

LG Electronics Inc.
Interim Separate Financial Statements
March 31, 2012 and 2011

LG Electronics Inc.

Index

March 31, 2012 and 2011

	Page(s)
Review Report on Interim Financial Information	1 - 2
Interim Separate Financial Statements	
Interim Separate Statements of Financial Position	3
Interim Separate Statements of Income	4
Interim Separate Statements of Comprehensive Income	5
Interim Separate Statements of Changes in Equity	6
Interim Separate Statements of Cash Flows	7
Notes to the Interim Separate Financial Statements	8 - 37



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 separate financial statements of LG Electronics Inc. (the "Company"). These financial statements consist of the statement of financial position of the Company as of March 31, 2012, and the related separate statements of income, 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 separate 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 separate 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 separate financial statements based on our reviews.

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.

*Samil PricewaterhouseCoopers, LS Yongsan Tower, 191, Hangangno 2-ga, Yongsan-gu,
Seoul 140-702, Korea (Yongsan P.O Box 266, 140-600), www.samil.com*


Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe the accompanying interim separate financial statements are not presented fairly, in all material respects, in accordance with the Korean IFRS 1034, *Interim Financial Reporting*.

Other matters

We have audited the accompanying separate statement of financial position of the Company as of December 31, 2011, and the related separate 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 separate financial statements in our audit report dated March 7, 2012. These separate financial statements are not included in this review report. The separate 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 review 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 interim separate 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 Inc.
Interim Separate Statements of Financial Position
March 31, 2012 and December 31, 2011

<i>(in millions of Korean won)</i>	Notes	March 31, 2012	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents	4, 28	1,408,855	1,364,211
Financial deposits	4, 28	150,000	150,000
Trade receivables	4, 5	5,134,784	5,077,362
Loans and other receivables	4	369,542	269,017
Inventories	7	1,017,584	885,730
Current income tax assets		4,205	3,276
Other current assets		369,348	400,508
Assets classified as held for sale		3,397	3,670
		<u>8,457,715</u>	<u>8,153,774</u>
Non-current assets			
Financial deposits	4	21,073	40,962
Loans and other receivables	4	409,803	414,462
Other financial assets	4, 6	108,728	112,056
Property, plant and equipment	8	5,185,637	5,190,881
Intangible assets	8	906,271	915,977
Deferred income tax assets		614,271	658,424
Investments in subsidiaries, jointly controlled entities and associates	9	7,891,981	7,964,549
Investment property		5,323	5,360
Other non-current assets		734,491	742,785
		<u>15,877,578</u>	<u>16,045,456</u>
Total assets		<u>24,335,293</u>	<u>24,199,230</u>
Liabilities			
Current liabilities			
Trade payables	4	3,936,324	3,853,528
Borrowings	4, 10, 28	1,320,933	1,701,658
Other payables	4	2,519,875	2,697,795
Other financial liabilities	4, 6	14,504	12,699
Provisions	11	192,721	169,196
Other current liabilities	4	421,979	436,315
		<u>8,406,336</u>	<u>8,871,191</u>
Non-current liabilities			
Borrowings	4, 10, 28	4,400,642	4,124,188
Defined benefit liability	12	426,602	363,617
Provisions	11	339,281	345,373
		<u>5,166,525</u>	<u>4,833,178</u>
Total liabilities		<u>13,572,861</u>	<u>13,704,369</u>
Equity			
Paid-in capital			
Capital stock		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	13	6,800,482	6,534,129
Accumulated other comprehensive income		2,421	1,203
Other components of equity	14	(32,819)	(32,819)
Total equity		<u>10,762,432</u>	<u>10,494,861</u>
Total liabilities and equity		<u>24,335,293</u>	<u>24,199,230</u>

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

LG Electronics Inc.
Interim Separate Statements of Income
Three-Month Periods Ended March 31, 2012 and 2011

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Three-Month Periods Ended March 31	
		2012	2011
Net sales	15	6,236,993	6,932,749
Cost of sales	16	<u>4,954,607</u>	<u>5,715,605</u>
Gross profit		<u>1,282,386</u>	<u>1,217,144</u>
Selling and marketing expenses	16, 17	562,722	700,091
Administrative expenses	16, 17	119,760	103,109
Research and development expenses	16, 17	414,874	393,371
Service costs	16, 17	116,360	103,339
Other operating income	18	159,100	238,351
Other operating expenses	16, 19	<u>115,463</u>	<u>204,295</u>
Operating income (expense)		112,307	(48,710)
Financial income	20	405,092	172,077
Financial expenses	21	<u>124,477</u>	<u>107,336</u>
Profit before income tax		392,922	16,031
Income tax expense		<u>77,261</u>	<u>1,257</u>
Profit for the period		<u>315,661</u>	<u>14,774</u>
Earnings per share attributable to the equity holders of the Company during the period (in won)			
Earnings per share for profit attributable to the ordinary equity holders of the Company	22	1,752	88
Earnings per share for profit attributable to the preferred equity holders of the Company	22	1,764	103

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

LG Electronics Inc.
Interim Separate Statements of Comprehensive Income
Three-Month Periods Ended March 31, 2012 and 2011

<i>(in millions of Korean won)</i>	Notes	Three-Month Periods Ended March 31	
		2012	2011
Profit for the period		315,661	14,774
Other comprehensive income (loss)			
Available-for-sale financial assets		102	(1,135)
Cash flow hedges	10	1,116	-
Actuarial loss on defined benefit liability	12	(12,436)	(698)
Other comprehensive loss for the period		(11,218)	(1,833)
Total comprehensive income for the period		304,443	12,941

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

LG Electronics Inc.
Interim Separate Statements of Changes in Equity
Three-Month Periods Ended March 31, 2012 and 2011

<i>(in millions of Korean won)</i>	Notes	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Other Components of Equity	Total
Balance at January 1, 2011		3,017,088	6,932,015	9,844	(32,819)	9,926,128
Comprehensive income						
Profit for the period		-	14,774	-	-	14,774
Available-for-sale financial assets		-	-	(1,135)	-	(1,135)
Actuarial loss on defined benefit liability	12	-	(698)	-	-	(698)
Dividends	23	-	(33,072)	-	-	(33,072)
Balance at March 31, 2011		<u>3,017,088</u>	<u>6,913,019</u>	<u>8,709</u>	<u>(32,819)</u>	<u>9,905,997</u>
Balance at January 1, 2012		3,992,348	6,534,129	1,203	(32,819)	10,494,861
Comprehensive income						
Profit for the period		-	315,661	-	-	315,661
Available-for-sale financial assets		-	-	102	-	102
Cash flow hedges	10	-	-	1,116	-	1,116
Actuarial loss on defined benefit liability	12	-	(12,436)	-	-	(12,436)
Dividends	23	-	(36,872)	-	-	(36,872)
Balance at March 31, 2012		<u>3,992,348</u>	<u>6,800,482</u>	<u>2,421</u>	<u>(32,819)</u>	<u>10,762,432</u>

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

LG Electronics Inc.
Interim Separate Statements of Cash Flows
Three-Month Periods Ended March 31, 2012 and 2011

<i>(in millions of Korean won)</i>	Notes	Three-Month Period Ended March 31	
		2012	2011
Cash flows from operating activities			
Cash generated from (used in) operations	24	22,596	(372,464)
Interest received		7,175	6,845
Interest paid		(60,863)	(41,567)
Dividends received		121,334	2,493
Income tax paid		<u>(30,457)</u>	<u>(33,780)</u>
Net cash generated from (used in) operating activities		<u>59,785</u>	<u>(438,473)</u>
Cash flows from investing activities			
Decrease in financial deposits		19,889	48,636
Decrease in loans and other receivables		18,449	24,226
Proceeds from disposal of other financial assets		1,705	2,647
Proceeds from disposal of investments in subsidiaries, jointly controlled entities and associates		214,757	-
Proceeds from disposal of property, plant and equipment		1,427	9,791
Proceeds from disposal of intangible assets		190	-
Decrease in other assets		309	-
Increase in loans and other receivables		(12,797)	(44,182)
Acquisition of other financial assets		-	(14,413)
Acquisition of investments in subsidiaries, jointly controlled entities and associates		(9,180)	-
Acquisition of property, plant and equipment	8	(115,839)	(191,848)
Acquisition of intangible assets	8	<u>(59,595)</u>	<u>(54,632)</u>
Net cash provided by (used in) investing activities		<u>59,315</u>	<u>(219,775)</u>
Cash flows from financing activities			
Proceeds from borrowings		380,000	759,138
Repayments of borrowings		<u>(454,456)</u>	<u>(66,985)</u>
Net cash provided by (used in) financing activities		<u>(74,456)</u>	<u>692,153</u>
Net increase in cash and cash equivalents		44,644	33,905
Cash and cash equivalents at the beginning of period		<u>1,364,211</u>	<u>868,834</u>
Cash and cash equivalents at the end of period		<u>1,408,855</u>	<u>902,739</u>

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

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

1. General Information

LG Electronics Inc. (the "Company") 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 depository receipts ("DRs"), are listed on the London Stock Exchange as of the reporting date. The Company is domiciled in Korea at Yeouidodong, Yeungdeungpo-gu, Seoul.

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

The Company 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 Company operates manufacturing facilities mainly in Pyeongtaek, Changwon, Cheongju and Gumi in the Republic of Korea.

2. Significant Accounting Policies

Basis of Preparation

The attached statements are the separate financial statements subject to Korean IFRS 1027, '*Consolidated and Separate Financial Statement*'. The interim separate 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 separate 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 Company for the year 2013 or thereafter.

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

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

Application of Accounting Policies

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

Meanwhile, operating segments are established on the basis of business divisions whose internal reporting is provided to the chief operating decision-maker who is the chief executive officer. The information of the operating segments is disclosed in Note 4 to the consolidated

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

financial statements, subject to Korean IFRS 1108, '*Operating Segments*'.

3. Critical Accounting Estimates and Assumptions

The Company 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.

Estimated Impairment of Goodwill

The Company 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.

Income Taxes

The Company recognizes assets and liabilities for anticipated tax 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 Company 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 Company recognises 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 Company determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

Company 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.

4. Financial Instruments by Category

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

<i>(in millions of Korean won)</i>	Assets at fair					Total
	value through profit or loss	Derivatives for hedge	Loans and Receivables	Available-for-sale financial assets	Held-to-maturity financial assets	
Cash and cash equivalents	-	-	1,408,855	-	-	1,408,855
Financial deposits	-	-	171,073	-	-	171,073
Trade receivables	-	-	5,134,784	-	-	5,134,784
Loans and other receivables	-	-	779,345	-	-	779,345
Other financial assets	-	9,216	-	42,622	56,890	108,728
	-	9,216	7,494,057	42,622	56,890	7,602,785

<i>(in millions of Korean won)</i>	Liabilities at			Total
	fair value through profit or loss	Derivatives for hedge	Liabilities carried at amortized cost	
Trade payables	-	-	3,936,324	3,936,324
Borrowings	-	-	5,721,575	5,721,575
Other payables	-	-	1,113,205	1,113,205
Other financial liabilities	14,504	-	-	14,504
Other liabilities	-	-	36,872	36,872
	14,504	-	10,807,976	10,822,480

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

<i>(in millions of Korean won)</i>	Assets at fair					Total
	value through profit or loss	Derivatives for hedge	Loans and Receivables	Available-for-sale financial assets	Held-to-maturity financial assets	
Cash and cash equivalents	-	-	1,364,211	-	-	1,364,211
Financial deposits	-	-	190,962	-	-	190,962
Trade receivables	-	-	5,077,362	-	-	5,077,362
Loans and other receivables	-	-	683,479	-	-	683,479
Other financial assets	-	11,845	-	42,546	57,665	112,056
	-	11,845	7,316,014	42,546	57,665	7,428,070

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

<i>(in millions of Korean won)</i>	Liabilities at fair value through profit and loss	Derivatives for hedge	Liabilities carried at amortized cost	Total
Trade payables	-	-	3,853,528	3,853,528
Borrowings	-	-	5,825,846	5,825,846
Other payables	-	-	1,467,813	1,467,813
Other financial liabilities	12,699	-	-	12,699
	<u>12,699</u>	<u>-</u>	<u>11,147,187</u>	<u>11,159,886</u>

5. 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, 2012	December 31, 2011
Trade receivables	5,146,335	5,091,527
Less: allowance for doubtful accounts	(11,551)	(14,165)
	<u>5,134,784</u>	<u>5,077,362</u>

The aging of trade receivables is as follows:

<i>(in millions of Korean won)</i>	March 31, 2012	December 31, 2011
Current	5,016,283	4,954,501
Up to 6 months	110,497	115,786
7 to 12 months	2,769	3,282
Over one year	2,684	1,881
Defaulted	14,102	16,077
	<u>5,146,335</u>	<u>5,091,527</u>

6. 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, 2012	December 31, 2011
Other financial assets		
Derivatives	9,216	11,845
Available-for-sale	42,622	42,546
Held-to-maturity	56,890	57,665
	<u>108,728</u>	<u>112,056</u>
Current	-	-
Non-current	<u>108,728</u>	<u>112,056</u>

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

Other financial liabilities		
Derivatives	14,504	12,699
	<u>14,504</u>	<u>12,699</u>
Current	14,504	12,699
Non-current	<u>-</u>	<u>-</u>

7. Inventories

Inventories consist of:

<i>(in millions of Korean won)</i>	March 31, 2012	December 31, 2011
Merchandise and finished products	384,464	330,732
Work-in-process	153,737	103,272
Raw materials and supplies	368,501	354,925
Other	<u>110,882</u>	<u>96,801</u>
	<u>1,017,584</u>	<u>885,730</u>

The reversal of allowance for losses on valuation of inventories recognized as of the end of the reporting period amounts to ₩4,731 million (2011: ₩1,948 million).

8. Property, Plant and Equipment, and Intangible assets

Changes in property, plant and equipment are as follows:

<i>(in millions of Korean won)</i>	2012	2011
At January 1	5,190,881	4,661,430
Acquisitions	115,839	191,848
Disposals and other	(1,701)	(8,360)
Depreciation	(119,304)	(111,735)
Impairment	(78)	(1,388)
At March 31	<u>5,185,637</u>	<u>4,731,795</u>

Changes in intangible assets are as follows:

<i>(in millions of Korean won)</i>	2012	2011
At January 1	915,977	725,818
Acquisitions	59,595	54,632
Transfer-in	20,995	23,555
Disposals and other	(5,666)	(4,355)
Amortisation	(84,630)	(72,114)
At March 31	<u>906,271</u>	<u>727,536</u>

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

9. Investments in subsidiaries, jointly controlled entities and associates

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

<i>(in millions of Korean won)</i>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Subsidiaries	3,514,020	3,504,840
Jointly controlled entities and associates	4,377,961	4,459,709
	<u>7,891,981</u>	<u>7,964,549</u>

The status and carrying amounts of investments in subsidiaries as of March 31, 2012 and December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	Countries of incorporation	Percentage of ownership (%) at March 31, 2012	<u>March 31, 2012</u>	<u>December 31, 2011</u>
LG Electronics U.S.A., Inc.(LGEUS)	USA	100.00	955,542	955,542
LG Electronics India Pvt. Ltd.(LGEIL)	India	100.00	311,746	311,746
LG Electronics do Brasil Ltda. (LGEBR)(former LGESP)	Brazil	100.00	270,631	270,631
LG Electronics Mlawa Sp. z o.o (LGEMA)	Poland	100.00	214,091	214,091
LG Electronics Tianjin Appliances Co., Ltd. (LGETA)	China	70.00	161,331	161,331
LG Electronics European Holdings B.V. (LGEEH)	Netherlands	100.00	148,552	148,552
Hiplaza CO., LTD.	Korea	100.00	104,459	104,459
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	88.44	97,608	97,608
PT LG Electronics Indonesia (LGEIN)	Indonesia	100.00	94,124	94,124
LG Electronics Wroclaw Sp z o.o (LGEWR)	Poland	100.00	70,014	70,014
LG Electronics Mexico S.A. DE C.V. (LGEMS)	Mexico	99.97	68,720	68,720
LG Electronics Panama, S.A.(LGEPS)	Panama	100.00	79,222	79,222
LG Electronics Thailand Co., Ltd.(LGETH)	Thailand	100.00	55,578	55,578
LG Electronics Australia Pty, Ltd.(LGEAP)	Australia	100.00	50,664	50,664
Hi Entech Co., LTD.	Korea	100.00	61,118	61,118
Other			770,620	761,440
			<u>3,514,020</u>	<u>3,504,840</u>

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

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

<i>(in millions of Korean won)</i>	Country of incorporation	Percentage of ownership (%) at March 31, 2012	March 31, 2012	December 31, 2011
LG Display Co., Ltd.	Korea	37.90%	3,480,623	3,480,623
LG Innotek Co., Ltd.	Korea	47.86%	541,538	541,538
LG-Ericsson Co., Ltd. ¹	Korea	25.00%	81,755	163,503
LG Holdings (HK) Ltd.	Hong Kong	49.00%	129,386	129,386
Global OLED Technology LLC	USA	32.73%	53,454	53,454
Other			91,205	91,205
			<u>4,377,961</u>	<u>4,459,709</u>

¹ The Company disposed of its 25% of LG-Ericsson Co., Ltd. shares, and 'the financial income' in the statement of operations includes gain on disposal amounting to ₩133,009 million.

10. 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	234,740	325,033
Current maturities of long-term borrowings	327,560	420,660
Current maturities of debentures	758,633	955,965
	<u>1,320,933</u>	<u>1,701,658</u>
Non-current		
Long-term borrowings	2,390,000	2,110,000
Debentures	2,010,642	2,014,188
	<u>4,400,642</u>	<u>4,124,188</u>
	<u>5,721,575</u>	<u>5,825,846</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				
LG Electronics European Shared Service Center B.V.	2012-12-27	3ML+1.00	138,074	148,516
Borrowings on negotiated trade bills				
Woori Bank and other	-	1.09~1.82	96,666	176,517
			<u>234,740</u>	<u>325,033</u>

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

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	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 6M+0.94	190,000	-	190,000
Woori Bank	2017-10-28	4.62	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	2014-11-24	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
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	-
			<u>2,717,560</u>	<u>327,560</u>	<u>2,390,000</u>

Long-term borrowings 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
Local currency loans					
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
Woori Bank	2017-10-28	4.62	190,000	-	190,000
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	2014-11-24	4.55	150,000	-	150,000

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

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	-
			<u>2,530,660</u>	<u>420,660</u>	<u>2,110,000</u>

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	-

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

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	576,650	576,650	-
Public, non-guaranteed bonds (59 th) ¹	2014-04-28	3ML+1.00	196,061	-	196,061
Public, non-guaranteed bonds (63 rd) ¹	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 Company entered into Cross-currency Interest Rate Swap contract amounting to US\$270 million with Bank of Tokyo-Mitsubishi UFJ (BTMU) 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 from changes in the fair value amounting to ₩3,807 million (2011: ₩4,923 million), is recognized cumulatively in other comprehensive income.

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	2,390,000	2,447,912	2,110,000	2,169,131
Debentures	2,010,642	2,049,585	2,014,188	2,059,063
	<u>4,400,642</u>	<u>4,497,497</u>	<u>4,124,188</u>	<u>4,228,194</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 Company.

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

<i>(in millions of Korean won)</i>	Total	Less than			Over
		1 year	2 years	5 years	5 years
Short-term borrowings	234,740	234,740	-	-	-
Current maturities of long-term borrowings	327,560	327,560	-	-	-
Current maturities of debentures	758,900	758,900	-	-	-
Long-term borrowings	2,390,000	-	517,500	1,682,500	190,000
Debentures	2,017,206	-	620,000	1,397,206	-
	<u>5,728,406</u>	<u>1,321,200</u>	<u>1,137,500</u>	<u>3,079,706</u>	<u>190,000</u>

¹The above cash flow is undiscounted amount.

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

11. Provisions

Changes in the provisions for 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	177,586	493	4,568	331,922	514,569
Addition	91,703	1,430	496	12,305	105,934
Utilisation	(70,207)	(493)	-	(17,801)	(88,501)
At March 31, 2012	199,082	1,430	5,064	326,426	532,002
Current	191,291	1,430	-	-	192,721
Non-current	7,791	-	5,064	326,426	339,281

<i>(in millions of Korean won)</i>	2011				
	Warranty	Sales returns	Restoration	Contingent	Total
At January 1, 2011	171,470	654	3,971	317,054	493,149
Addition	71,264	789	192	-	72,245
Utilisation	(67,652)	(654)	(21)	(231)	(68,558)
At March 31, 2011	175,082	789	4,142	316,823	496,836
Current	169,161	789	-	-	169,950
Non-current	5,921	-	4,142	316,823	326,886

12. 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	1,128,595	1,073,728
Fair value of plan assets	(701,993)	(710,111)
Liabilities	426,602	363,617

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	49,034	39,271
Interest cost	11,996	10,516
Expected return on plan assets	(7,220)	(5,941)
	53,810	43,846

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

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>	<u>2012</u>	<u>2011</u>
Cost of sales	28,520	22,469
Selling and marketing expenses	7,808	6,752
Administrative expenses	2,299	2,550
Research and development expenses	14,379	11,630
Service costs	804	445
	<u>53,810</u>	<u>43,846</u>

Cumulative actuarial losses recognized in the statement of other comprehensive income for the three-month period ended March 31, 2012, are ₩142,452 million (2011: ₩130,016 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	1,073,728	805,656
Current service cost	49,034	39,271
Interest expense	11,996	10,516
Benefits paid	(22,991)	(15,571)
Actuarial loss	16,828	-
At March 31	<u>1,128,595</u>	<u>839,872</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	710,111	536,413
Expected return on plan assets	7,220	5,941
Benefits paid	(15,759)	(9,395)
Actuarial gain (loss)	421	(894)
At March 31	<u>701,993</u>	<u>532,065</u>

The actual return on plan assets for the three-month period ended March 31, 2012, is ₩7,641 million (2011: ₩5,047 million).

The principal actuarial assumptions used are as follows:

(%)	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Discount rate	4.5	4.6
Expected rate of return	3.9	3.9
Future salary increase	6.0	6.0

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

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	246,749	249,387
	<u>701,993</u>	<u>710,111</u>

13. 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	142,129
Discretionary reserve ²	6,351,342	6,756,715
Unappropriated retained earnings (unappropriated loss)	303,324	(364,715)
	<u>6,800,482</u>	<u>6,534,129</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.

14. 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
	<u>(32,819)</u>	<u>(32,819)</u>

¹ The Company has treasury shares consisting of 763,165 shares (2011: 763,165 shares) of ordinary shares and 4,687 shares (2011: 4,687 shares) of preferred shares at the end of the reporting period. The Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

15. 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	6,095,433	6,793,567
Sales of services	64,899	60,968
Royalty income	76,661	78,214
	<u>6,236,993</u>	<u>6,932,749</u>

16. Expenses by Nature

Expenses that are recorded by natures as cost of sales, general operating expenses and other operating expenses in the statements of income 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	(131,854)	(194,042)
Purchase of raw materials and merchandise	4,337,655	5,209,542
Employee benefit expenses	734,475	652,908
Depreciation, amortisation and impairment	204,012	185,237
Advertising expenses	102,927	196,843
Sales promotional expenses	43,121	40,139
Transportation expenses	140,927	188,941
Commission expenses	294,774	296,217
Other expenses	557,749	644,025
	<u>6,283,786</u>	<u>7,219,810</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.

17. 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, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Wages and salaries	277,658	255,739
Severance benefits	25,799	22,360
Welfare expense	42,255	36,940
Freight expense	137,218	187,162
Rental expense	35,132	32,055

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

Commission expense	196,362	195,093
Depreciation	27,536	26,442
Amortization	68,021	59,250
Taxes and dues	2,811	2,934
Advertising expense	102,927	196,843
Promotional expense	43,121	40,139
Direct R&D costs	88,911	96,985
Direct service costs	79,916	72,434
Other	86,049	75,534
	<u>1,213,716</u>	<u>1,299,910</u>

18. 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>	2012	2011
Rental income	6,797	6,397
Foreign exchange gain	141,330	212,645
Gain on disposal of property, plant and equipment	507	1,775
Other	10,466	17,534
	<u>159,100</u>	<u>238,351</u>

19. Other Operating Expenses

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

<i>(in millions of Korean won)</i>	2012	2011
Foreign exchange loss	97,444	195,045
Loss on disposal of property, plant and equipment	781	344
Loss on disposal of intangible assets	5,476	4,355
Other	11,762	4,551
	<u>115,463</u>	<u>204,295</u>

20. Financial Income

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

<i>(in millions of Korean won)</i>	2012	2011
Interest income	11,038	9,678
Dividend income	188,111	78,622
Foreign exchange gain	71,260	79,396

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

Gain on settlement of derivatives	1,590	4,253
Gain on disposal of investments in subsidiaries, jointly controlled entities and associates	133,009	-
Other	84	128
	<u>405,092</u>	<u>172,077</u>

21. 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	59,173	45,152
Foreign exchange loss	58,402	55,630
Loss on settlement of derivatives	1,805	3,776
Other	5,097	2,778
	<u>124,477</u>	<u>107,336</u>

22. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of shares in issue excluding shares purchased by the Company and held as treasury shares. Preferred shares have a right to participate in the profits of the Company. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares. The Company had no potential dilutive ordinary shares in the prior year. This period, the diluted earnings per ordinary share is not computed due to anti-dilution.

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Profit attributable to ordinary shares ¹	285,347	13,006
Weighted average number of ordinary shares outstanding (unit: shares) ²	162,884,649	147,642,834
Basic earnings per ordinary share (in won)	1,752	88

<i>(in millions of Korean won)</i>	<u>2012</u>	<u>2011</u>
Profit attributable to preferred shares ¹	30,314	1,768
Weighted average number of preferred shares outstanding (unit: shares) ²	17,181,305	17,181,305
Basic earnings per preferred share (in won)	1,764	103

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 (A)	<u>315,661</u>	<u>14,774</u>

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

Ordinary shares dividends (B)	8,144	7,194
Preferred shares dividends (C)	1,074	1,074
Undistributed earnings (D=A-B-C)	306,443	6,506
Undistributed earnings available for ordinary shares (E)	277,203	5,812
Undistributed earnings available for preferred shares (F)	29,240	694
Profit attributable to ordinary shares (G=B+E)	285,347	13,006
Profit attributable to preferred shares (H=C+F)	30,314	1,768

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	(763,165)	(763,162)
Ordinary shares	162,884,649	143,884,652
Weighted average number of ordinary shares outstanding³	162,884,649	147,642,834
Preferred shares outstanding	17,185,992	17,185,992
Preferred treasury shares	(4,687)	(4,687)
Preferred shares	17,181,305	17,181,305
Weighted average number of preferred shares outstanding	17,181,305	17,181,305

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.

23. Dividends

The dividends in respect of the year ended December 31, 2011, amounting to ₩36,872 million, were paid in April 2012 (2011: ₩33,072 million).

24. Cash Generated from Operations

A reconciliation between operating profit 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 for the period	315,661	14,774
Adjustments :		
Interest expense, net	48,135	35,474
Foreign exchange gain, net	(38,612)	(35,011)
Loss(gain) on settlement of derivatives, net	215	(477)
Depreciation	119,304	111,735
Amortisation	84,630	72,114

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

Loss on disposal of property, plant and equipment, intangible assets, net	5,750	2,924
Provisions for severance benefits	53,810	43,846
Provisions, net	105,934	72,245
Dividends income	(188,111)	(78,622)
Income tax expense	77,261	1,257
Gain on disposal of investments in subsidiaries, jointly controlled entities and associates	(133,009)	-
Other	(4,800)	2,774
	<u>130,507</u>	<u>228,259</u>
Changes in operating assets and liabilities		
Increase in trade receivables	(22,763)	(634,336)
Increase in other receivables	(34,414)	(26,623)
Increase in inventories	(127,123)	(192,093)
Decrease (increase) in other assets	19,155	(27,196)
Increase in trade payables	59,964	318,753
Increase (decrease) in other payables	(171,450)	30,263
Decrease in provisions	(88,501)	(68,558)
Decrease in other liabilities	(51,208)	(9,532)
Payment of defined benefit liability	(7,232)	(6,175)
	<u>(423,572)</u>	<u>(615,497)</u>
Cash generated from (used in) operations	<u>22,596</u>	<u>(372,464)</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	69,591	65,271
Reclassification of intangible assets in progress	64,160	29,755
Reclassification of long-term prepayment to intangible assets	20,995	23,425
Reclassification of current maturities of borrowings	100,000	379,737

25. Contingencies

(a) At the end of the reporting period, the Company is provided with a performance guarantee of ₩112,787 million (2011: ₩114,376 million) from Seoul Guarantee Insurance and other two banks relating to the sales contracts.

(b) At the end of the reporting period, the Company is contingently liable for guarantees approximating ₩2,592,550 million (2011: ₩2,549,537 million) on the indebtedness of its subsidiaries. Details are as follows:

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

<i>(in millions of Korean won)</i>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
LG Electronics European Shared Service Center B.V.(LGESC)	531,963	529,221
LG Electronics U.S.A., Inc.(LGEUS)	335,651	340,224
LG Electronics Ticaret A.S.(LGETK)	230,756	229,688
LG Electronics (China) Co., Ltd.(LGECH)	205,954	171,986
LG-Shaker Co., Ltd.(LGESR)	117,387	122,756
LG Electronics RUS, LLC (LGERA)	115,028	110,788
LG Electronics Vietnam Co., Ltd.(LGEVN)	104,699	105,989
LG Electronics Wroclaw Sp z o.o(LGEWR)	90,806	89,646
LG Electronics Thailand Co.Ltd.(LGETH)	89,020	90,130
LG Electronics Morocco S.A.R.L(LGEMC)	73,204	72,685
LG Electronics Argentina S.A.(LGEAR)	72,016	62,631
LG Electronics Ukraine Inc.(LGEUR)	70,860	71,805
LG Electronics Philippines Inc.(LGEPH)	59,525	60,086
LG Electronics Algeria SARL(LGEAS)	56,890	111,791
LG Electronics S.A. (Pty) Ltd.(LGESA)	22,128	21,161
LG Electronics Tianjin Appliances Co., Ltd. (LGETA)	10,436	10,570
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	9,426	8,732
Other	396,801	339,648
	<u>2,592,550</u>	<u>2,549,537</u>

Above limited guarantees provided by the Company are due in the following periods as of the end of the reporting period:

<i>(in millions of Korean won)</i>	<u>2012</u>			
	<u>Less than 1 year</u>	<u>Less than 2 years</u>	<u>Less than 5 year</u>	<u>Over 5 years</u>
	2,486,898	98,421	273	6,958

(c) The Company 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 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 Company recognised 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 Company.

In addition, the 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

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

Company recognised 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 Company.

In addition, the 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 expected 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 Company has overdraft facility agreements with various banks including Shinhan Bank, with a limit of ₩ 245,500 million (2011: ₩245,500 million).

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with Shinhan Bank and other 32 various 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 Company has corporate electronic settlement services contracts for collection of trade receivables with Hana Bank of up to ₩100,000 million (2011: ₩130,000 million).

(c) At the end of the reporting period, the 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.

(d) At the end of the reporting period, the Company 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	67,633	55,190
Intangible assets	3,216	5,161
	<u>70,849</u>	<u>60,351</u>

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

(f) *Operating lease commitments – the Company as the 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			
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total lease payments
Buildings and offices	50,115	48,345	6,465	104,925
Vehicles	15,599	4,816	-	20,415
Equipment	16,583	13,867	-	30,450
	<u>82,297</u>	<u>67,028</u>	<u>6,465</u>	<u>155,790</u>

(g) *Operating lease commitments – the Company as the lessor*

The Company 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:

<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 Company recognised ₩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 Company has various agreements as follows:

<u>Purpose</u>	<u>Related products</u>	<u>Provided by</u>	<u>Used by</u>
Use of license	Mobile	QUALCOMM Incorporated and other	LG Electronics Inc.
Provision of license	Home appliance	LG Electronics Inc.	Panasonic Corporation and other

27. Related Party Transactions

Subsidiaries at the end of the reporting period are as follows:

<u>Territory</u>	<u>Name</u>
Domestic subsidiaries	Hiplaza CO., Ltd., Hi Business Logistics, Innovation Investment Fund, Hi M Solutek (formerly System Air-con Engineering Incorporation), KTB Technology Fund, Hi Teleservice CO., Ltd., LG Electronics Alliance Fund, Ace R&A Co., Ltd., HiEntech Co., Ltd. LG-Hitachi Water Solutions Co., Ltd.
China	LG Electronics (China) Co., Ltd.(LGECH) Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR) LG Electronics HK Ltd.(LGEHK)

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

LG Electronics (Hangzhou) 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.
LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)

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.(LGESI)
LG Electronics Singapore PTE LTD (LGESL)
LG Electronics Vietnam Co., Ltd.(LGEVN)
LG Electronics Thailand Co., Ltd.(LGETH)
LG Electronics Taiwan Taipei Co., Ltd.(LGETT)
LG Electronics Australia Pty, Ltd.(LGEAP)
LG Electronics Japan, Inc.(LGEJP)
LG Electronics 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 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.(LGEMI)
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 Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

	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 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 Colombia Ltda.(LGEGB) LG Electronics Inc, Chile Ltda.(LGECL) LG Electronics Peru S.A.(LGEPR) LG Electronics Panama, S.A.(LGEPS) LG Electronics do Brasil Ltda.(LGEBR)(former 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.
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 Service Company S.A.R.L Easytec Global Services Innovation Limited LG Electronics Angola Limitada (LGEAO)
Other	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)

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

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

<i>(in millions of Korean won)</i>	2011		2012	
	Sales	Purchases	Sales	Purchases
LG Corp.	705	29,938	26	26,714
Subsidiaries	3,987,420	201,768	5,090,690	277,175
Jointly controlled entities and associates	113,585	620,350	125,050	547,487
Other related parties	19,876	238,858	34,702	274,148

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

4,121,586	1,090,914	5,250,468	1,125,524
-----------	-----------	-----------	-----------

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
Subsidiaries	3,608,235	1,534,066	3,688,981	1,493,291
Jointly controlled entities and associates	133,967	388,736	166,882	346,796
Other related parties	91,660	241,514	86,474	307,729
	<u>3,863,170</u>	<u>2,175,413</u>	<u>3,965,473</u>	<u>2,148,507</u>

The Company recognized dividend income amounting to ₩151,495 million (2011: ₩7,000 million) from subsidiaries and ₩36,341 million (2011: ₩71,191million) from associates, including LG Display Co., Ltd., for the three-month period ended March 31, 2012.

At the end of the reporting period, the amount of guarantee paid to related parties is presented in Note 25.

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

28. Risk Management

Financial Risk Management

The Company'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 Company 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 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 Company operates four overseas regional treasury centers ("RTC") located in New Jersey in the 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 the overseas subsidiaries' business competitiveness by operating integrated financial functions.

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

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

(a) *Market risk*

i) Foreign exchange risk

Due to its multinational business operations, the Company is mainly exposed to foreign exchange risk on 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 Company'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 Company manages foreign exchange risk by matching inflow and outflow of each currency. The Company 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 Company 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 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 value of the foreign currency fluctuated by 10% while other variables were fixed, the effects on profit (loss) before income tax would be as follows:

<i>(in millions of Korean won)</i>	<u>March 31, 2012</u>		<u>December 31, 2011</u>	
	<u>10% increase</u>	<u>10% decrease</u>	<u>10% increase</u>	<u>10% decrease</u>
USD/KRW	(90,761)	90,761	(170,234)	170,234
EUR/KRW	36,057	(36,057)	40,283	(40,283)

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

ii) Interest rate risk

The Company 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

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

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 Company 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 Company 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:

<i>(in millions of Korean won)</i>	<u>March 31, 2012</u>		<u>December 31, 2011</u>	
	<u>100bp increase</u>	<u>100bp decrease</u>	<u>100bp increase</u>	<u>100bp decrease</u>
Interest expense	12,144	(12,144)	11,323	(11,323)
Interest income	15,089	(15,089)	15,142	(15,142)
Gain (loss) on valuation of derivatives (IRS ¹)	131	(131)	3,943	(3,977)

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

(b) Credit risk

The Company 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, Korea Trade Insurance Corporation (K-Sure), Seoul Guarantee Insurance (Coface) and Global Credit Insurance Program are operated.

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

At the end of the reporting period, trade receivable balance of the Company is ₩1,676,293 million (2011: ₩1,454,423 million) and its risk is managed appropriately with insurer's credit limit of ₩2,294,434 million (2011: ₩2,298,513 million).

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

(c) Liquidity risk

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

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

In addition, the Company 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 ₩1,558,855 million (2011: ₩1,514,211 million). The Company 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 Company is 118% (2011: 89%) of current borrowings with due date in 12 months. If committed credit lines are included, the balance covers 163% (2011: 124%) of short-term borrowings.

In addition, as of March 31, 2012, the Company is able to source funds any time in domestic and international financial markets because it has credit grades of AA0 Stable from Korea Investors Service, Korea Ratings, and Nice Information Service, 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 10.

Capital Risk Management

The Company's capital risk management purpose is to maximize shareholders' value through maintaining a sound capital structure. The Company 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-to-equity ratio and net borrowings ratio are as follows:

<i>(in millions of Korean won, except for ratios)</i>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Liabilities (A)	13,572,861	13,704,369
Equity (B)	10,762,432	10,494,861
Cash and cash equivalents and current financial deposits (C)	1,558,855	1,514,211
Borrowings (D)	5,721,575	5,825,846
Debt-to-equity ratio (A/B)	126%	131%
Net Borrowings ratio (D-C)/B	39%	41%

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

Methods and Assumptions in Determining Fair Value

The Company 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, 2012			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
- Listed securities	9,104	-	-	9,104
Derivatives for hedge	-	9,216	-	9,261
	<u>9,104</u>	<u>9,216</u>	<u>-</u>	<u>18,320</u>
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	14,504	-	14,504
	<u>-</u>	<u>14,504</u>	<u>-</u>	<u>14,504</u>

<i>(In millions of Korean won)</i>	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
- Listed securities	8,969	-	-	8,969
Derivatives for hedge	-	11,845	-	11,845
	<u>8,969</u>	<u>11,845</u>	<u>-</u>	<u>20,814</u>
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	12,699	-	12,699
	<u>-</u>	<u>12,699</u>	<u>-</u>	<u>12,699</u>

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 Company is the current bid price. These instruments are included in 'level

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

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 Company 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.'

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

On May 1, 2011, the Company 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.

The goodwill amounting to ₩56,880 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 Company and acquired air-conditioning business.

The following table summarizes the consideration paid for LS Mtron Co., Ltd. and the

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
March 31, 2012 and 2011, and December 31, 2011

amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

<i>(in millions of Korean won)</i>	Amount
Consideration ¹	150,300
Recognized amounts of identifiable assets acquired and liabilities assumed ²	
Current assets	
Trade receivables	50,726
Other receivables	4
Inventories	9,223
Other assets	888
Non-current assets	
Financial deposits	4,232
Other receivables	786
Investments in subsidiaries, jointly controlled entities and associates	23,095
Other assets	149
Property, plant and equipment	7,549
Intangible assets	34,122
Current liabilities	
Trade payables	(26,771)
Other payables	(2,233)
Provisions	(1,671)
Other liabilities	(5,364)
Non-current liabilities	
Defined benefit liabilities	(1,315)
Total identifiable net assets	93,420
Goodwill ¹	56,880
	150,300

¹ The Company 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 during the period.

The gross contractual amount for trade receivables is ₩53,168 million, of which ₩2,442 million is expected to be uncollectible.