit from continuing operations attributable to ordinary shares	(27,077)	564,852
(Loss)profit from continuing operations attributable to preferred shares	(3,018)	67,658
Profit(loss) from discontinued operations	-	17,989
Ordinary shares dividends	-	1,741
Preferred shares dividends	-	214
Undistributed earnings from discontinued operations	-	16,034
Undistributed earnings from discontinued operations available for ordinary shares	-	14,324
Undistributed earnings from discontinued operations available for preferred shares	-	1,710
Profit from discontinued operations attributable to ordinary shares	-	16,065
Profit from discontinued operations attributable to preferred shares	-	1,924
(Loss)profit attributable to ordinary shares	(27,077)	580,917
(Loss)profit attributable to preferred shares	(3,018)	69,582

² Weighted average numbers of shares are calculated as follows:

	2011	2010
Ordinary shares outstanding	144,647,814	144,647,814
Ordinary treasury shares	(763,162)	(763,157)
Weighted average number of ordinary shares outstanding	143,884,652	143,884,657
Preferred shares outstanding	17,185,992	17,185,992
Preferred treasury shares	(4,687)	(4,685)
Weighted average number of preferred shares outstanding	17,181,305	17,181,307

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24. Cash Generated from Operations

A reconciliation between operating profit and net cash inflow from operating activities is as follows:

<i>(in millions of Korean won)</i>	2011	2010
(Loss) profit for the period	(15,766)	674,553
Adjustments :		
Interest expense, net	48,479	42,357
Gain on foreign currency translation, net	(39,770)	(87,163)
Gain on derivatives, net	(1,571)	(7,876)
Depreciation	223,381	293,292
Amortisation	74,645	56,744
Loss (gain) on disposal of property, plant and equipment, intangible assets, net	3,177	(530)
Provisions, net	339,035	399,742
Income tax expense	54,236	111,847
Expense (income) from jointly controlled entities and associates	54,962	(218,787)
Provisions for severance benefits	55,619	46,340
Others	12,280	21,489
	<u>824,473</u>	<u>657,455</u>
Changes in operating assets and liabilities		
Increase in trade receivables	(527,531)	(711,625)
Decrease in loans and other receivables	10,022	26,967
Increase in inventories	(550,181)	(1,301,336)
Decrease (increase) in other assets	21,954	(185,381)
Increase in trade payables	709,719	1,582,259
Increase (decrease) in other payables	182,690	(114,900)
Decrease in provisions	(362,176)	(386,637)
Increase (decrease) in other liabilities	43,404	(32,503)
Payment of defined benefit liabilities	(12,952)	(9,355)
Transfer out of defined benefit liabilities for related parties, net	(1,024)	(2,658)
Increase of plan assets, net	(1,062)	(2,135)
	<u>(487,137)</u>	<u>(1,137,304)</u>
Cash Generated from Operations	<u>321,570</u>	<u>194,704</u>

Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Reclassification of construction-in-progress of property, plant and equipment	166,200	194,065
Reclassification of current maturities of borrowings	477,378	128,734

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25. Contingencies

At the end of the reporting period, borrowings are secured by property, plant and equipment, including land, buildings and machinery and intangible assets including land use rights, with the book value of ₩185,484 million (2010: ₩190,071 million).

At the end of the reporting period, the Parent Company and a certain domestic subsidiary are provided with a performance guarantee of ₩79,504 million (2010: ₩85,709 million) from Seoul Guarantee Insurance relating to the sales contracts.

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:

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 CRT (Cathode Ray Tube) 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 are currently under investigation with respect to the same activities by the Korean Fair Trade Commission and other authorities concerned.

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 outcome of the cases and effect on the financial statements could not be ascertained at the end of the reporting period.

In addition, the Parent Company and certain foreign subsidiaries have been named as defendants in a number of class actions brought by purchasers of ODD (Optical Disk Drive) 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.

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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 ₩250,500 million (2010: ₩250,500 million). Its overseas subsidiaries, including LG Electronics European Shared Service Center B.V. and LG Electronics (China) Co. Ltd., have overdraft facility agreements with a limit of ₩1,272,087 million (2010: ₩926,808 million) with various banks including Citibank and HSBC.

The Group's domestic subsidiaries, including Hi Plaza Inc., have overdraft facility agreements with various banks including Woori Bank with a limit of ₩10,000 million (2010: ₩8,000 million).

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with Shinhan Bank and other 32 various banks amounting to ₩6,383,008 million (2010: ₩6,372,146 million) and for domestic trade receivables with Shinhan Bank and other two banks amounting to ₩378,174 million (2010: ₩375,680 million). The Parent Company has corporate electronic settlement services contracts for collection of trade receivables with two banks, including Hana Bank, of up to ₩110,000 million (2010: ₩130,000 million).

At the end of the reporting period, Hi Business Logistics Co., Ltd., a domestic subsidiary of the Parent Company, has borrowing agreements on negotiated trade receivables with various banks, including Shinhan Bank, of up to ₩23,500 million.

The subsidiaries, LG Electronics UK., Ltd., LG Electronics Deutschland GmbH, LG Electronics Espana S.A., LG Electronics France S.A.R.L., LG Electronics Benelux Sales B.V., LG Electronics Italia S.P.A and LG Electronics Portugal S.A., transfer their accounts receivable to Societe Generale Bank on a revolving basis, for up to US\$841 million (2010: US\$932 million).

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\$350 million (2010: US\$350 million).

(c) At the end of the reporting period, the Parent Company has corporate electronic settlement services contracts with Shinhan Bank and eight other banks of up to ₩965,450 million (2010: ₩965,450 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

In addition, the Group's domestic subsidiaries including Hi Plaza Inc. provided payment guarantees to financial institutions including Woori Bank amounting to ₩30,000 million (2010: ₩30,000 million) in connection with discount of notes which are paid to their suppliers.

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(d) At the end of the reporting period, the Group has other trade financing agreements and loan commitments in addition to the above mentioned.

(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>	March 31, 2011	December 31, 2010
Property, plant and equipment	57,599	66,285
Intangible assets	6,116	1,424
Total	63,715	67,709

In addition, the Group has decided to acquire LS Mtron Co., Ltd.'s air-conditioning business unit to expand air-conditioning and energy solution business by strengthening its capabilities to develop and produce large-sized products.

(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, 2011			Total lease payments
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	
Buildings and offices	91,485	170,141	56,421	318,047
Vehicles	23,636	19,946	-	43,582
Equipment	36,027	66,886	2,668	105,581
Total	151,148	256,973	59,089	467,210

(g) *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 others	The Group
Provision of license	Home appliance and Home entertainment	The Group	Panasonic Corporation and others

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27. Related Party Transactions

Significant transactions for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Sales	Purchases	Sales	Purchases
LG Corp.	26	26,714	98	28,199
Jointly controlled entities and associates	191,416	1,588,469	321,823	1,753,737
Other related parties	35,677	301,999	34,519	351,200
Total	227,119	1,917,182	356,440	2,133,136

The balances of significant transactions are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011		December 31, 2010	
	Receivables	Payables	Receivables	Payables
LG Corp.	18,970	10,068	4,245	692
Jointly controlled entities and associates	192,840	875,623	228,021	889,871
Other related parties	106,952	288,144	92,850	204,171
Total	318,762	1,173,835	325,116	1,094,734

At the end of the reporting period, jointly controlled entities and associates of the Group include LG Display Co., Ltd., LG Innotek Co., Ltd., LG-Ericsson Co., Ltd. and others, and other related parties include Serveone Co., Ltd., LG CNS Co., Ltd. and others.

At the end of the reporting period, there is no performance guarantee provided for related parties other than the Group.

At the end of the reporting period, no allowance for doubtful receivables for related parties is recognised.

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 Group mainly implements FRM. This involves setting-up risk management policies and recognizing, evaluating and hedging risks from a global point of view.

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In addition, the Group operates five overseas regional treasury centers ("RTC") located in New Jersey in USA, Amsterdam in the Netherlands, Beijing in China, Singapore, and Sao Paulo in Brazil 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 maximise the Group's value by minimising the uncertainty and volatility of foreign exchange gains and losses from foreign exchange rate fluctuations.

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

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

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

At the end of the reporting period, if the following value of foreign currency fluctuated by 10% while other variables were fixed, the effects on income before tax would be as follows:

<i>(in millions of Korean won)</i>	March 31, 2011		December 31, 2010	
	10% increase	10% decrease	10% increase	10% decrease
USD	(345,446)	345,446	(415,020)	415,020
EUR	13,763	(13,763)	29,550	(29,550)

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At the end of the reporting period, the above sensitivity analysis is done with foreign currency denominated assets and liabilities which are not 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 maximising corporate value by minimising uncertainty caused by fluctuations in interest rates and minimising net interest expense.

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

At the end of the reporting period, the Group is in a net borrowing situation and is partially exposed to a risk of increase in interest rates. However, the Group minimises risks from changes in interest rate fluctuations by matching variable interest bearing short-term borrowings with variable interest bearing financial deposits adequately.

At the end of the reporting period, 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:

<i>(in millions of Korean won)</i>	March 31, 2011		December 31, 2010	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest expense	34,778	(34,778)	35,855	(35,855)
Interest income	21,868	(21,868)	19,664	(19,664)
Gain (loss) on valuation of derivatives (IRS ¹)	7,265	(7,313)	7,114	(7,114)

¹ Interest rate swaps mainly create fair market value risk from changes in interest rates.

(b) Credit risk

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

The purpose of the Global Credit / TR policy is to support timely decision-making and minimise loss by securing payment of TR. The policy is composed of five categories: Credit

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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, 2011, trade receivable balance of the Group is ₩7,375,636 million (December 31, 2010: ₩7,001,962 million) and its risk is managed appropriately with insurer's credit limit of ₩28,955,106 million (December 31, 2010: ₩28,733,704 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 allocates experts in five RTCs to manage liquidity risk in overseas subsidiaries efficiently.

In addition, the Group copes with potential financial distress by maintaining adequate amount of cash and committed credit facilities. The balance of cash and cash equivalents, and current-financial deposits at March 31, 2011, is ₩2,251,910 million (December 31, 2010: ₩2,029,162 million). The Group maintains total committed credit lines of ₩600,000 million (December 31, 2010: ₩600,000 million) in various banks including Woori Bank, Kookmin Bank, and Shinhan Bank in Korea at March 31, 2011.

As of March 31, 2011, the cash and cash equivalents balance of the Group is about 54% (December 31, 2010: 51%) of current borrowings with due date in 12 months. If committed credit lines are included, the balance covers about 68% (December 31, 2010: 66%) of short-term borrowings.

In addition, the Group is able to source funds any time in domestic and international financial markets because it has good investment credit grades from Standard & Poors and Moody's of BBB Negative and Baa2 Stable (December 31, 2010: BBB Negative and Baa2 Stable), respectively.

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

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Capital Risk Management

The Group's capital risk management purpose is maximising 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:

*(in millions of Korean won,
except for ratios)*

	March 31, 2011	December 31, 2010
Liability (A)	20,801,942	19,458,862
Equity (B)	12,731,679	12,859,637
Cash and cash equivalents and current financial deposits (C)	2,251,910	2,029,162
Borrowings (D)	7,721,248	7,192,935
Liability-to-equity ratio (A/B)	163%	151%
Net Borrowings ratio (D-C)/B	43%	40%

Methods and Assumptions in Determining Fair Value

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

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

<i>(In millions of Korean won)</i>	March 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Derivatives for trading	-	1,859	-	1,859
Available-for-sale financial assets				
- Listed securities	13,382	-	-	13,382
Total	13,382	1,859	-	15,241
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	41,875	-	41,875
Derivatives for hedge	-	33	-	33
Share-based payments	-	10,030	-	10,030
Total	-	51,938	-	51,938

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<i>(In millions of Korean won)</i>	December 31, 2010			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at fair value through profit or loss				
- Derivatives for trading	-	1,814	-	1,814
Available-for-sale financial assets				
- Listed securities	13,508	-	-	13,508
Total	13,508	1,814	-	15,322
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	42,543	-	42,543
Derivatives for hedge	-	263	-	263
Share-based payments	-	8,946	-	8,946
Total	-	51,752	-	51,752

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

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

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

29. Discontinued Operations

On April 22, 2010, due to a decrease in its ownership interest caused by the exercise of conversion right and warrants, the Group lost control over LG Innotek Co., Ltd. Therefore, LG Innotek Co., Ltd. ceases to be a subsidiary but as the significant influence by the Group is retained, the remaining interest is accounted for in accordance with Korean IFRS 1028, "Investment in associates". The financial performance of LG Innotek Co., Ltd. prior to its classification as an associate is presented as discontinued operations in these financial

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statements. Comparative financial performance was re-presented for consistency as required by Korean IFRS 1105, "Non-current Assets Held for Sale and Discontinued Operations". In addition to financial performance, the gain recognised on the measurement to fair value and the related income tax expenses are recognised under discontinued operations.

The financial performance and cash flow information presented are for the period ended March 31, 2010.

<i>(in millions of Korean won)</i>	2010
Sales	482,457
Operating income	48,275
Profit before income tax	27,564
Income tax benefit	(4,910)
Profit after income tax of discontinued operations	32,474
Equity holders of the Parent Company	17,989
Non-controlling Interest	14,485
<i>(in millions of Korean won)</i>	2010
Net cash outflow from operating activities	(30,636)
Net cash outflow from investing activities	(195,120)
Net cash inflow from financing activities	163,086
Exchange losses	(1,271)
Net cash flow from discontinued operations	(63,941)