

**LG Electronics and Subsidiaries**  
**Consolidated Financial Statements**  
**December 31, 2011 and 2010**

# LG Electronics and Subsidiaries

Index

December 31, 2011 and 2010

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## Report of Independent Auditors

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

We have audited the accompanying consolidated statements of financial position of LG Electronics Inc. and its subsidiaries (collectively the "Group") as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, whose financial statements represent 33% and 35% of the Group's consolidated total assets as of December 31, 2011 and 2010, respectively, and 57% and 56% of the Group's consolidated total sales for the years then ended, respectively. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and 2010, and their financial performance and cash flows for the years ended December 31, 2011 and 2010, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit 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 auditing standards and their application in practice.

*Samil PricewaterhouseCoopers*

Seoul, Korea  
March 7, 2012

This report is effective as of March 7, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**LG Electronics and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2011 and 2010**

<i>(in millions of Korean won)</i>	<b>Note</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,6,41	2,345,465	1,944,162
Financial deposits	5,6,41	150,000	85,000
Trade receivables	5,7	6,752,559	7,001,962
Loans and other receivables	5,7	494,239	525,046
Other financial assets	5,8	1,677	1,814
Inventories	9	4,947,160	5,872,420
Current income tax assets		197,968	154,286
Other current assets	10	890,388	924,813
Assets classified as held for sale		3,670	5,030
		<u>15,783,126</u>	<u>16,514,533</u>
<b>Non-current assets</b>			
Financial deposits	5,6	129,439	105,479
Loans and other receivables	5,7	610,709	543,562
Other financial assets	5,8	139,282	105,601
Property, plant and equipment	11	7,290,413	6,500,484
Intangible assets	12	1,035,797	763,382
Deferred income tax assets	17	1,246,071	968,751
Investments in jointly controlled entities and associates	13	5,603,199	6,008,145
Investment property	14	7,239	7,295
Other non-current assets	10	813,182	801,267
		<u>16,875,331</u>	<u>15,803,966</u>
<b>Total assets</b>		<u>32,658,457</u>	<u>32,318,499</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	5	5,486,871	5,824,392
Borrowings	5,15	3,178,212	4,009,229
Other payables	5,16	3,780,158	3,730,292
Other financial liabilities	5,8	13,860	5,314
Current income tax liabilities		81,643	98,659
Provisions	19	724,516	748,146
Other current liabilities	20	949,262	901,201
		<u>14,214,522</u>	<u>15,317,233</u>
<b>Non-current liabilities</b>			
Borrowings	5,15	4,257,406	3,183,706
Other payables	5,16	20,490	11,597
Other financial liabilities	5,8	378	37,492
Deferred income tax liabilities	17	15,237	10,253
Defined benefit liability	18	423,306	318,112
Provisions	19	575,632	577,697
Other non-current liabilities	20	3,238	2,772
		<u>5,295,687</u>	<u>4,141,629</u>
<b>Total liabilities</b>		<u>19,510,209</u>	<u>19,458,862</u>
<b>Equity attributable to owners of the Parent Company</b>			
Paid-in capital:			
Capital stock		904,169	809,169
Share premium		3,088,179	2,207,919
Retained earnings	22	9,499,534	10,108,173
Accumulated other comprehensive loss		(326,584)	(209,844)
Other components of equity	23	(271,339)	(271,277)
		<u>12,893,959</u>	<u>12,644,140</u>
<b>Non-controlling interest</b>		<u>254,289</u>	<u>215,497</u>
<b>Total equity</b>		<u>13,148,248</u>	<u>12,859,637</u>
<b>Total liabilities and equity</b>		<u>32,658,457</u>	<u>32,318,499</u>

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

**LG Electronics and Subsidiaries**  
**Consolidated Statements of Operations**  
**Years ended December 31, 2011 and 2010**

<i>(in millions of Korean won, except per share amounts)</i>	Note	Year Ended December 31	
		2011	2010
<b>Continuing operations</b>			
Net sales	25	54,256,585	55,753,804
Cost of sales	26	<u>42,057,595</u>	<u>43,453,096</u>
Gross profit		12,198,990	12,300,708
Selling and marketing expenses	26,28	7,201,413	7,534,431
Administrative expenses	26,28	1,359,986	1,402,203
Research and development expenses	26,28	1,698,917	1,500,792
Service costs	26,28	1,595,453	1,775,128
Other operating income	30	1,622,901	2,009,968
Other operating expenses	26,31	<u>1,685,859</u>	<u>1,921,653</u>
Operating income		280,263	176,469
Financial income	32	574,148	819,747
Financial expenses	33	922,666	1,039,012
Income(expense) from jointly controlled entities and associates	13	<u>(331,058)</u>	<u>477,322</u>
Profit(loss) before income tax		(399,313)	434,526
Income tax expense	34	<u>33,492</u>	<u>141</u>
Profit(loss) from continuing operations		(432,805)	434,385
<b>Discontinued operations</b>	42		
Profit from discontinued operations		<u>-</u>	<u>847,734</u>
<b>Profit(loss) for the year</b>		<u>(432,805)</u>	<u>1,282,119</u>
<b>Profit(loss) for the year attributable to:</b>			
Equity holders of the Parent Company		(469,624)	1,226,962
Profit(loss) for the year from continuing operations		(469,624)	393,713
Profit for the year from discontinued operations		-	833,249
Non-controlling interest		36,819	55,157
Profit for the year from continuing operations		36,819	40,672
Profit for the year from discontinued operations		-	14,485
<b>Earnings per share attributable to the equity holders of the Parent Company during the year (in won)</b>			
Earnings(loss) per share for profit attributable to the ordinary equity holders of the company	35	(2,880)	7,419
Earnings(loss) per share for profit from continuing operations		(2,880)	2,381
Earnings per share for profit from discontinued operations		-	5,038
Earnings(loss) per share for profit attributable to the preferred equity holders of the company		(2,563)	7,662
Earnings(loss) per share for profit from continuing operations		(2,563)	2,459
Earnings per share for profit from discontinued operations		-	5,203

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

**LG Electronics and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Years ended December 31, 2011 and 2010**

<i>(in millions of Korean won)</i>	Note	Year Ended December 31	
		2011	2010
<b>Profit(loss) for the year</b>		<u>(432,805)</u>	<u>1,282,119</u>
<b>Other comprehensive income(loss):</b>			
Available-for-sale financial assets	17	(3,474)	(1,262)
Cash flow hedges	17	(4,717)	(38)
Actuarial loss on defined benefit liability	17,18	(94,056)	(46,732)
Currency translation differences	17	(117,633)	(32,311)
Share of actuarial loss of associates		(11,887)	(3,692)
Other comprehensive income(loss) from jointly controlled entities and associates		<u>22,259</u>	<u>(20,200)</u>
<b>Other comprehensive loss for the year, net of tax</b>		<u>(209,508)</u>	<u>(104,235)</u>
<b>Total comprehensive income(loss) for the year</b>		<u>(642,313)</u>	<u>1,177,884</u>
<b>Comprehensive income(loss) for the year attributable to:</b>			
Equity holders of the Parent Company		(692,307)	1,123,631
Non-controlling interest		<u>49,994</u>	<u>54,253</u>
<b>Total comprehensive income(loss) for the year</b>		<u>(642,313)</u>	<u>1,177,884</u>

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

**LG Electronics and Subsidiaries**
**Consolidated Statements of Changes in Equity**
**Years ended December 31, 2011 and 2010**
*(in millions of Korean won)*

		Attributable to equity holders of the Parent Company							
	Note	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(loss)	Other Components of Equity	Total	Non-controlling Interest	Total Equity	
<b>Balance at January 1, 2010</b>		3,017,088	9,214,309	(156,886)	(270,333)	11,804,178	621,068	12,425,246	
<b>Comprehensive Income</b>									
Profit for the year		-	1,226,962	-	-	1,226,962	55,157	1,282,119	
Available-for-sale financial assets	17	-	-	(1,262)	-	(1,262)	-	(1,262)	
Cash flow hedges	17	-	-	(38)	-	(38)	-	(38)	
Actuarial gain(loss) on defined benefit liability	17,18	-	(46,681)	-	-	(46,681)	(51)	(46,732)	
Currency translation differences	17	-	-	(31,458)	-	(31,458)	(853)	(32,311)	
Share of actuarial loss of associates		-	(3,692)	-	-	(3,692)	-	(3,692)	
Other comprehensive expense of jointly controlled entities and associates		-	-	(20,200)	-	(20,200)	-	(20,200)	
<b>Total comprehensive income(loss)</b>		-	1,176,589	(52,958)	-	1,123,631	54,253	1,177,884	
<b>Transactions with equity holders of the Parent Company :</b>									
Dividends		-	(282,725)	-	-	(282,725)	(24,900)	(307,625)	
Change in ownership interest over subsidiaries		-	-	-	(957)	(957)	4,833	3,876	
Changes in scope of subsidiaries		-	-	-	-	-	(439,757)	(439,757)	
Others		-	-	-	13	13	-	13	
<b>Total transactions with equity holders of the Parent Company</b>		-	(282,725)	-	(944)	(283,669)	(459,824)	(743,493)	
<b>Balance at December 31, 2010</b>		3,017,088	10,108,173	(209,844)	(271,277)	12,644,140	215,497	12,859,637	
<b>Balance at January 1, 2011</b>		3,017,088	10,108,173	(209,844)	(271,277)	12,644,140	215,497	12,859,637	
<b>Comprehensive Income</b>									
Profit(loss) for the year		-	(469,624)	-	-	(469,624)	36,819	(432,805)	
Available-for-sale financial assets	17	-	-	(3,474)	-	(3,474)	-	(3,474)	
Cash flow hedges	17	-	-	(4,717)	-	(4,717)	-	(4,717)	
Actuarial loss on defined benefit liability	17,18	-	(94,056)	-	-	(94,056)	-	(94,056)	
Currency translation differences	17	-	-	(130,808)	-	(130,808)	13,175	(117,633)	
Share of actuarial loss of associates		-	(11,887)	-	-	(11,887)	-	(11,887)	
Other comprehensive income of jointly controlled entities and associates		-	-	22,259	-	22,259	-	22,259	
<b>Total comprehensive income (loss)</b>		-	(575,567)	(116,740)	-	(692,307)	49,994	(642,313)	
<b>Transactions with equity holders of the Parent Company :</b>									
Paid-in-Capital		975,260	-	-	-	975,260	-	975,260	
Dividends		-	(33,072)	-	-	(33,072)	(11,381)	(44,453)	
Change in ownership interest over subsidiaries		-	-	-	(62)	(62)	179	117	
<b>Total transactions with equity holders of the Parent Company</b>		975,260	(33,072)	-	(62)	942,126	(11,202)	930,924	
<b>Balance at December 31, 2011</b>		3,992,348	9,499,534	(326,584)	(271,339)	12,893,959	254,289	13,148,248	

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



**LG Electronics and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2011 and 2010**

<i>(in millions of Korean won)</i>	Note	Year Ended December 31	
		2011	2010
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	2,240,468	490,119
Interest received		74,412	67,972
Interest paid		(310,460)	(232,253)
Dividends received		84,859	76,301
Income tax paid		(359,212)	(393,622)
<b>Net cash generated from operating activities</b>		<b>1,730,067</b>	<b>8,517</b>
<b>Cash flows from investing activities</b>			
Decrease in financial deposits		-	195,835
Decrease in loans and other receivables		148,705	221,406
Proceeds from disposal of other financial assets		38,303	98,081
Proceeds from disposal of property, plant and equipment	11	77,780	321,739
Proceeds from disposal of intangible assets	12	15,954	2,618
Proceeds from disposal of and recovery of investments in jointly controlled entities and associates	13	866	210,336
Increase in cash and cash equivalents due to changes in scope of subsidiaries		-	798
Decrease in other assets		4,155	9,375
Increase in financial deposits		(77,352)	-
Increase in loans and other receivables		(212,227)	(183,362)
Acquisition of other financial assets		(91,989)	(144,137)
Acquisition of property, plant and equipment	11	(1,830,008)	(1,745,219)
Acquisition of intangible assets	12	(319,850)	(287,549)
Acquisition of jointly controlled entities and associates	13	(998)	(129,693)
Decrease in cash and cash equivalents due to changes in scope of subsidiaries		(205,254)	(239,632)
Increase in other assets		-	(399)
<b>Net cash used in investing activities</b>		<b>(2,451,915)</b>	<b>(1,669,803)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		3,020,490	3,276,962
Issuance of ordinary shares	21	975,461	1,301
Repayments of borrowings		(2,792,295)	(1,749,208)
Dividends paid		(43,143)	(308,292)
<b>Net cash provided by financing activities</b>		<b>1,160,513</b>	<b>1,220,763</b>
<b>Exchange losses on cash, cash equivalents</b>		<b>(37,362)</b>	<b>(39,102)</b>
<b>Net increase(decrease) in cash, cash equivalents</b>		<b>401,303</b>	<b>(479,625)</b>
Cash and cash equivalents at the beginning of year		1,944,162	2,423,787
<b>Cash and cash equivalents at the end of year</b>		<b>2,345,465</b>	<b>1,944,162</b>

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

# **LG Electronics and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2011 and 2010**

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#### **1. General Information**

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

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

As of December 31, 2011, LG Corp. and its related parties own 33.7% of the Parent Company's total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Group is engaged in the manufacture and sale of electronic products including mobile phones, TV, air conditioners, refrigerators, washing machines, and personal computers. As of December 31, 2011, the Group operates four business segments and other supporting segments through the Parent Company and subsidiaries all over the world.

## LG Electronics and Subsidiaries

### Notes to the Consolidated Financial Statements

#### December 31, 2011 and 2010

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

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

**LG Electronics and Subsidiaries**  
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China	LG Electronics Shenyang Inc.(LGESY)	79%	December	Production
China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80%	December	Production
China	Nanjing LG-Panda Appliances Co., Ltd.(LGEPN)	70%	December	Production
China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70%	December	Production
China	Shanghai LG Electronics Co., Ltd.(LGESH)	70%	December	Production
China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100%	December	Production
China	Tianjin Lijie cartridge heater Co.,Ltd.(LGETL)	67%	December	Production
Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100%	December	Sales
India	LG Electronics India Pvt. Ltd.(LGEIL) <sup>2</sup>	100%	March	Production and Sales
Japan	LG Electronics Japan Lab.Inc(LGEJL)	100%	December	R&D
Japan	LG Electronics Japan, Inc.(LGEJP)	100%	December	Sales
Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100%	December	Sales
Philippines	LG Electronics Philippines Inc.(LGEPH)	100%	December	Sales
Singapore	LG Electronics Singapore PTE LTD(LGESL)	100%	December	Sales
Taiwan	LG Electronics Taiwan Taipei Co., Ltd(LGETT)	100%	December	Sales
Thailand	LG Electronics Thailand Co.Ltd.(LGETH)	100%	December	Production and Sales
Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100%	December	Production and Sales
India	LG Soft India Private Limited (LGS) <sup>2</sup>	100%	March	R&D
Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100%	December	Production and Sales
Netherlands	Hi Logistics Europe B.V.	100%	December	Logistics
Austria	LG Electronics Austria GmbH(LGEAG)	100%	December	Sales
Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100%	December	Sales
Czech Republic	LG Electronics CZ, s.r.o.(LGE CZ)	100%	December	Sales
Germany	LG Electronics Deutschland GmbH(LGEDG)	100%	December	Sales

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

**LG Electronics and Subsidiaries**  
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USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100%	December	R&D
USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100%	December	Sales
Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100%	December	Production
Mexico	LG Electronics Reynosa S.A. DE C.V.(LGEERS)	100%	December	Production
USA	LG Electronics U.S.A., Inc.(LGEUS)	100%	December	Sales
USA	LG Receivable Funding LLC	100%	December	Other
Mexico	Servicios Integrales LG S.A DE C.V	100%	December	Services
Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100%	December	Other
USA	Triveni Digital Inc.	88%	December	R&D
USA	Zenith Electronics Corporation of Pennsylvania	100%	December	Other
USA	Zenith Electronics Corporation(Zenith)	100%	December	R&D
Brazil	LG Armagem Geral Ltda.	100%	December	Services
Argentina	LG Electronics Argentina S.A.(LGEAR)	100%	December	Sales
Colombia	LG Electronics Colombia Ltda.(LGECEB)	100%	December	Sales
Brazil	LG Electronics da Amazonia Ltda.(LGEAZ)	100%	December	Production and Sales
Brazil	LG Electronics de Sao Paulo Ltda.(LGESP)	100%	December	Production and Sales
Honduras	LG Electronics Honduras S.de R.L. <sup>1</sup>	20%	December	Sales
Chile	LG Electronics Inc Chile Ltda.(LGECL)	100%	December	Sales
Panama	LG Electronics Panama, S.A.(LGEPS)	100%	December	Sales
Peru	LG Electronics Peru S.A.(LGEPR)	100%	December	Sales
Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100%	December	Sales
Brazil	SOCIO VIP Ltda	100%	December	Services
Panama	C&S America Solutions	100%	December	Services
Panama	Goldstar Panama S.A.	100%	December	Other

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

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

<sup>2</sup> The financial statements as of December 31, 2011, were used in the preparation of consolidated financial statements although the fiscal year ends on March 31, 2012.

Financial information of major subsidiaries as of December 31, 2011 and 2010, are as follows:  
(Before elimination of intercompany transactions)

Subsidiaries	2011					
	Assets	Liabilities	Equity	Sales	Net Income(loss)	Total Comprehensive Income(loss)
LG Electronics U.S.A., Inc.(LGEUS)	1,820,097	1,542,988	277,109	6,026,890	11,563	11,032
LG Electronics European Shared Service Center B.V.(LGESC)	1,146,062	1,141,380	4,682	29,154	1,483	1,513
LG Electronics RUS, LLC(LGERA)	871,291	610,846	260,445	2,455,709	94,269	91,335
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	854,376	564,307	290,069	1,592,724	24,897	25,389
LG Electronics da Amazonia Ltda.(LGEAZ)	798,573	499,322	299,251	1,684,785	(43,439)	(48,403)
LG Electronics (China) Co. Ltd.(LGECH)	786,112	759,166	26,946	1,789,551	4,464	4,315
LG Electronics India Pvt. Ltd.(LGEIL)	759,343	304,022	455,321	2,784,894	81,116	72,176
LG Electronics de Sao Paulo Ltda.(LGESP)	631,506	488,408	143,098	1,534,218	(60,076)	(58,319)
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	586,147	514,555	71,592	4,400,055	7,195	7,813
LG Electronics Mlawa Sp. z o.o.(LGEMA)	565,413	292,606	272,807	1,700,817	13,114	10,349
LG Electronics Reynosa S.A. DE C.V.(LGERES)	562,283	341,792	220,491	2,741,126	44,889	45,082
LG Electronics Mexico S.A. DE C.V.(LGEMS)	548,181	422,268	125,913	1,341,603	3,865	2,375
LG Electronics Wroclaw Sp.z.o.o.(LGEWR)	500,117	369,506	130,611	1,602,855	18,378	17,061
P.T. LG Electronics Indonesia(LGEIN)	492,848	300,127	192,721	1,966,412	34,130	35,092
LG Electronics Nanjing Display Co., Ltd.(LGEND)	444,390	294,862	149,528	1,209,131	29,929	33,697
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	378,682	247,351	131,331	698,477	(11,206)	(11,885)
Hiplaza Co., Ltd.	371,441	260,077	111,364	1,398,745	6,057	2,837
LG Electronics Huizhou Ltd.(LGEHZ)	346,424	249,923	96,501	1,435,371	17,638	18,730
LG Electronics Thailand Co.Ltd.(LGETH)	327,034	199,563	127,471	1,122,831	11,490	9,569
LG Electronics Deutschland GmbH(LGEDG)	318,172	284,049	34,123	1,173,506	(18,855)	(17,818)

Subsidiaries	2010					
	Assets	Liabilities	Equity	Sales	Net Income(loss)	Total Comprehensive Income(loss)
LG Electronics U.S.A., Inc.(LGEUS)	1,961,471	1,699,194	262,277	5,964,120	11,603	17,031
LG Electronics European Shared Service Center B.V.(LGESC)	1,544,959	1,541,718	3,241	29,120	373	1,304



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LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	888,171	639,111	249,060	1,665,081	17,972	28,940
LG Electronics da Amazonia Ltda.(LGEAZ)	837,224	460,668	376,556	1,805,856	127,723	141,575
LG Electronics RUS, LLC(LGERA)	807,062	630,301	176,761	2,063,205	49,637	60,528
LG Electronics India Pvt. Ltd.(LGEIL)	802,008	355,251	446,757	3,064,069	48,467	56,415
LG Electronics (China) Co. Ltd.(LGECH)	794,865	773,272	21,593	2,253,900	(13,466)	(16,040)
LG Electronics de Sao Paulo Ltda.(LGESP)	748,671	524,392	224,279	1,698,513	(26,628)	(26,335)
LG Electronics Nanjing Display Co., Ltd.(LGEND)	742,595	630,309	112,286	1,726,018	29,489	34,961
LG Electronics Reynosa S.A. DE C.V.(LGERES)	669,736	495,812	173,924	2,990,829	23,918	44,065
LG Electronics Wroclaw Sp.z.o.o(LGEWR)	620,243	490,985	129,258	2,112,183	11,388	8,756
LG Electronics Mlawa Sp. z o.o(LGEMA)	600,503	305,244	295,259	2,267,778	42,258	36,201
LG Electronics Mexico S.A. DE C.V.(LGEMS)	543,083	406,675	136,408	1,204,857	4,414	4,698
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	538,631	473,823	64,808	4,664,198	4,468	9,573
P.T. LG Electronics Indonesia(LGEIN)	448,697	291,158	157,539	2,113,429	35,234	39,661
LG Electronics Deutschland GmbH(LGEDG)	439,151	386,397	52,754	1,326,882	(3,214)	(4,219)
LG Electronics United Kingdom Ltd.(LGEUK)	400,519	355,323	45,196	1,302,372	4,862	6,363
LG Electronics Huizhou Ltd.(LGEHZ)	383,062	296,308	86,754	1,709,482	20,400	28,495
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	345,242	266,875	78,367	1,545,769	16,512	28,490
LG Electronics Espana S.A.(LGEES)	340,660	313,494	27,166	1,245,029	(13,450)	(13,545)
LG Electronics Thailand Co.Ltd.(LGETH)	335,678	215,121	120,557	1,093,280	26,726	34,230
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	330,417	195,323	135,094	717,374	11,833	21,768
Hiplaza Co., Ltd.	326,645	217,982	108,663	1,161,639	(1,261)	(3,879)
LG Electronics France S.A.S(LGEFS)	317,372	255,177	62,195	1,391,895	9,270	8,967

Subsidiaries newly included in the consolidation are:

Subsidiaries	Reasons
ACE R&A Co., Ltd.	Acquisition of shares
Hi Entech Co., Ltd.	Acquisition of shares
LG Electronics Air-Conditioning(Shandong) Co.,Ltd.(LGEQA)	Acquisition of shares
LG Electronics Angola Limitada (LGEAO)	Newly established

Subsidiary eliminated from the consolidation is:

Subsidiary	Reason
Zenith IP LLC	Liquidation

## 2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years

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presented, unless otherwise stated.

Certain reclassifications have been made to the December 31, 2010 financial statements to conform to the December 31, 2011 financial statement presentation. This reclassification has no effect on net income or net asset amount for the prior year.

#### **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 following standards, amendments to standards and interpretations have been issued and announced as of the reporting date and shall be newly adopted by the Group for the year 2012 or thereafter.

- Korean IFRS 1101 (amendment): 'Severe Hyperinflation and Removal of Fixed Dates'
- Korean IFRS 1012 (amendment): 'Income Taxes'
- Korean IFRS 1019 (amendment): 'Employee Benefits'
- Korean IFRS 1107 (amendment): 'Financial instruments: Disclosures'
- Korean IFRS 1113 (amendment): 'Fair Value Measurement'

The Group expects additional disclosures would be necessary for the nature, carrying amounts, risks and rewards in relation to the transfer of trade receivables due to the amendment of Korean IFRS 1107, and is in the progress of understanding the potential influence from the application of Korean IFRS 1113.

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

#### **Consolidation**

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

##### *(a) Subsidiaries*

Subsidiaries are all entities over which the Parent Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half

## **LG Electronics and Subsidiaries**

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of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are de-consolidated from the date that control ceases.

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

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

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Unrealised losses are also eliminated after recognising impairment of transferred assets.

#### *(b) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss.

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

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

## **LG Electronics and Subsidiaries**

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#### *(c) Jointly controlled entities*

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

#### *(d) Transactions with non-controlling interests*

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

### **Segment Reporting**

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

### **Foreign Currency Translation**

#### *(a) Functional and presentation currency*

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

#### *(b) Transactions and balances*

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

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

## **LG Electronics and Subsidiaries**

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

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

#### **(c) Group companies**

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

- Assets and liabilities are translated at the closing rate as of the reporting date;
- Income and expenses are translated at monthly average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income.

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

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

#### **Cash and Cash Equivalents**

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

#### **Financial Instruments**

##### *(a) Classification*

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

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

Financial assets and liabilities at fair value through profit or loss are financial instruments held for trading. Financial assets and liabilities are classified in this category if acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives that are not designated as hedges and financial instruments having embedded derivatives are also included in this category. Financial assets and liabilities at fair value through profit or loss of the Group are categorised in 'other financial assets' and 'other financial liabilities' on the statement of financial position.

#### ii) Loans and receivables

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

#### iii) Held-to-maturity financial assets

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

#### iv) Available-for-sale financial assets

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

#### v) Financial liabilities measured at amortised cost

The Group classifies all non-derivative financial liabilities as financial liabilities measured at amortised cost except for financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition. In this case the transferred asset continues to be recognised and a financial liability is measured as the consideration received. Financial liabilities measured at amortised cost are included in

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non-current liabilities, except for maturities less than 12 months after the end of the reporting period, which are classified as current liabilities.

*(b) Recognition and Measurement*

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

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

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

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

*(c) Offsetting*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

*(d) Derecognition*

Financial assets are derecognised when the contractual rights to receive cash flows from the financial asset expire or the Group transfers substantially all the risks and rewards of ownership of the financial asset. If substantially all the risks and rewards of ownership are

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retained, the Group determines its retention of control to recognise the financial asset to the extent of its continuing involvement in the financial asset.

#### **Impairment of Financial Assets**

##### **(a) Assets carried at amortised cost**

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

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

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

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

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



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impairment loss is recognised directly in the statements of operations.

#### **(b) Assets classified as available-for-sale**

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

#### **Derivative Financial Instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss that does not meet the conditions for hedge accounting is recognised in 'other operating income and expense' or 'financial income and expenses' according to the nature of transactions.

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

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

#### **Trade Receivables**

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

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#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method, except for inventories in-transit which is determined using the specific identification method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The Group periodically reviews a possibility of the significant changes in net realizable value of inventories from disuse, decrease in market value and obsolescence and recognizes as 'Allowances for Valuation of Inventories'. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

#### **Assets classified as Held for Sale (Group classified as held for sale) and Discontinued Operations**

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

When a component of the Group representing a separate major line of business or geographical area of operation has been disposed of, or is subject to a sale plan involving loss of control of a subsidiary, the Group discloses in the statements of operations the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation. The net cash flows attributable to the operating, investing and financing activities of discontinued operations presented in the notes to the financial statements.

#### **Property, Plant and Equipment**

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditures directly attribute to the acquisition of the items.

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

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

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

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

#### **Borrowing Costs**

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

#### **Government Grants**

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

Government grants relating to costs are deferred and recognised in the statements of operations over the period necessary to match them with the costs that they are intended to compensate.

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

#### **Intangible Assets**

##### *(a) Goodwill*

Goodwill represents the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree over the net identifiable assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less

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accumulated impairment losses. Impairment losses on goodwill are not reversed.

#### *(b) Industrial property rights*

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

#### *(c) Development costs*

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

#### *(d) Other intangible assets*

Other intangible assets such as software which meet the definition of an intangible asset are amortised using the straight-line method over their estimated useful lives of 5 - 30 years when the asset is available for use. Membership rights are regarded as intangible assets with indefinite useful life and not amortised because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. All membership rights are tested annually for impairment and stated at cost less accumulated impairment. Impairment losses are not reversed.

### **Research and Development Costs**

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

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as

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an asset in a subsequent period. Capitalised development costs which are stated as intangible assets are amortised using the straight-line method when the assets are available for use and are tested for impairment.

#### **Investment Property**

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

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

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

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

#### **Impairment of Non-Financial Assets**

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

#### **Trade Payables**

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

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#### **Borrowings**

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

#### **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources required to settle the obligation is probable and can be reliably estimated. The Group recognises a warranty provision, a sales return provision, a provision for restoration, and a provision for litigation.

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

#### **Current and Deferred Income Tax**

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. It represents future tax consequences that will arise when recovering or settling the carrying amount of its assets and liabilities. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business

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combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

#### **Employee Benefits**

##### *(a) Defined benefit liability*

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

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of

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the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit liability is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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

#### *(b) Share-based payments*

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

#### *(c) Other long-term employee benefits*

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

#### *(d) Termination benefits*

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



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#### Share Capital

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

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

#### Revenue Recognition

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

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

##### *(a) Sales of goods*

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

The products are often sold with volume discounts and customers have a right to return faulty products. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. The Group recognises provisions for product warranties and sales returns based on reasonable expectation reflecting warranty obligation and sales return rates incurred historically (Note 19).

##### *(b) Sales of services*

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

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#### *(c) Royalty income*

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

#### *(d) Interest income*

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

#### *(e) Dividend income*

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

### **Leases**

#### *(a) Lessees*

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

Leases which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

#### *(b) Lessors*

The Group classifies a lease that transfers substantially all the risks and rewards incidental to ownership of an asset at inception of the lease as a finance lease. A lease other than a finance lease is classified as an operating lease.

Lease income from operating lease is recognised on a straight-line basis over the lease term. Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

### **Dividend Distribution**

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

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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 date are addressed below.

##### **Estimated Impairment of Goodwill**

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

##### **Income Taxes**

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

##### **Fair Value of Financial Instruments**

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

##### **Provisions**

The Group 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 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 liability. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based on current market conditions. Additional information is disclosed in Note 18.

**4. Segment Information**

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

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

The segment information for sales and operating income (loss) for the years ended December 31, 2011 and 2010, is as follows:

<i>(in millions of Korean won)</i>	<u>2011</u>		<u>2010</u>	
	<u>Segment</u>	<u>Segment</u>	<u>Segment</u>	<u>Segment</u>
	<u>Sales</u>	<u>operating income (loss)</u>	<u>sales</u>	<u>operating income(loss)</u>
Home Entertainment (HE)	22,381,431	423,211	23,695,063	144,765
Mobile Communications (MC)	11,692,490	(281,240)	12,975,232	(654,010)
Home Appliance (HA)	11,111,334	295,105	10,390,576	516,377
Air Conditioning & Energy Solution (AE)	<u>4,557,041</u>	<u>58,165</u>	<u>4,042,932</u>	<u>47,219</u>
<b>Sub total</b>	<u>49,742,296</u>	<u>495,241</u>	<u>51,103,803</u>	<u>54,351</u>
Other segments <sup>1</sup> and inter-segment transactions <sup>2</sup>	<u>4,514,289</u>	<u>(214,978)</u>	<u>4,650,001</u>	<u>122,118</u>
<b>Total</b>	<u>54,256,585</u>	<u>280,263</u>	<u>55,753,804</u>	<u>176,469</u>

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

<sup>2</sup> Sales between segments are carried out at arm's length.

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The segment information for assets and liabilities is as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010	
	Segment Assets	Segment liabilities	Segment assets	Segment Liabilities
Home Entertainment (HE)	13,536,501	11,085,984	13,531,228	10,893,636
Mobile Communications (MC)	6,700,729	4,193,013	7,619,597	4,794,633
Home Appliance (HA)	7,537,577	5,556,075	6,601,463	4,643,048
Air Conditioning & Energy Solution (AE)	2,952,806	1,940,459	2,727,760	1,751,205
<b>Sub total<sup>1</sup></b>	<b>30,727,613</b>	<b>22,775,531</b>	<b>30,480,048</b>	<b>22,082,522</b>
Other segments and inter-segment transactions	1,930,844	(3,265,322)	1,838,451	(2,623,660)
<b>Total</b>	<b>32,658,457</b>	<b>19,510,209</b>	<b>32,318,499</b>	<b>19,458,862</b>

<sup>1</sup> 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 years ended December 31, 2011 and 2010, and non-current assets by geographic areas are as follows:

<i>(in millions of Korean won)</i>	External sales		Non-current assets <sup>1</sup>	
	2011	2010	December 31, 2011	December 31, 2010
Korea	9,290,586	8,285,162	6,294,475	5,475,146
North America	11,778,334	12,133,362	139,883	132,619
Europe	7,214,189	9,716,943	249,278	260,976
Central & South America	7,394,826	7,303,319	431,712	373,737
Asia & Africa	11,336,297	10,926,672	418,773	385,532
China	4,136,070	4,640,823	635,135	528,099
Commonwealth of Independent States	3,106,283	2,747,523	164,193	115,053
<b>Total</b>	<b>54,256,585</b>	<b>55,753,804</b>	<b>8,333,449</b>	<b>7,271,162</b>

<sup>1</sup> Non-current assets consist of property, plant and equipment, intangible assets, investment property.

There is no external customer attributing to more than 10% of total sales for the years ended December 31, 2011 and 2010.

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**5. Financial Instruments by Category**

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

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

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

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 as available-for-sale			Total
	profit or loss	Derivatives for hedge	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
<b>Total</b>	<b>1,814</b>	<b>-</b>	<b>10,205,211</b>	<b>47,471</b>	<b>58,130</b>	<b>-</b>	<b>10,312,626</b>

<i>(in millions of Korean won)</i>	Liabilities at fair value through		Liabilities carried at		Total
	profit or loss	Derivatives for hedge	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

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Other financial liabilities	42,543	263	-	42,806
Other liabilities	-	-	553	553
<b>Total</b>	<b>42,543</b>	<b>263</b>	<b>14,831,790</b>	<b>14,874,596</b>

Income and expenses per categorisations of financial instruments for the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	Assets at fair value through		Assets classified			Total
	profit or loss	Derivatives for hedge	Loans and Receivables	as available-for-sale	Held-to-maturity financial assets	
Interest Income	-	-	86,216	5	4,354	90,575
Exchange differences	-	-	1,860	-	(465)	1,395
Bad debt expenses	-	-	(4,546)	-	-	(4,546)
Loss on the transfer of trade receivables	-	-	(44,716)	-	-	(44,716)
Loss on valuation of available- for-sale financial assets	-	-	-	(3,474)	-	(3,474)
Gains on sales of available- for-sale financial assets	-	-	-	658	-	658
Dividend income	-	-	-	468	-	468
Derivatives (Profit or loss)	64,179	-	-	-	-	64,179
Derivatives (Other comprehensive income)	-	(4,717)	-	-	-	(4,717)
Other	-	-	-	(761)	-	(761)

<i>(in millions of Korean won)</i>	Liabilities at fair value through		Liabilities carried at		Total
	profit or loss	Derivatives for hedge	amortised cost		
Interest expenses	-	-	(318,850)		(318,850)
Exchange differences	-	-	(207,359)		(207,359)
Derivatives (Profit or loss)	(63,749)	-	-		(63,749)

Income and expenses per categorisations of financial instruments for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	Assets at fair value through		Assets classified			Total
	profit or loss	Derivatives for hedge	Loans and Receivables	as available-for-sale	Held-to-maturity financial assets	
Interest Income	-	-	74,290	-	4,563	78,853
Exchange differences	-	-	(189,324)	-	-	(189,324)
Bad debt expenses	-	-	(8,979)	-	-	(8,979)
Loss on the transfer of trade receivables	-	-	(38,390)	-	-	(38,390)

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Loss on valuation for-sale financial assets	-	-	-	(1,262)	-	(1,262)
Loss on sales of available- for-sale financial assets	-	-	-	(80)	-	(80)
Dividend income	-	-	-	320	-	320
Derivatives (Profit or loss)	111,336	-	-	-	-	111,336
Other	-	-	-	(3,766)	-	(3,766)

<i>(in millions of Korean won)</i>	Liabilities at fair value through profit or loss	Derivatives for hedge	Liabilities carried at amortised cost	Total
Interest expenses	-	-	(233,056)	(233,056)
Exchange differences	-	-	177,792	177,792
Derivatives (Profit or loss)	(66,028)	-	-	(66,028)
Derivatives (Other comprehensive income)	-	(38)	-	(38)

**6. Cash and Cash Equivalents, and Financial Deposits**

Cash and cash equivalents in the consolidated statements of financial position are equal to the cash and cash equivalents in consolidated statements of cash flows.

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010
Cash on hand	6,080	17,792
Bank deposits	2,339,385	1,926,370
<b>Total</b>	<b>2,345,465</b>	<b>1,944,162</b>

The financial deposits restricted in use are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010
<b>Restricted financial deposits</b>		
Current	50,000	35,000
Non-current	129,300	104,772
<b>Total</b>	<b>179,300</b>	<b>139,772</b>

**7. Trade Receivables, and Loans and Other Receivables**

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



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<i>(in millions of Korean won)</i>	December 31, 2011			December 31, 2010		
	Original amount	Less : allowance for doubtful accounts	Carrying amount	Original amount	Less : allowance for doubtful accounts	Carrying amount
<b>Current</b>						
Trade receivables	6,853,722	(101,163)	6,752,559	7,122,430	(120,468)	7,001,962
Loans and Other						
Receivables	562,560	(68,321)	494,239	589,054	(64,008)	525,046
<b>Non-Current</b>						
Loans and Other						
Receivables	611,322	(613)	610,709	544,068	(506)	543,562

The details of loans and other receivables are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010
<b>Current</b>		
Loans	24,067	19,938
Non-trade Receivables	312,591	353,568
Accrued Income	148,680	136,951
Deposits	8,901	14,589
<b>Sub-Total</b>	<b>494,239</b>	<b>525,046</b>
<b>Non-Current</b>		
Loans	162,757	131,717
Non-trade Receivables	43,589	42,540
Deposits	404,363	369,305
<b>Sub-Total</b>	<b>610,709</b>	<b>543,562</b>
<b>Total</b>	<b>1,104,948</b>	<b>1,068,608</b>

The fair values of non-current loans and other receivables are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010
Loans	128,430	111,390
Non-trade Receivables	38,139	38,758
Deposits	394,765	366,126
<b>Total</b>	<b>561,334</b>	<b>516,274</b>

The fair values of non-current loans and other receivables are based on cash flows discounted using a discount rate of 6.31% reflecting credit risks (2010: 6.12%). The carrying amount of current receivables is a reasonable approximation of fair value.

The ageing analysis of these trade receivables and loans and other receivables as of December 31, 2011, is as follows:

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<i>(in millions of Korean won)</i>	Current	Overdue				Defaulted	Total
		Up to 3 months	4 to 6 months	7 to 12 months	Over one year		
Trade receivables	6,149,878	509,892	15,642	7,832	18,803	151,675	6,853,722
Loans and other receivables							
Current	449,309	29,032	19,332	17,176	33,865	13,846	562,560
Non-current	593,710	6,537	5,584	4,293	1,198	-	611,322

The ageing analysis of these trade receivables and loans and other receivables as of December 31, 2010, is as follows:

<i>(in millions of Korean won)</i>	Current	Overdue				Defaulted	Total
		Up to 3 months	4 to 6 months	7 to 12 months	Over one year		
Trade receivables	6,490,965	404,272	40,092	11,368	58,173	117,560	7,122,430
Loans and other receivables							
Current	536,829	33,435	3,316	940	4,811	9,723	589,054
Non-current	495,833	30,881	3,062	869	4,443	8,980	544,068

Overdue receivables are presented prior to any bad debt allowance which is recognised based on ageing analysis and historical experience.

Defaulted receivables which are uncertain to be collected due to reasons including debtors' insolvency are classified into composition receivables and other defaulted receivables. In case of receivables from a debtor under court receivership or composition, its carrying amount is measured at the present value of estimated future cash flows based on repayment schedule. All other defaulted receivables are measured based on the class and amount of provided collateral.

The movements in bad debt allowance for the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	At January 1	Addition	Reversal	Write-off	Other	At December 31
Trade receivables	120,468	(2,196)	(53)	(21,803)	4,747	101,163
Loans and other receivables						
Current	64,008	6,390	-	(1,836)	(241)	68,321
Non-current	506	405	-	(285)	(13)	613

The movements in bad debt allowance for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	At January 1	Addition	Reversal	Write-off	Other	At December 31
Trade receivables	120,715	10,906	(7,282)	(3,240)	(631)	120,468
Loans and other receivables						
Current	65,484	6,752	(1,652)	(6,554)	(22)	64,008
Non-current	429	345	(90)	(182)	4	506

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The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The bad debt expenses of trade receivables have been included in 'selling and marketing expenses' in the statements of operations and the bad debt expenses of other receivables have been included in 'other operating expenses'. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

**8. Other Financial Assets and Liabilities**

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

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010
<b>Other financial assets</b>		
Derivatives	14,677	1,814
Available-for-sale	68,617	47,471
Held-to-maturity	57,665	58,130
<b>Total</b>	<b>140,959</b>	<b>107,415</b>
Current	1,677	1,814
Non-current	139,282	105,601
<b>Other financial liabilities</b>		
Derivatives	14,238	42,806
<b>Total</b>	<b>14,238</b>	<b>42,806</b>
Current	13,860	5,314
Non-current	378	37,492

Details of derivatives and liabilities are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
<b>Current</b>				
Currency Forward	1,146	1,150	1,814	1,316
Currency Swap	531	11	-	-
Interest Swap	-	12,699	-	3,998
<b>Sub-total</b>	<b>1,677</b>	<b>13,860</b>	<b>1,814</b>	<b>5,314</b>
<b>Non-current</b>				
Currency Swap	11,845	378	-	-
Interest Swap	1,155	-	-	37,492
<b>Sub-total</b>	<b>13,000</b>	<b>378</b>	<b>-</b>	<b>37,492</b>
<b>Total</b>	<b>14,677</b>	<b>14,238</b>	<b>1,814</b>	<b>42,806</b>

The maximum exposure to credit risk as of the reporting date is the fair value of derivatives as of the same date.

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The details of major currency forward contracts are as follows:

<u>December 31, 2011</u>	<u>Contracted currency rate</u>	<u>Selling amounts (in millions)</u>	<u>Purchase amounts (in millions)</u>	<u>Expiration</u>
Currency forward (IDR/USD)	3,776.6	IDR 117,983	USD 31	2012.3.26
Currency forward (RUB/USD)	32.1	RUB 1,056	USD 33	2012.3.26

The details of currency swap contracts are as follows<sup>1</sup>:

<u>December 31, 2011</u>	<u>Contracted currency rate</u>	<u>Selling amounts (in millions)</u>	<u>Purchase amounts (in millions)</u>	<u>Expiration</u>
Currency swap (KRW/USD)	1,079.9	KRW 183,583	USD 170	2014.4.28
Currency swap (KRW/USD)	1,083.4	KRW 108,340	USD 100	2014.8.23

<sup>1</sup>The Group entered into the cross-currency interest rate swap contract 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 measured at the fair value amounting to ₩4,923 million, net of income tax, is recognised in other comprehensive loss.

The details of interest swap contracts are as follows:

<u>December 31, 2011</u>	<u>Contracted amounts (in millions)</u>	<u>Interest rate (paid) (%)</u>	<u>Interest rate (received) (%)</u>	<u>Expiration</u>
Interest swap	USD 500	5.62%	3M Libor + 65bp	2012.5.15

Assets classified as available-for-sale are as follows:

<u>(in millions of Korean won)</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Listed Equity Securities	8,969	13,508
Unlisted Equity Securities	52,873	28,077
Debt Securities	6,775	5,886
<b>Total</b>	<b>68,617</b>	<b>47,471</b>

The amounts recognised as other comprehensive loss resulting from valuation of available-for-sale financial assets is ₩3,721 million (2010: ₩1,371 million) and the amounts reclassified from equity into the statements of operations is ₩247 million (2010: ₩109 million). Also, impairment losses in the amount of ₩761 million (2010: ₩3,766 million) were recognised.

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The unlisted securities mentioned above are measured at cost as they are in the beginning of their business stages that variables of cash flow are significant and their fair values cannot be reliably measured.

Held-to-maturity financial assets consists of :

<i>(in millions of Korean won)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Maturity		
1 to 5 year	57,665	58,130

The amount recognised as interest income in relation to held-to-maturity financial assets is ₩4,354 million (2010: ₩4,563 million). No impairment losses were recognized in relation to held-to-maturity financial assets.

**9. Inventories**

Inventories consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Merchandise and finished products	2,912,117	3,480,831
Work-in-process	182,655	237,413
Raw materials and supplies	1,592,184	1,917,378
Other	260,204	236,798
<b>Total</b>	<b>4,947,160</b>	<b>5,872,420</b>

The cost of inventories recognised as expense and included in 'Cost of Sales' amounts to ₩40,785,068 million (2010: ₩42,076,632 million) including 'Losses on Valuation of Inventories' of ₩17,282 million (2010: ₩92,351 million). No reversal of allowance for 'Losses on Valuation of Inventories' was recognised (2010: nil).

**10. Other Assets**

<i>(in millions of Korean won)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Current:</b>		
Advances	178,690	162,035
Prepaid expenses	291,347	263,447
Prepaid value added tax	420,348	499,274
Other	3	57
<b>Sub Total</b>	<b>890,388</b>	<b>924,813</b>
<b>Non-Current:</b>		
Long-term prepaid expenses	526,070	503,316
Long-term advances	275,226	283,570
Other investment assets	11,886	14,381
<b>Sub Total</b>	<b>813,182</b>	<b>801,267</b>
<b>Total</b>	<b>1,703,570</b>	<b>1,726,080</b>

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**11. Property, Plant and Equipment**

Carrying amounts of property, plant and equipment consist of:

<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction-in-progress	Total
<b>At December 31, 2011</b>									
Cost	1,995,098	3,468,651	268,877	3,397,677	2,737,500	777,603	305,910	338,460	13,289,776
Accumulated depreciation	-	(730,977)	(96,356)	(2,297,299)	(2,148,319)	(577,203)	(110,103)	-	(5,960,257)
Accumulated Impairment	-	(2,546)	(406)	(30,818)	(4,782)	(504)	(50)	-	(39,106)
<b>Net book amounts</b>	<b>1,995,098</b>	<b>2,735,128</b>	<b>172,115</b>	<b>1,069,560</b>	<b>584,399</b>	<b>199,896</b>	<b>195,757</b>	<b>338,460</b>	<b>7,290,413</b>
<b>At December 31, 2010</b>									
Cost	1,842,776	3,197,718	238,232	3,002,049	2,401,253	728,370	189,668	335,861	11,935,927
Accumulated depreciation	-	(642,390)	(85,943)	(2,111,735)	(1,926,874)	(550,545)	(83,269)	-	(5,400,756)
Accumulated depreciation	-	(2,376)	(395)	(28,398)	(3,387)	(109)	(22)	-	(34,687)
<b>Net book amounts</b>	<b>1,842,776</b>	<b>2,552,952</b>	<b>151,894</b>	<b>861,916</b>	<b>470,992</b>	<b>177,716</b>	<b>106,377</b>	<b>335,861</b>	<b>6,500,484</b>

Changes in property, plant and equipment are as follows:

<i>(in millions of Korean won)</i>	2011								Total
	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction-in-progress	
<b>At January 1, 2011</b>	1,842,776	2,552,952	151,894	861,916	470,992	177,716	106,377	335,861	6,500,484
Acquisitions	35,753	70,312	10,491	119,148	237,590	95,645	81,830	1,179,239	1,830,008
Transfer-in (out)	121,773	246,804	30,207	412,134	264,880	7,427	81,219	(1,173,476)	(9,032)
Disposals / reclassification to assets held for sale	(4,053)	(18,716)	(4,275)	(8,521)	(12,277)	(5,725)	(32,851)	(1,476)	(87,894)
Depreciation	-	(98,141)	(15,056)	(305,024)	(368,305)	(72,040)	(37,443)	-	(896,009)
Impairment / reversal	-	(1,256)	(215)	(4,119)	(1,507)	(707)	(1,428)	-	(9,232)
Changes in scope of subsidiaries	3,637	10,191	1,027	10,579	912	503	489	1,132	28,470
Exchange differences	(4,788)	(27,018)	(1,958)	(16,553)	(7,886)	(2,923)	(2,436)	(2,820)	(66,382)
<b>At December 31, 2011</b>	<b>1,995,098</b>	<b>2,735,128</b>	<b>172,115</b>	<b>1,069,560</b>	<b>584,399</b>	<b>199,896</b>	<b>195,757</b>	<b>338,460</b>	<b>7,290,413</b>

Changes in property, plant and equipment are as follows:

<i>(in millions of Korean won)</i>	2010								Total
	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction-in-progress	
<b>At January 1, 2010</b>	1,970,895	3,015,266	191,391	1,378,491	437,173	188,336	95,166	432,215	7,708,933
Acquisitions	21,956	60,975	5,260	179,007	291,716	96,379	41,442	1,048,484	1,745,219
Transfer-in (out)	39,434	91,512	13,977	317,420	168,361	5,932	1,459	(624,078)	14,017
Disposals / reclassification to assets held for sale	(42,948)	(157,980)	(27,942)	(91,293)	(18,378)	(11,671)	(3,751)	(93,825)	(447,788)
Depreciation	-	(96,003)	(13,764)	(428,727)	(363,501)	(80,877)	(24,456)	-	(1,007,328)

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Impairment / reversal	-	(58)	(3)	(155)	(926)	(145)	(4)	-	(1,291)
Changes in scope of subsidiaries	(146,009)	(349,241)	(17,813)	(492,022)	(40,760)	(19,611)	(2,198)	(425,048)	(1,492,702)
Exchange differences	(552)	(11,519)	788	(805)	(2,693)	(627)	(1,281)	(1,887)	(18,576)
<b>At December 31, 2010</b>	<b>1,842,776</b>	<b>2,552,952</b>	<b>151,894</b>	<b>861,916</b>	<b>470,992</b>	<b>177,716</b>	<b>106,377</b>	<b>335,861</b>	<b>6,500,484</b>

Borrowing costs amounting to ₩ 3,881 million (2010: ₩1,442 million) are capitalised as acquisition costs and a capitalization rate of 5.31% is applied.

Amounts of property, plant and equipment pledged as collateral for various borrowings from banks are ₩ 140,151 million (2010: ₩126,920 million).

**12. Intangible assets**

Carrying amounts of intangible assets consist of:

<i>(in millions of Korean won)</i>	<b>Goodwill</b>	<b>Industrial property rights</b>	<b>Development costs</b>	<b>Other intangible assets</b>	<b>In-progress</b>	<b>Total</b>
<b>At December 31, 2011</b>						
Cost	148,462	526,784	1,047,505	456,444	77,619	2,256,814
Accumulated amortisation and impairment	-	(216,722)	(765,359)	(238,936)	-	(1,221,017)
<b>Net book amounts</b>	<b>148,462</b>	<b>310,062</b>	<b>282,146</b>	<b>217,508</b>	<b>77,619</b>	<b>1,035,797</b>
<b>At December 31, 2010</b>						
Cost	38,873	403,356	850,129	382,058	46,068	1,720,484
Accumulated amortisation and impairment	-	(175,562)	(565,212)	(216,328)	-	(957,102)
<b>Net book amounts</b>	<b>38,873</b>	<b>227,794</b>	<b>284,917</b>	<b>165,730</b>	<b>46,068</b>	<b>763,382</b>

Changes in intangible assets are as follows:

<i>(in millions of Korean won)</i>	2011					
	<b>Goodwill</b>	<b>Industrial property rights</b>	<b>Development costs</b>	<b>Other intangible assets</b>	<b>In-progress</b>	<b>Total</b>
<b>At January 1, 2011</b>	38,873	227,794	284,917	165,730	46,068	763,382
Acquisitions	-	1,949	58,104	56,252	203,545	319,850
Transfer-in (out)	(727)	112,058	163,074	14,801	(169,454)	119,752
Disposals	-	(5,410)	(9,466)	(3,580)	(2,777)	(21,233)
Amortisation	-	(46,197)	(216,329)	(43,780)	-	(306,306)
Impairment / reversal	-	(130)	(16)	(59)	-	(205)
Changes in scope of subsidiaries	110,286	19,985	1,717	28,975	265	161,228
Exchange differences	30	13	145	(831)	(28)	(671)
<b>At December 31, 2011</b>	<b>148,462</b>	<b>310,062</b>	<b>282,146</b>	<b>217,508</b>	<b>77,619</b>	<b>1,035,797</b>

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<i>(in millions of Korean won)</i>	2010					Total
	Goodwill	Industrial property rights	Development costs	Other intangible assets	In-progress	
<b>At January 1, 2010</b>	36,502	235,535	207,967	186,324	137,500	803,828
Acquisitions	2,111	2,754	63,200	37,265	182,219	287,549
Transfer-in (out)	-	75,262	250,097	601	(247,465)	78,495
Disposals	-	(14,249)	(16,703)	(2,504)	(2,025)	(35,481)
Amortisation	-	(40,081)	(201,263)	(41,091)	-	(282,435)
Impairment / reversal	-	-	-	-	(264)	(264)
Changes in scope of subsidiaries	-	(31,459)	(18,310)	(14,579)	(23,886)	(88,234)
Exchange differences	260	32	(71)	(286)	(11)	(76)
<b>At December 31, 2010</b>	<b>38,873</b>	<b>227,794</b>	<b>284,917</b>	<b>165,730</b>	<b>46,068</b>	<b>763,382</b>

Amortisation of intangible assets was presented as follows:

<i>(in millions of Korean won)</i>	2011	2010
Cost of sales	55,177	58,827
Selling and marketing expenses	7,964	6,267
Administrative expenses	92,823	90,299
Research and development expenses	148,017	124,701
Service Costs	2,325	2,341
<b>Total</b>	<b>306,306</b>	<b>282,435</b>

Goodwill is allocated among the Group's cash-generating units (CGUs) according to operating segments. An operating segment-level summary of goodwill allocation is presented below.

<i>(in millions of Korean won)</i>	AE <sup>1</sup>	HA <sup>1</sup>	MC	HE	Other	Total
Goodwill	64,531	47,886	29,894	1,930	4,241	148,462

<sup>1</sup>As the Group acquired the chiller business of LS MTRON and Hi Entech Co., Ltd., additional goodwill amounting to ₩64,531 million and ₩45,755 million are recognised by AE company and HA company, respectively (Note 43).

The recoverable amount of CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using the estimated growth rate which does not exceed the long-term average growth rate for the electronic business in which the CGU operated.

Management determined the budgeted EBIT margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. Discount rates used for value-in-use



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calculations of AE, HA and MC companies are 13.4%, 11.1%, and 13.6%, respectively.

The recoverable amounts based on value-in-use calculations exceed carrying amounts and no impairments were recognised.

**13. Investments in jointly controlled entities and associates**

Investments in jointly controlled entities and associates for the years ended December 31, 2011 and 2010, are as follows:

	Domicile	Percentage of Ownership at December 31, 2011	December 31, 2011				December 31, 2010			
			Acquisition Cost	Net asset amount	Unrealised gain	Carrying amount	Acquisition Cost	Net asset amount	Unrealised gain	Carrying amount
LG Display Co., Ltd.	Korea	37.9%	679,218	3,829,341	(35,172)	3,794,169	679,218	4,172,296	(19,822)	4,152,474
LG Innotek Co., Ltd.	Korea	47.9%	381,795	1,351,819	(1,028)	1,350,791	381,795	1,457,670	(943)	1,456,727
LG-Ericsson Co., Ltd	Korea	50.0%	53,255	203,968	(2,451)	201,517	53,255	130,195	(2,865)	127,330
LG Holdings (HK) Ltd.	Hongkong	49.0%	115,234	113,180	-	113,180	115,234	98,504	-	98,504
Hitachi-LG Data Storage Inc. (HLDS)	Japan	49.0%	7,684	44,027	(271)	43,756	7,684	55,558	(776)	54,782
Global OLED Technology LLC	USA	32.7%	53,454	43,750	-	43,750	53,454	47,594	-	47,594
Arcellic-LG Klima Sanayive Ticarta S.(LGEAT)	Turkey	50.0%	14,718	38,982	(3,223)	35,759	14,718	43,128	(2,271)	40,857
EIC PROPERTIES PTE LTD	Singapore	38.2%	9,636	13,960	-	13,960	9,636	11,732	-	11,732
LG Fund for Enterprises	Korea	50.0%	3,678	2,941	-	2,941	12,500	15,256	-	15,256
Korea Information Certificate Authority Inc. <sup>1</sup>	Korea	9.3%	852	2,137	-	2,137	852	1,811	-	1,811
Mobile Technology of Human Inc.	Korea	22.2%	2,998	1,239	-	1,239	2,000	503	-	503
Electromagnetica Goldstar S.R.L	Romania	0.0%	-	-	-	-	508	575	-	575
LG Pasig	Philippines	40.0%	-	(1,468)	-	-	-	(1,451)	-	-
SKT Vietnam Pte. Ltd	Vietnam	25.4%	72,194	8,129	-	-	72,194	16,858	-	-
<b>Total</b>			<b>1,394,716</b>	<b>5,652,005</b>	<b>(42,145)</b>	<b>5,603,199</b>	<b>1,403,048</b>	<b>6,050,229</b>	<b>(26,677)</b>	<b>6,008,145</b>

<sup>1</sup>It is classified as an associate although the rate of ownership is less than 20% because the Group can exercise its voting rights in the Board of Directors.

Assessment of the equity method of accounting on jointly controlled entities and associates for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011						
	Beginning	Acquisition	Disposal	Dividend/recovery	Profit/loss <sup>1</sup>	Other	Ending
LG Display Co., Ltd.	4,152,474	-	-	(67,813)	(301,730)	11,238	3,794,169
LG Innotek Co., Ltd.	1,456,727	-	-	(3,379)	(103,734)	1,177	1,350,791
LG-Ericsson Co., Ltd	127,330	-	-	-	75,342	(1,155)	201,517

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<i>(in millions of Korean won)</i>	2011						
	Beginning	Acquisition	Disposal	Dividend/ recovery	Profit/loss <sup>1</sup>	Other	Ending
LG Holdings(HK) Ltd.	98,504	-	-	-	9,037	5,639	113,180
Hitachi-LG Data Storage Inc.(HLDS)	54,782	-	-	-	(11,206)	180	43,756
Global OLED Technology LLC.	47,594	-	-	-	(4,253)	409	43,750
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	40,857	-	-	-	3,199	(8,297)	35,759
EIC PROPERTIES PTE LTD.	11,732	-	-	-	2,192	36	13,960
LG Fund for Enterprises	15,256	-	-	(13,200)	885	-	2,941
Korea Information Certificate Authority Inc.	1,811	-	-	-	325	1	2,137
Mobile Technology of Human Inc.	503	998	-	-	(262)	-	1,239
Electromagnetica Goldstar S.R.L	575	-	(1,370)	-	733	62	-
LG Pasig	-	-	-	-	-	-	-
SKT Vietnam PTE., Ltd.	-	-	-	-	-	-	-
<b>Total</b>	<b>6,008,145</b>	<b>998</b>	<b>(1,370)</b>	<b>(84,392)</b>	<b>(329,472)</b>	<b>9,290</b>	<b>5,603,199</b>

<sup>1</sup> 'Income from jointly controlled entities and associates' on the statements of operations includes loss on disposal amounting to ₩1,586 million.

<i>(in millions of Korean won)</i>	2010						
	Beginning	Acquisition	Disposal	Dividend/ recovery	Profit/loss <sup>3</sup>	Other	Ending
LG Display Co., Ltd.	3,801,048	-	-	(67,814)	412,109	7,131	4,152,474
LG Innotek Co., Ltd. <sup>2</sup>	-	1,437,601	-	-	36,044	(16,918)	1,456,727
LG-Ericsson Co., Ltd	207,522	-	-	(99,999)	21,935	(2,128)	127,330
LG Holdings(HK) Ltd.	117,556	-	-	-	3,964	(23,016)	98,504
Hitachi-LG Data Storage Inc. (HLDS)	59,833	-	-	-	(7,560)	2,509	54,782
Global OLED Technology LLC.	72,486	-	(18,959)	-	(4,487)	(1,446)	47,594
Arcelic-LG Klima Sanayive Ticarta A.S.(LGEAT)	42,863	-	-	-	357	(2,363)	40,857
LG Fund for Enterprises	14,537	-	-	-	3,008	(2,289)	15,256
EIC PROPERTIES PTE LTD.	7,728	-	-	-	3,465	539	11,732
Korea Information Certificate Authority Inc.	2,499	-	-	(1,000)	274	38	1,811
Electromagnetica Goldstar S.R.L	508	-	-	-	145	(78)	575
Mobile Technology of Human Inc.	2,000	-	-	-	(1,497)	-	503
Hankuk Electric Glass Co.,	67,322	-	(68,268)	(806)	1,752	-	-

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<i>(in millions of Korean won)</i>	2010						
	Beginning	Acquisition	Disposal	Dividend/ recovery	Profit/loss <sup>3</sup>	Other	Ending
Ltd.							
LG-Shaker Co. Ltd(LGESR)	8,261	-	-	-	-	(8,261)	-
LG Pasig	-	-	-	-	-	-	-
SKT Vietnam PTE., Ltd.	-	-	-	-	-	-	-
<b>Total</b>	<b>4,404,163</b>	<b>1,437,601</b>	<b>(87,227)</b>	<b>(169,619)</b>	<b>469,509</b>	<b>(46,282)</b>	<b>6,008,145</b>

<sup>2</sup>The Group lost control but the retained investment and classified it as an associate. The Group initially recognised a fair value of ₩1,307,908 million and subsequently participated in the issuance of new shares amounting to ₩129,693 million.

<sup>3</sup>'Income from jointly controlled entities and associates' on the statements of operations includes gain on disposal amounting to ₩22,644 million and loss on disposal amounting to ₩14,831 million.

The Group's share of the operating results of its principal associates and its aggregated assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
LG Display Co., Ltd.	9,532,770	5,703,429	9,012,322	4,840,026
LG Innotek Co., Ltd.	2,855,251	1,503,432	2,786,204	1,328,534
LG-Ericsson Co., Ltd	442,813	238,845	273,329	143,134
LG Holdings (HK) Ltd.	200,376	87,196	191,749	93,245
Hitachi-LG Data Storage Inc. (HLDS)	191,337	147,310	235,982	180,424
Arcelic-LG Klima Sanayivez Ticarta A.S.(LGEAT)	81,522	42,540	129,504	86,376
Other	92,155	21,467	109,465	16,587
<b>Total</b>	<b>13,396,224</b>	<b>7,744,219</b>	<b>12,738,555</b>	<b>6,688,326</b>

Goodwill and fair value adjustments on the identifiable assets and liabilities are included in the above assets and liabilities.

	2011			2010		
	Sales	Income	Comprehensive Income	Sales	Income	Comprehensive Income
LG Display Co., Ltd.	9,207,271	(286,440)	(275,142)	9,669,788	445,128	451,887
LG Innotek Co., Ltd.	2,180,214	(103,664)	(101,418)	1,623,398	36,986	35,326
LG-Ericsson Co., Ltd	693,788	74,928	73,773	369,858	17,435	15,311
LG Holdings (HK) Ltd.	17,300	9,273	14,912	15,741	3,971	4,286
Hitachi-LG Data Storage Inc. (HLDS)	816,660	(3,516)	(3,338)	1,221,947	8,487	10,999
Arcelic-LG Klima Sanayive Ticarta A.S.(LGEAT)	227,596	4,118	(4,147)	195,207	1,820	(561)
Other	5,557	(775)	(329)	5,603	1,990	(1,542)
<b>Total</b>	<b>13,148,386</b>	<b>(306,076)</b>	<b>(295,689)</b>	<b>13,101,542</b>	<b>515,817</b>	<b>515,706</b>

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The share of total comprehensive losses of associates amounting to ₩46,172 million (2010: ₩37,426 million) has not been recognized due to the excess of losses over the interest in associates.

The fair values of listed associates are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
LG Display Co., Ltd.	3,322,813	5,397,875
LG Innotek Co., Ltd.	654,486	1,293,526

**14. Investment Property**

Changes in carrying amounts of investment property for the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>At January 1</b>	2,880	4,415	7,295
Transfer-in(out)	(427)	534	107
Disposals / reclassification to assets held for sale	-	-	-
Depreciation	-	(163)	(163)
<b>At December 31</b>	<b>2,453</b>	<b>4,786</b>	<b>7,239</b>

Changes in carrying amounts of investment property for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>At January 1</b>	6,750	6,229	12,979
Transfer-out	-	(1,126)	(1,126)
Disposals / reclassification to assets held for sale	(3,870)	(475)	(4,345)
Depreciation	-	(213)	(213)
<b>At December 31</b>	<b>2,880</b>	<b>4,415</b>	<b>7,295</b>

The fair value of investment property as of December 31, 2011, is ₩6,170 million (2010: ₩7,089 million).

Rental income amounting to ₩364 million (2010: ₩470 million) and operating expenses amounting to ₩173 million (2010: ₩230 million) are recognised in the statements of operations relating to investment property.

**15. Borrowings**

The carrying amounts of borrowings are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Current</b>		
Short-term borrowings	1,673,417	3,327,277
Current maturities of long-term borrowings	548,830	302,256
Current maturities of debentures	955,965	379,696

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<b>Sub-total</b>	<b>3,178,212</b>	<b>4,009,229</b>
<b>Non-current</b>		
Long-term borrowings	2,243,218	1,478,910
Debentures	2,014,188	1,704,796
<b>Sub-total</b>	<b>4,257,406</b>	<b>3,183,706</b>
<b>Total</b>	<b>7,435,618</b>	<b>7,192,935</b>

Short-term borrowings consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at Dec 31, 2011	Carrying amount	
			December 31, 2011	December 31, 2010
General loans				
HSBC and other	2012.11.1	1.55~15.49	1,145,838	1,191,907
Borrowings on negotiated trade bills				
Woori Bank and other	-	0.99~2.27	527,579	2,135,370
<b>Total</b>			<b>1,673,417</b>	<b>3,327,277</b>

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	Total	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
Kookmin Bank	2016. 5.24	4.73	190,000	-	190,000
NH Bank	2014. 3.10	4.70	190,000	-	190,000
Shinhan Bank	2016.10.19	4.37	190,000	-	190,000
Woori Bank	2014. 2.18	5.67	10,000	-	10,000
Woori Bank	2017.10.28	4.62	190,000	-	190,000
Small and Medium Business Corporation	2014.11.17	3.90	204	68	136
The Korea Development Bank	2012. 3.30	5.81	190,000	190,000	-
The Korea Development Bank	2013. 3.11	4.59	100,000	-	100,000
The Korea Development Bank	2014. 4. 7	4.45	190,000	-	190,000
The Korea Development Bank	2014. 6.24	5.56	8,000	-	8,000
The Korea Development Bank	2014. 6.24	5.68	6,000	-	6,000
The Korea Development Bank	2014. 6.24	5.31	6,000	-	6,000
The Korea Development Bank	2014.11.24	4.55	150,000	-	150,000
The Korea Development Bank	2014.12.24	4.71	140,000	-	140,000

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<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at Dec 31, 2011	Total	Annual interest rate (%) at Dec 31, 2011	
				Current	Non-current
The Korea Development Bank	2015. 3.10	5.06	90,000	-	90,000
Korea Finance Corporation	2014. 2.28	4.56	90,000	-	90,000
Korea Finance Corporation	2015. 3. 2	4.80	100,000	-	100,000
Korea Finance Corporation	2015. 9.14	4.57	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64	40,000	-	40,000
Korea Finance Corporation	2016. 4.20	4.63	30,000	-	30,000
Foreign currency loans					
The Korea Development Bank	2012. 6.26	3ML+0.4	230,660	230,660	-
SMBC Bank and other	-	5.99~10.3	231,184	128,102	103,082
<b>Total</b>			<b>2,792,048</b>	<b>548,830</b>	<b>2,243,218</b>

Long-term borrowings as of December 31, 2010, consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at Dec 31, 2010	Total	Annual interest rate (%) at Dec 31, 2010	
				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	4.37	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 other	2017.7.8	5.99~13.65	213,386	92,256	121,130
<b>Total</b>			<b>1,781,166</b>	<b>302,256</b>	<b>1,478,910</b>

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	Total	Annual interest rate (%) at Dec 31, 2011	
				Current	Non-current
Fixed rate notes in local currency					
Public, non-guaranteed bonds (49 <sup>th</sup> )	2012. 4.11	5.27	190,000	190,000	-
Public, non-guaranteed bonds (51 <sup>st</sup> )	2012. 2.17	5.99	190,000	190,000	-
Public, non-guaranteed bonds (54 <sup>nd</sup> )	2013. 4.22	4.20	190,000	-	190,000
Public, non-guaranteed bonds (55 <sup>rd</sup> )	2013. 6.16	4.60	190,000	-	190,000

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Public, non-guaranteed bonds (56 <sup>th</sup> )	2015. 9. 9	4.63	190,000	-	190,000
Public, non-guaranteed bonds (57 <sup>th</sup> )	2015.10.22	4.30	190,000	-	190,000
Public, non-guaranteed bonds (58 <sup>th</sup> -1)	2014. 2.16	4.44	130,000	-	130,000
Public, non-guaranteed bonds (58 <sup>th</sup> -2)	2016. 2.16	4.91	60,000	-	60,000
Public, non-guaranteed bonds (60 <sup>th</sup> )	2016. 5.20	4.41	190,000	-	190,000
Public, non-guaranteed bonds (61 <sup>st</sup> )	2016. 6.29	4.38	190,000	-	190,000
Public, non-guaranteed bonds (62 <sup>nd</sup> -1)	2013. 8. 5	3.89	110,000	-	110,000
Public, non-guaranteed bonds (62 <sup>nd</sup> -2)	2016. 8. 5	4.34	80,000	-	80,000
Public, non-guaranteed bonds (64 <sup>th</sup> )	2016. 9.30	4.32	190,000	-	190,000
Floating rate notes in foreign currency					
Citibank, N.A	2012. 5.15	3ML+0.65	576,650	576,650	-
Public, non-guaranteed bonds (59 <sup>th</sup> ) <sup>1</sup>	2014. 4.28	3ML+1.00	196,061	-	196,061
Private, non-guaranteed bonds (63 <sup>th</sup> ) <sup>1</sup>	2014. 8.23	3ML+0.70	115,330	-	115,330
Less: discount on debentures			(7,887)	(685)	(7,203)
<b>Total</b>			<b>2,970,154</b>	<b>955,965</b>	<b>2,014,188</b>

<sup>1</sup>The Group entered into the cross-currency interest rate swap contract to hedge cashflow risk related to floating interest rate and foreign exchange rate (Note 8).

Debentures as of December 31, 2010, consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at		Total	Current	Non-current
		Dec 31, 2010				
Fixed rate notes in local currency						
Public, non-guaranteed bonds (49 <sup>th</sup> )	2012.4.11	5.27		190,000	-	190,000
Public, non-guaranteed bonds (51 <sup>st</sup> )	2012.2.17	5.99		190,000	-	190,000
Public, non-guaranteed bonds (52 <sup>nd</sup> )	2011.5.28	4.30		190,000	190,000	-
Public, non-guaranteed bonds (53 <sup>rd</sup> )	2011.8.6	4.70		190,000	190,000	-
Public, non-guaranteed bonds (54 <sup>th</sup> )	2013.4.22	4.20		190,000	-	190,000
Public, non-guaranteed bonds (55 <sup>th</sup> )	2013.6.16	4.60		190,000	-	190,000
Public, non-guaranteed bonds (56 <sup>th</sup> )	2015.9.9	4.63		190,000	-	190,000
Public, non-guaranteed bonds (57 <sup>th</sup> )	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)
<b>Total</b>				<b>2,084,492</b>	<b>379,696</b>	<b>1,704,796</b>

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

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010	
	Carrying amount	Fair value <sup>1</sup>	Carrying amount	Fair value <sup>1</sup>
Long-term borrowings	2,243,218	2,303,461	1,478,910	1,510,156
Debentures	2,014,188	2,059,063	1,704,796	1,731,695
<b>Total</b>	<b>4,257,406</b>	<b>4,362,524</b>	<b>3,183,706</b>	<b>3,241,851</b>

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

Payment schedule<sup>1</sup> of borrowings as of December 31, 2011, is as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>1 year</b>	<b>Less than 2 years</b>	<b>5 years</b>	<b>Over 5 years</b>
Short-term borrowings	1,673,417	1,673,417	-	-	-
Current maturities of long-term borrowings	548,830	548,830	-	-	-
Current maturities of debentures	956,650	956,650	-	-	-
Long-term borrowings	2,243,218	-	395,194	1,654,641	193,383
Debentures	2,021,391	-	490,000	1,531,391	-
<b>Total</b>	<b>7,443,506</b>	<b>3,178,897</b>	<b>885,194</b>	<b>3,186,032</b>	<b>193,383</b>

<sup>1</sup> The above cash flow is undiscounted amount.

**16. Other Payables**

<i>(in millions of Korean won)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Current</b>		
Non-trade payables	1,872,973	1,780,808
Accrued expenses	1,888,487	1,927,979
Deposits received	18,698	21,505
<b>Sub-total</b>	<b>3,780,158</b>	<b>3,730,292</b>
<b>Non-current</b>		
Non-trade payables	9,643	7,322
Deposits received	10,847	4,275
<b>Sub-total</b>	<b>20,490</b>	<b>11,597</b>
<b>Total</b>	<b>3,800,648</b>	<b>3,741,889</b>

**17. Deferred Income Tax**

The analysis of deferred tax assets and deferred tax liabilities before offsetting is as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Deferred tax assets</b>		
Deferred tax asset to be recovered within 12 months	839,195	734,293
Deferred tax asset to be recovered after more than 12 months	1,417,296	1,139,270
<b>Deferred tax assets before offsetting</b>	<b>2,256,491</b>	<b>1,873,563</b>



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Deferred tax liabilities:

Deferred tax liability to be recovered within 12 months	77,807	33,589
Deferred tax liability to be recovered after more than 12 months	947,850	881,476
<b>Deferred tax liabilities before offsetting</b>	<b>1,025,657</b>	<b>915,065</b>
<b>Deferred tax assets, net</b>	<b>1,230,834</b>	<b>958,498</b>

The movement in deferred income tax assets and liabilities during the years ended December 31, 2011 and 2010, without offsetting of balances within the same tax jurisdiction, is as follows:

<i>(in millions of Korean won)</i>	2011					At December 31
	At January 1	Charged/ (credited) to the income statement	Charged/(credited) to other comprehensive income	Changes in scope of subsidiaries	Exchange differences	
Investments in subsidiaries and associates	(314,606)	(1,386)	(650)	-	-	(316,642)
Property, plant and equipment	(148,025)	(15,174)	-	-	(1,428)	(164,627)
Accrued expenses	382,104	26,391	-	-	2,820	411,315
Provisions	139,626	4,608	-	-	(660)	143,574
Other	94,959	88,650	32,753	3,651	(17,474)	202,539
<b>Sub total</b>	<b>154,058</b>	<b>103,089</b>	<b>32,103</b>	<b>3,651</b>	<b>(16,742)</b>	<b>276,159</b>
Tax credits carryforwards	377,620	81,577	-	-	(116)	459,081
Tax loss carryforwards	426,820	68,812	-	-	(38)	495,594
<b>Deferred tax assets (liabilities)</b>	<b>958,498</b>	<b>253,478</b>	<b>32,103</b>	<b>3,651</b>	<b>(16,896)</b>	<b>1,230,834</b>

<i>(in millions of Korean won)</i>	2010					At December 31
	At January 1	Charged/ (credited) to the income statement	Charged/(credited) to other comprehensive income	Changes in scope of subsidiaries	Exchange differences	
Investments in subsidiaries and associates	(230,343)	(82,920)	(1,343)	-	-	(314,606)
Property, plant and equipment	(160,094)	14,795	-	(2,726)	-	(148,025)
Accrued expenses	343,180	49,272	-	(10,347)	(1)	382,104
Provisions	146,454	(5,644)	-	(454)	(730)	139,626
Other	309,945	(186,106)	11,671	(36,460)	(4,091)	94,959
<b>Sub total</b>	<b>409,142</b>	<b>(210,603)</b>	<b>10,328</b>	<b>(49,987)</b>	<b>(4,822)</b>	<b>154,058</b>
Tax credits carryforwards	52,240	373,763	-	(48,383)	-	377,620
Tax loss carryforwards	206,725	220,095	-	-	-	426,820
<b>Deferred tax assets (liabilities)</b>	<b>668,107</b>	<b>383,255</b>	<b>10,328</b>	<b>(98,370)</b>	<b>(4,822)</b>	<b>958,498</b>

At the reporting date, deferred tax liabilities amounting to ₩ 10,390 million (2010: ₩15,930 million) were recognised for the temporary differences from subsidiaries expected to be

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realised through dividends. However, deferred tax liabilities of ₩ 143,790 million (2010: ₩114,131 million) were not recognised for the temporary differences on the unremitted earnings of subsidiaries which are expected to be permanently reinvested.

Tax effects recognised in other comprehensive income directly are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011			December 31, 2010		
	Before Tax	Tax effects	After Tax	Before Tax	Tax effects	After Tax
Other comprehensive income:						
Available-for-sale financial						
assets	8,082	(1,957)	6,125	12,377	(2,778)	9,599
Derivatives	(6,495)	1,573	(4,922)	(263)	58	(205)
Actuarial gain (loss)	(192,812)	43,788	(149,024)	(68,337)	13,369	(54,968)
Currency translation						
differences	(311,077)	(996)	(312,073)	(194,096)	(344)	(194,440)
<b>Total</b>	<b>(502,302)</b>	<b>42,408</b>	<b>(459,894)</b>	<b>(250,319)</b>	<b>10,305</b>	<b>(240,014)</b>

Expirations of unrecognised tax loss and tax credit carryforwards as of December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	Tax loss	Tax credit
Within 1 year	-	-
Within 2 years	646	-
Within 3 years	-	76,163
Over 3 years	494,948	382,918
<b>Total</b>	<b>495,594</b>	<b>459,081</b>

Realisation of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognised the deferred income tax asset since all the future tax benefits are determined to be realisable as of December 31, 2011, except for the deferred tax assets of ₩ 131,104 million relating to tax loss and tax credits carryforwards as they are not certain that the difference will be reversed in the future.

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**18. Defined Benefit Liability**

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

<i>(in millions of Korean won)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Present value of funded obligations	1,133,650	848,689
Present value of unfunded obligations	27,731	20,154
<b>Sub-total</b>	<b>1,161,381</b>	<b>868,843</b>
Fair value of plan assets	(738,075)	(550,731)
<b>Liabilities</b>	<b>423,306</b>	<b>318,112</b>

The amounts recognised in the statements of operations for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	<b>2011</b>	<b>2010</b>
Current service cost	188,800	164,614
Interest cost	45,324	40,762
Expected return on plan assets	(24,959)	(28,793)
Past service cost	1,250	692
<b>Total expense</b>	<b>210,415</b>	<b>177,275</b>

The line items in which expenses are included for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	<b>2011</b>	<b>2010</b>
Cost of sales	101,768	86,233
Selling and marketing expenses	44,153	37,300
Administrative expenses	12,606	12,018
Research and development expenses	47,439	38,190
Service costs	4,449	3,534
<b>Total expense</b>	<b>210,415</b>	<b>177,275</b>

Cumulative actuarial losses recognised in the statement of comprehensive income for the year ended December 31, 2011, are ₩ 149,024 million (2010: ₩54,968 million).

Changes in the defined benefit obligations for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	<b>2011</b>	<b>2010</b>
<b>At January 1</b>	<b>868,843</b>	<b>755,507</b>
Current service cost	188,800	164,614
Transfer-in(out)	(1,623)	640
Interest expense	45,324	40,762
Benefits paid	(72,562)	(65,982)
Past service cost	1,219	690

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Changes in scope of subsidiaries	6,335	(85,674)
Actuarial loss	126,918	58,297
Other	(1,873)	(11)
<b>At December 31</b>	<b>1,161,381</b>	<b>868,843</b>

Changes in the fair value of plan assets for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
<b>At January 1</b>	550,731	456,101
Expected return on plan assets	24,959	28,793
Employer contributions	183,438	109,769
Benefits paid	(26,299)	(19,172)
Changes in scope of subsidiaries	3,431	(23,694)
Actuarial gain(loss)	2,443	(1,824)
Other	(628)	758
<b>At December 31</b>	<b>738,075</b>	<b>550,731</b>

The actual return on plan assets for the year ended December 31, 2011, is ₩ 27,402 million (2010: ₩26,969 million).

The principal actuarial assumptions used are as follows:

(%)	December 31, 2011	December 31, 2010
Discount rate	4.7	5.5
Expected rate of return	3.9	4.3
Future salary increase	6.0	6.0

Plan assets consist of:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010
Securities combined with derivatives (guaranteed)	460,724	341,706
Time deposits and other	277,351	209,025
<b>Total</b>	<b>738,075</b>	<b>550,731</b>

The amounts of experience adjustments arising on the plan liabilities and the plan assets are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	December 31, 2009	January 1, 2010
Present value of obligation	1,161,381	868,843	755,507	744,939
Fair value of plan assets	(738,075)	(550,731)	(456,101)	(467,349)
Deficit in the plan	423,306	318,112	299,406	277,590
Experience adjustments on plan liabilities	(38,001)	(9,696)	16,917	-
Experience adjustments on plan assets	2,443	(1,824)	5,298	-

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**19. Provisions**

Changes in provisions during the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Sales returns</b>	<b>Restoration</b>	<b>Litigation</b>	<b>Total</b>
<b>At January 1, 2011</b>	742,852	81,914	5,853	495,224	1,325,843
Addition	1,174,101	278,046	929	74,696	1,527,772
Utilisation	(1,206,291)	(291,169)	(109)	(28,057)	(1,525,626)
Exchange differences	(13,473)	(947)	(1)	(15,594)	(30,015)
Changes in scope of subsidiaries	2,174	-	-	-	2,174
<b>At December 31, 2011</b>	<b>699,363</b>	<b>67,844</b>	<b>6,672</b>	<b>526,269</b>	<b>1,300,148</b>
<b>Current</b>	<b>623,088</b>	<b>67,844</b>	<b>-</b>	<b>33,584</b>	<b>724,516</b>
<b>Non-current</b>	<b>76,275</b>	<b>-</b>	<b>6,672</b>	<b>492,685</b>	<b>575,632</b>

Changes in provisions during the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Sales returns</b>	<b>Restoration</b>	<b>Litigation</b>	<b>Total</b>
<b>At January 1, 2010</b>	735,474	79,385	4,665	491,316	1,310,840
Addition	1,502,991	299,215	1,809	15,822	1,819,837
Utilisation	(1,479,809)	(295,440)	(595)	(13,104)	(1,788,948)
Exchange differences	(15,074)	(1,246)	(26)	1,190	(15,156)
Changes in scope of subsidiaries	(730)	-	-	-	(730)
<b>At December 31, 2010</b>	<b>742,852</b>	<b>81,914</b>	<b>5,853</b>	<b>495,224</b>	<b>1,325,843</b>
<b>Current</b>	<b>666,232</b>	<b>81,914</b>	<b>-</b>	<b>-</b>	<b>748,146</b>
<b>Non-current</b>	<b>76,620</b>	<b>-</b>	<b>5,853</b>	<b>495,224</b>	<b>577,697</b>

**20. Other Liabilities**

Other liabilities consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Current</b>		
Advances from customers	485,666	454,951
Unearned income	49,265	49,991
Withholding	413,776	393,989
Dividends payable	521	553
Other	34	1,717
<b>Sub-total</b>	<b>949,262</b>	<b>901,201</b>
<b>Non-current</b>		
Unearned income	1,464	-
Other	1,774	2,772
<b>Sub-total</b>	<b>3,238</b>	<b>2,772</b>
<b>Total</b>	<b>952,500</b>	<b>903,973</b>

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**21. Paid-in Capital**

As of December 31, 2011 and 2010, the number of shares authorised is 600 million shares.

	Par value per share	December 31, 2011		December 31, 2010	
		Number of shares issued	Amount (in millions)	Number of shares issued	Amount (in millions)
Common stock <sup>1</sup>	5,000	163,647,814	818,239	144,647,814	723,239
Preferred stock <sup>2</sup>	5,000	17,185,992	85,930	17,185,992	85,930
<b>Total</b>		<b>180,833,806</b>	<b>904,169</b>	<b>161,833,806</b>	<b>809,169</b>

<sup>1</sup>The Parent Company issued new shares as approved by the Board of Directors on November 3, 2011. Details as follows:

	Details
Purpose of Issuance	Funds for investment and operation
Type of Issued Stock	Ordinary Shares
Total Issued Shares	19,000,000
Par Value	₩51,600 per share

<sup>2</sup>The preferred shareholders have no voting rights and are entitled to preferred dividends at a rate of one percentage point over that of common stock. This preferred dividend rate is not applicable to stock dividends. In addition, the preferred shareholders have same rights on the remaining assets with ordinary shareholders. Repayment and conversion are not applicable to preferred shares.

Share premium balances are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010
Share premium	3,088,179	2,207,919

<sup>1</sup> Share premium includes the amount of ₩1,876,153 million, less capital stock amounting to ₩783,961 million and capital adjustment amounting to ₩155,593 million from net book amount of net assets amounting to ₩2,815,707 taken over due to the split-off on April 1, 2002. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of new shares (merger with LG IBMPC Co., Ltd) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognised as the share premium due to issuance of new shares in 2011.

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**22. Retained Earnings**

Retained earnings consist of:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010
Legal reserve <sup>1</sup>	142,128	138,821
Discretionary reserve <sup>2</sup>	6,756,716	5,643,697
Unappropriated retained earnings	2,600,690	4,325,655
<b>Total</b>	<b>9,499,534</b>	<b>10,108,173</b>

<sup>1</sup> 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.

<sup>2</sup> Discretionary reserve for research and manpower development is subject to dividends according to the special tax treatment control law.

Changes in unappropriated retained earnings are as follows:

<i>(in millions of Korean won)</i>	2011	2010
At January 1	10,108,173	9,214,309
Profit (loss) for the year	(469,624)	1,226,962
Actuarial loss of the Parent	(94,056)	(46,681)
Actuarial loss of the subsidiaries	(11,887)	(3,692)
Dividend	(33,072)	(282,725)
<b>At December 31</b>	<b>9,499,534</b>	<b>10,108,173</b>

**23. Other Components of Equity**

Details of other components of equity consist of:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010
Treasury shares <sup>1</sup>	(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 <sup>2</sup>	(238,520)	(238,458)
<b>Total</b>	<b>(271,339)</b>	<b>(271,277)</b>

<sup>1</sup> The Parent Company has treasury shares consisting of 763,165 shares (2010: 763,161 shares) of ordinary shares and 4,687 shares (2010: 4,687 shares) of preferred shares at the reporting date. The Parent Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

<sup>2</sup> The amounts include gain (loss) from transactions with non-controlling interests and other reserves of subsidiaries, net of tax.

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**24. Share-Based Payments**

The Group operates cash-settled, share-based compensation plans (stock appreciation rights) which were granted to its executives and employees on March 23, 2005, and are exercisable between March 23, 2008 and March 22, 2012. Exercise price per share is determined to be ₩69,500, which is lower by 3.6% than weighted average stock price of ₩72,065 at the reporting date.

Movements in the number of stock appreciation rights outstanding and their related weighted average stock prices are as follows:

	Weighted average stock price (in won) <sup>1</sup>		Number of options (unit: shares)	
	2011	2010	2011	2010
Beginning	101,507	115,514	275,500	305,500
Exercised <sup>2</sup>	114,810	114,144	16,250	30,000
Ending	72,065	101,507	259,250	275,500

<sup>1</sup> 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.

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

The fair value of stock appreciation rights determined using the Black-Scholes valuation model was ₩1,753 million (2010: ₩8,946 million). The significant inputs into the model were the weighted average share price of ₩72,065(2010: ₩101,507), exercise price shown above, volatility of 15.09% (2010: 26.15%), dividend yield of 0.69% (2010: 0.95%), an expected option life of 0.25 years (2010: 1.25 years) and an annual risk-free interest rate of 2.99% (2010: 3.04%).

**25. Net Sales**

Details of net sales for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Net sales		
Sales of goods	53,313,738	54,959,303
Sales of services	624,682	463,659
Royalty income	318,165	330,842
<b>Total</b>	<b>54,256,585</b>	<b>55,753,804</b>



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**26. Expenses by Nature**

Expenses that are recorded by nature as cost of sales, general operating expenses and other operating expenses in the statements of operations for the years ended December 31, 2011 and 2010, consist of:

<i>(in millions of Korean won)</i>	<b>2011</b>	<b>2010</b>
Changes in inventories	768,733	(1,003,438)
Purchase of raw materials and merchandise	37,756,272	41,190,614
Employee benefit expenses (Note 27)	4,394,794	3,850,505
Depreciation, amortisation and impairment	1,211,752	1,291,318
Advertising expenses	1,291,027	1,339,913
Sales promotional expenses	861,542	977,893
Transportation expenses	1,833,513	2,036,008
Commission expenses	2,555,738	2,502,958
Other expenses	4,925,852	5,401,532
<b>Total</b> <sup>1</sup>	<b>55,599,223</b>	<b>57,587,303</b>

<sup>1</sup> Selling and marketing expenses, administrative expenses, research and development expenses and service costs are included.

**27. Employee Benefit Expense**

<i>(in millions of Korean won)</i>	<b>2011</b>	<b>2010</b>
Wages and salaries	3,434,908	3,002,543
Welfare expense	726,680	644,462
Stock options (Note 24)	(7,256)	(6,581)
Defined contribution plans	6,132	5,623
Defined benefit plans (Note 18)	210,415	177,275
Other post-employment benefits	16,154	19,239
Termination expense	4,972	6,176
Other	2,789	1,768
<b>Total</b>	<b>4,394,794</b>	<b>3,850,505</b>

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

Details of general operating expenses for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	<b>2011</b>	<b>2010</b>
Wages and salaries	2,306,097	2,094,648
Severance benefits	121,772	93,217
Welfare expense	537,940	464,346

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Freight expense	1,807,491	1,999,184
Rental expense	429,938	387,578
Commission expense	1,919,561	1,973,698
Depreciation	188,373	186,749
Amortization	251,129	223,608
Taxes and dues	144,711	114,599
Advertising expense	1,291,027	1,339,913
Promotional expense	861,542	977,893
Direct R&D costs	322,964	320,662
Direct service costs	991,366	1,255,756
Other	681,858	780,703
<b>Total</b>	<b>11,855,769</b>	<b>12,212,554</b>

**29. Research and Development Expenditure**

Research and development expenditure recognized in the statements of operations consists of:

<i>(in millions of Korean won)</i>	2011	2010
Uncapitalised research and development expenditure	2,518,077	2,332,140
Amortised development costs(Note 12)	216,329	201,263
<b>Total</b>	<b>2,734,406</b>	<b>2,533,403</b>

**30. Other Operating Income**

Other operating income for the years ended December 31, 2011 and 2010, consists of:

<i>(in millions of Korean won)</i>	2011	2010
Rental income	32,464	32,597
Foreign exchange gain	1,443,200	1,795,440
Gain on settlement of derivatives	12,418	13,233
Gain on disposal of property, plant and equipment	10,576	16,031
Other	124,243	152,667
<b>Total</b>	<b>1,622,901</b>	<b>2,009,968</b>

**31. Other Operating Expenses**

<i>(in millions of Korean won)</i>	2011	2010
Foreign exchange loss	1,583,296	1,765,157
Loss on settlement of derivatives	13,429	15,684
Loss on disposal of property, plant and equipment	20,690	32,136
Other	68,444	108,676
<b>Total</b>	<b>1,685,859</b>	<b>1,921,653</b>

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**32. Financial Income**

<i>(in millions of Korean won)</i>	2011	2010
Interest income	90,575	78,853
Dividend income	468	320
Foreign exchange gain	430,178	642,204
Gain on settlement of derivatives	51,761	98,102
Other	1,166	268
<b>Total</b>	<b>574,148</b>	<b>819,747</b>

**33. Financial Expenses**

<i>(in millions of Korean won)</i>	2011	2010
Interest expense	318,850	233,056
Foreign exchange loss	496,046	684,019
Loss on settlement of derivatives	50,320	50,343
Other	57,450	71,594
<b>Total</b>	<b>922,666</b>	<b>1,039,012</b>

**34. Income Tax**

Details of income tax expense are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Current income taxes		
Current tax on profits for the year	256,948	348,309
Adjustments in respect of prior years	30,022	35,087
<b>Total current tax</b>	<b>286,970</b>	<b>383,396</b>
Deferred tax		
Changes in temporary differences	(253,478)	(383,255)
<b>Income tax expense</b>	<b>33,492</b>	<b>141</b>

The reconciliation between the tax charge calculated using weighted average tax rate and the effective tax rate are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Change in tax expense	Tax rate	Change in tax expense	Tax rate
<b>Profit(loss) before income tax</b>	(399,313)		434,526	
Tax expense based on weighted average applicable tax rate <sup>1</sup>	(83,978)	21.0%	146,175	33.6%
Tax adjustments:				
Income not subject to tax	(12,620)	3.2%	(32,277)	-7.4%
Expenses not deductible for tax purposes	30,954	-7.8%	21,457	4.9%
Recognition of deferred tax asset on	(117,416)	29.4%	(158,517)	-36.5%

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tax credits				
Adjustments in respect of prior years	30,022	-7.5%	35,087	8.1%
Changes in unrecognised deferred tax assets	80,439	-20.1%	(935)	-0.2%
Dividend tax deduction effect on investment in subsidiaries and associates	66,332	-16.6%	(45,722)	-10.5%
Change in tax rates	37,895	-9.5%	30,402	7.0%
Other	1,864	-0.5%	4,471	1.0%
<b>Income tax</b>	<b>33,492</b>	<b>-8.4%</b>	<b>141</b>	<b>0.0%</b>

<sup>1</sup> The weighted average applicable tax rate was 21% (2010: 33.6%). The decrease is caused by changes in the profitability of the Group's subsidiaries in the respective countries.

**35. Earnings per Share**

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of shares in issue excluding shares purchased by the Parent Company and held as treasury shares (Note 23). Preferred shares have a right to participate in the profits of the Parent Company. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares. The Group had no potential dilutive ordinary shares in the prior year. This year, the diluted earnings per ordinary share are not computed due to anti-dilution.

<i>(in millions of Korean won)</i>	<b>2011</b>	<b>2010</b>
Profit(loss) attributable to ordinary shares <sup>1</sup>	(425,591)	1,095,312
Profit(loss) from continuing operations attributable to ordinary shares	(425,591)	351,469
Profit from discontinued operations attributable to ordinary shares	-	743,843
Weighted average number of ordinary shares outstanding (unit: shares) <sup>2</sup>	147,768,109	147,642,834
Basic earnings(loss) per ordinary share (in won)	(2,880)	7,419
Earnings(loss) per ordinary share from continuing operations	(2,880)	2,381
Earnings per ordinary share from discontinued operations	-	5,038
<i>(in millions of Korean won)</i>	<b>2011</b>	<b>2010</b>
Profit(loss) attributable to preferred shares <sup>1</sup>	(44,033)	131,650
Profit(loss) from continuing operations attributable to preferred shares	(44,033)	42,244
Profit from discontinued operations attributable to preferred shares	-	89,406
Weighted average number of preferred shares outstanding (unit: shares) <sup>2</sup>	17,181,305	17,181,306
Basic earnings(loss) per preferred share (in won)	(2,563)	7,662
Earnings(loss) per preferred share from continuing operations	(2,563)	2,459
Earnings per preferred share from discontinued operations	-	5,203

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<sup>1</sup> Profit attributable to ordinary and preferred shares is as follows:

<i>(in millions of Korean won)</i>	<b>2011</b>	<b>2010</b>
<b>Profit(loss) from continuing operations</b>	(469,624)	393,713
Ordinary shares dividends	32,577	9,234
Preferred shares dividends	4,295	1,378
<b>Undistributed earnings(loss) from continuing operations</b>	(506,496)	383,101
Undistributed earnings(loss) from continuing operations available for ordinary shares	(458,168)	342,235
Undistributed earnings(loss) from continuing operations available for preferred shares	(48,328)	40,866
<b>Profit(loss) from continuing operations attributable to ordinary shares</b>	(425,591)	351,469
<b>Profit(loss) from continuing operations attributable to preferred shares</b>	(44,033)	42,244
<b>Profit from discontinued operations</b>	-	833,249
Ordinary shares dividends	-	19,543
Preferred shares dividends	-	2,917
<b>Undistributed earnings from discontinued operations</b>	-	810,789
Undistributed earnings from discontinued operations available for ordinary shares	-	724,300
Undistributed earnings from discontinued operations available for preferred shares	-	86,489
<b>Profit from discontinued operations attributable to ordinary shares</b>	-	743,843
<b>Profit from discontinued operations attributable to preferred shares</b>	-	89,406
<b>Profit(loss) attributable to ordinary shares</b>	(425,591)	1,095,312
<b>Profit(loss) attributable to preferred shares</b>	(44,033)	131,650

<sup>2</sup> Weighted average numbers of shares are calculated as follows:

	<b>2011</b>	<b>2010</b>
Ordinary shares outstanding	163,647,814	144,647,814
Ordinary treasury shares	(763,165)	(763,161)
Ordinary shares	162,884,649	143,884,653
<b>Weighted average number of ordinary shares outstanding</b>	147,768,109	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
<b>Weighted average number of preferred shares outstanding</b>	17,181,305	17,181,306

\*The comparative number of ordinary shares outstanding during 2010 has been adjusted to reflect bonus element from rights issue in 2011.

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**36. Dividends**

The numbers of shares entitled to dividends are as follows:

<i>(Unit: shares)</i>	2011	2010
Ordinary shares	162,884,649	143,884,653
Preferred shares	17,181,305	17,181,305

Details of the Parent Company's dividends declared as of December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	Calculation	Amounts
Ordinary shares	162,884,649 X 5,000won X 4% =	32,577
Preferred shares	17,181,305 X 5,000won X 5% =	4,295
<b>Total</b>		<b>36,872</b>

Details of the Parent Company's dividends declared as of December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	Calculation	Amounts
Ordinary shares	143,884,653 X 5,000 X 4% =	28,777
Preferred shares	17,181,305 X 5,000 X 5% =	4,295
<b>Total</b>		<b>33,072</b>

The Parent Company's dividend payout ratios and dividend yield ratio for the years ended December 31, 2011 and 2010, are computed as follows:

	Calculation	2011	2010
Dividend payout ratio	Total dividends/ the Parent Company's loss for the year	- <sup>1</sup>	- <sup>1</sup>
Dividend yield ratio	Dividend per share/ Market price <sup>2</sup>		
	<b>Common shares</b>	0.27%	0.17%
	<b>Preferred shares</b>	1.05%	0.57%

<sup>1</sup> Dividend payout ratio is not calculated for either year due to the net loss of the Parent Company.

<sup>2</sup> Average of prices in the stock market for the week preceding two business days before the closing date of the shareholders' list for the general meeting of shareholders on the above dividends.

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**37. Cash Generated from Operations**

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

<i>(in millions of Korean won)</i>	<b>2011</b>	<b>2010</b>
Profit (loss) for the year	(432,805)	1,282,119
Adjustments :		
Interest expense, net	228,275	164,480
Loss(gain) on foreign currency translation, net	94,941	(72,228)
Gain on derivatives, net	(430)	(31,624)
Depreciation	896,009	1,007,328
Amortization	306,306	282,435
Loss on disposal of property, plant and equipment, intangible assets, net	15,390	46,779
Provisions for severance benefits	210,415	177,275
Provisions	1,527,772	1,819,837
Income tax expense (benefit)	33,492	(3,917)
Expense(income) from jointly controlled entities and associates	331,058	(477,322)
Post-tax gain on the measurement to fair value of discontinued operations	-	(815,260)
Other	89,629	(249,877)
	<u>3,732,857</u>	<u>1,847,906</u>
Changes in operating assets and liabilities		
Decrease in trade receivables	229,558	89,200
Decrease in loans and other receivables	22,822	19,525
Decrease (Increase) in inventories	768,733	(1,003,438)
Increase in other assets	(62,652)	(240,513)
Increase(decrease) in trade payables	(344,623)	712,289
Increase in other payables	48,805	23,074
Decrease in provisions	(1,525,626)	(1,788,948)
Increase (decrease) in other liabilities	34,723	(295,156)
Payment of defined benefit liability	(47,886)	(46,170)
Deposit in plan assets, net	(183,438)	(109,769)
	<u>(1,059,584)</u>	<u>(2,639,906)</u>
<b>Cash Generated from Operations</b>	<u>2,240,468</u>	<u>490,119</u>

Significant transactions not affecting cash flows for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	<b>2011</b>	<b>2010</b>
Reclassification of construction-in-progress of property, plant and equipment	1,173,476	624,078
Reclassification of intangible assets in progress	169,454	247,465
Reclassification of long-term prepayment to intangible assets	111,162	76,816
Reclassification of current maturities of borrowings	1,504,795	681,952

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#### **38. Contingencies**

(a) At the end of the reporting period, borrowings are secured on property, plant and equipment including land, buildings and machinery and intangible assets including land use rights for the book value of ₩145,052 million (2010: ₩190,071 million).

(b) At the end of the reporting period, the Parent Company is provided with a performance guarantee of ₩118,361 million (2010: ₩85,605 million) from Seoul Guarantee Insurance and two other banks relating to the sales contracts.

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

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 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 Group.

In addition, the Parent Company and certain foreign subsidiaries have been named as defendants in a number of class actions brought by purchasers of CRT products in the United States and in Canada in connection with the alleged anti-competitive activities among CRT manufacturers. The outcome of the cases and effect on 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.

#### **39. Commitments**

(a) At the end of the reporting period, the Parent Company has overdraft facility agreements with various banks including Shinhan Bank, with a limit of ₩245,500 million (2010: ₩250,500 million). Its overseas subsidiaries, including LG Electronics India Private Limited, have overdraft facility agreements with a limit of ₩1,205,823 million (2010: ₩926,808 million) with various banks including Standard Chartered New Delhi Bank. The Parent Company's domestic subsidiaries including Hi Plaza Inc. have overdraft facility agreements with various banks including Woori Bank with a limit of ₩2,350 million (2010: ₩2,000 million).



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(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 ₩ 6,141,323 million (2010: ₩6,372,146 million) and for domestic trade receivables with Shinhan Bank and other two banks amounting to ₩374,705 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 ₩130,000 million (2010: ₩130,000 million).

The subsidiaries, LG Electronics UK., Ltd., LG Electronics Deutschland GmbH, LG Electronics Espana S.A., transfer their accounts receivable to Societe Generale Bank on a revolving basis, for up to US\$554 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\$200 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 other seven banks of up to ₩935,450million (2010: ₩965,450 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

In addition, two domestic subsidiaries including Hi Plaza Inc. provided payment guarantees to financial institutions, including Woori Bank, amounting to ₩40,000 million (2010: ₩30,000 million) in connection with discount of notes which are paid to their suppliers.

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

*(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>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Property, plant and equipment	58,667	66,285
Intangible assets	5,161	1,424
<b>Total</b>	<b>63,828</b>	<b>67,709</b>

*(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:

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<i>(in millions of Korean won)</i>	December 31, 2011			
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total lease payments
Buildings and offices	77,099	142,479	63,548	283,126
Vehicles	35,425	17,058	-	52,483
Equipment	39,552	61,881	-	101,433
<b>Total</b>	<b>152,076</b>	<b>221,418</b>	<b>63,548</b>	<b>437,042</b>

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

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

<i>(in millions of Korean won)</i>	December 31, 2011			
	No later than 1 year	Later than 1 year and no later than 3 years	Over 3 years	Total lease payments
Healthcare rental	36,707	79,376	43,336	159,419

The Group recognised ₩19,786 million lease income for the year ended December 31, 2011.

(h) *Trademark licenses commitments*

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

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

**40. Related Party Transactions**

Significant transactions for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Sales	Purchases	Sales	Purchases
LG Corp.	7,519	123,094	990	132,004
Jointly controlled entities and associates	791,378	6,142,066	1,069,149	7,259,274
Other related parties	118,964	1,460,832	114,203	1,360,631
<b>Total</b>	<b>917,861</b>	<b>7,725,992</b>	<b>1,184,342</b>	<b>8,751,909</b>

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The balances of significant transactions are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010	
	Receivables	Payables	Receivables	Payables
LG Corp.	23,136	691	4,245	692
Jointly controlled entities and associates	187,259	757,488	228,021	889,871
Other related parties	89,028	361,525	92,850	204,171
<b>Total</b>	<b>299,423</b>	<b>1,119,704</b>	<b>325,116</b>	<b>1,094,734</b>

Key management compensation costs of the Group for the years ended December 31, 2011 and 2010, consist of:

<i>(in millions of Korean won)</i>	2011	2010
Wages and salaries	10,443	12,969
Other post-employment benefits	144	3,042
Pension costs	1,768	2,894
Share-based compensation	(3,253)	(1,422)
<b>Total</b>	<b>9,102</b>	<b>17,483</b>

Key management refers to the directors who have significant control and responsibilities on the Group's business plans, operations and controls.

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

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

The Group has not recognised bad debt expenses nor allowance for trade receivables against the related parties for the years ended December 31, 2011 and 2010.

#### **41. Risk Management**

##### **Financial Risk Management**

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

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

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

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

#### (a) Market risk

##### i) Foreign exchange risk

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

The purpose of foreign exchange risk management is to 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 and hedge ratio.

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

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

As of December 31, 2011 and December 31, 2010, if the foreign exchange rate of the Korean won fluctuated by 10% while other variables were fixed, the effects on income before tax would be as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(302,425)	302,425	(415,020)	415,020
EUR/KRW	28,888	(28,888)	29,550	(29,550)

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

ii) Interest rate risk

The Group is exposed to interest rate risk through changes in interest-bearing liabilities or assets. The risk mainly arises from borrowings and financial deposits with variable interest rates linked to market interest rate changes in the future. The objective of interest rate risk management lies in 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.

As of December 31, 2011, 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.

As of December 31, 2011, 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>	<b>December 31, 2011</b>		<b>December 31, 2010</b>	
	<b>100bp increase</b>	<b>100bp decrease</b>	<b>100bp increase</b>	<b>100bp decrease</b>
Interest expense	21,852	(21,852)	35,855	(35,855)
Interest income	24,687	(24,687)	19,664	(19,664)
Gain (loss) on valuation of derivatives (IRS <sup>1</sup> )	3,943	(3,977)	7,114	(7,114)

<sup>1</sup> Interest rate swaps mainly create fair value risk from changes in interest rates.

(b) Credit risk

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

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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 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 December 31, 2011, trade receivable balance of the Group is ₩6,752,559 million (2010: ₩7,001,962 million) and its risk is managed appropriately with insurer's credit limit of ₩32,468,797 million (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 assigns experts in four RTCs to manage liquidity risk in overseas subsidiaries efficiently.

In addition, the Group copes with potential financial distress by maintaining adequate amount of cash and committed credit facilities. The balance of cash and cash equivalents, and current-financial deposits at December 31, 2011, is ₩2,495,465 million (2010: ₩2,029,162 million). The Group maintains total committed credit lines of ₩600,000 million (2010: ₩600,000 million) in Woori Bank, Kookmin Bank, and Shinhan Bank in Korea at December 31, 2011.

As of December 31, 2011, the cash and cash equivalents balance of the Group is about 79% (2010: 51%) of current borrowings with due date in 12 months. If committed credit lines are included, the balance covers about 97% (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- Stable and Baa2 Negative (2010: BBB Negative and Baa2 Stable), respectively.

Cash flow information on maturity of borrowings is presented in Note 15.

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**Capital Risk Management**

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

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

<i>(in millions of Korean won, except for ratios)</i>	December 31, 2011	December 31, 2010
Liability (A)	19,510,209	19,458,862
Equity (B)	13,148,248	12,859,637
Cash and cash equivalents and current financial deposits (C)	2,495,465	2,029,162
Borrowings (D)	7,435,618	7,192,935
Liability-to-equity ratio (A/B)	148%	151%
Net Borrowings ratio (D-C)/B	38%	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>	December 31, 2011			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Derivatives for trading	-	2,832	-	2,832
Available-for-sale financial assets				
- Listed securities	8,969	-	-	8,969
- Derivatives for hedge	-	11,845	-	11,845
<b>Total</b>	<b>8,969</b>	<b>14,677</b>	<b>-</b>	<b>23,646</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
Derivatives for trading	-	14,238	-	14,238
<b>Total</b>	<b>-</b>	<b>14,238</b>	<b>-</b>	<b>14,238</b>

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<i>(In millions of Korean won)</i>	December 31, 2010			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
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
<b>Total</b>	<b>13,508</b>	<b>1,814</b>	<b>-</b>	<b>15,322</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	42,543	-	42,543
- Derivatives for hedge	-	263	-	263
<b>Total</b>	<b>-</b>	<b>42,806</b>	<b>-</b>	<b>42,806</b>

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'.

**42. 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 were presented as discontinued operations in these financial 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.



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Financial information relating to the discontinued operations for the period to the date of the deconsolidation is set out below.

i) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period to the date of the deconsolidation.

<i>(in millions of Korean won)</i>	<b>2010. 1. 1 ~ deconsolidation</b>
Sales	482,457
Operating income	48,275
Profit before income tax	27,564
Income tax expense (benefit)	(4,910)
Profit after income tax of discontinued operations	32,474
Gain on the measurement to fair value	839,152
Income tax expense	23,892
Gain on the measurement to fair value after income tax	815,260
Post-tax profit from discontinued operations	847,734
Equity holders of the Parent Company	833,249
Non-controlling Interest	14,485

<i>(in millions of Korean won)</i>	<b>2010. 1. 1 ~ deconsolidation</b>
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)
<b>Net cash flow from discontinued operations</b>	<b>(63,941)</b>

ii) Details of the gain on the measurement to fair value

<i>(in millions of Korean won)</i>	<b>Amount</b>
Fair value of the discontinued operations	1,307,908
Carrying amount of the discontinued operations <sup>1</sup>	468,756
Pre-tax gain on the measurement	839,152
Income tax expense on the gain	23,892
<b>Post-tax gain on the measurement</b>	<b>815,260</b>

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<sup>1</sup> Carrying amounts of assets and liabilities of the discontinued operations were as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>
<b>Assets</b>	
Current assets	1,443,469
Non-current assets	1,743,044
<b>Total</b>	<b>3,186,513</b>
<b>Liabilities</b>	
Current liabilities	1,474,152
Non-current liabilities	795,002
<b>Total</b>	<b>2,269,154</b>
<b>Non-controlling interest and accumulated other comprehensive income</b>	<b>448,603</b>
<b>Carrying amount of the discontinued operations</b>	<b>468,756</b>

**43. Business Combination**

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

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

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

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

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

<i>(in millions of Korean won)</i>	<b>Amount</b>
Consideration <sup>1</sup>	150,300
Recognised amounts of identifiable assets acquired and liabilities assumed <sup>2</sup>	
Current assets	
Cash and cash equivalents	2,025
Trade receivables	84,927
Other receivables	1,233
Inventories	18,156
Other assets	25,100

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

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

<sup>2</sup> 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 ₩88,496 million, of which ₩3,569 million is expected to be uncollectible.

The revenue and net income, included in the consolidated statement of operations, contributed by air-conditioning business of LS Mtron Co., Ltd. after the date of acquisition were ₩150,071 million and ₩(-)813 million, respectively. Had the business been consolidated from January 1, 2011, net sales of ₩54,332,344 million and net loss of ₩(-)434,020 million would have been presented in the consolidated income statement for the year ended December 31, 2011.

**Hi Entech Co., Ltd.**

On November 1, 2011, the Group acquired 100% of ownership of Daewoo Entech Co., Ltd. which is engaged in management, operation, test, and maintenance of the water pollution control facilities and sewage disposal facilities, and in development of water supply and water resources.

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The acquisition is accounted for in accordance with Korean IFRS 1103, *Business Combination*.

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

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

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

<sup>1</sup> 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 ₩825 million were all expensed during the period.

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

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The revenue and net loss, included in the consolidated statement of operations, contributed by Hi Entech Co. Ltd., after the date of acquisition were ₩6,472 million and ₩(-)451 million, respectively. Had Hi Entech Co. Ltd. been consolidated from January 1, 2011, net sales of ₩54,285,263 million and net loss of ₩(-)432,039 million would have been presented in the consolidated statement of operations for the year ended December 31, 2011.

**44. Approval of Financial Statements**

The consolidated financial statements for the year ended December 31, 2011, were approved by the Board of Directors on January 31, 2012.