

**LG Electronics**  
**Interim Consolidated Financial Statements**  
**March 31, 2013 and 2012**

**LG Electronics**

Index

March 31, 2013 and 2012

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## Report on Review of Interim Financial Statements

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

### ***Reviewed Financial Statements***

We have reviewed the accompanying interim consolidated financial statements of LG Electronics Inc. and its subsidiaries (collectively the "Group"). These financial statements consist of the statement of financial position of the Group as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

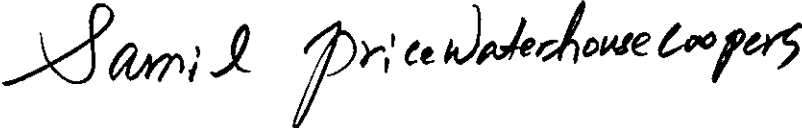
Our responsibility is to issue a report on these interim consolidated financial statements based on our reviews. We did not review the financial statements of certain consolidated subsidiaries, whose financial statements represent 24% of the Group's consolidated total assets as of March 31, 2013, and 37% and 38% of the Group's consolidated total sales for the three-month periods ended March 31, 2013 and 2012, respectively. These financial statements were reviewed by other auditors whose reports have been furnished to us and our report, insofar as it relates to the amounts included for those consolidated subsidiaries, is based solely on the reports of the other auditors.

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

**Conclusion**

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

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

A handwritten signature in black ink that reads "Samil Price Waterhouse Coopers". The signature is written in a cursive, flowing style.

Seoul, Korea

May 10, 2013

This interim report is effective as of May 10, 2013, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

# LG Electronics

## Interim Consolidated Statements of Financial Position

March 31, 2013, December 31, 2012, and January 1, 2012

<i>(in millions of Korean won)</i>	Note	March 31, 2013	December 31, 2012	January 1, 2012
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5,30	2,453,893	2,185,000	2,781,069
Financial deposits	5,30	54,000	54,000	180,000
Trade receivables	5,6	8,533,402	7,332,761	7,338,759
Loans and other receivables	5	535,263	498,615	529,510
Other financial assets	5,7	7,838	56,486	1,677
Inventories	8	5,525,320	5,074,500	5,321,845
Current income tax assets		245,724	225,659	198,897
Other current assets		930,886	864,477	920,882
Assets classified as held for sale		18,145	19,980	10,535
		<u>18,304,471</u>	<u>16,311,478</u>	<u>17,283,174</u>
<b>Non-current assets</b>				
Financial deposits	5	110,417	121,036	136,108
Loans and other receivables	5,30	608,777	603,233	629,703
Other financial assets	5,7	60,757	67,001	145,787
Property, plant and equipment	9	10,264,988	9,889,204	9,593,424
Intangible assets	9	1,221,598	1,222,302	1,167,567
Deferred income tax assets		1,551,786	1,511,462	1,444,208
Investments in associates and joint ventures	10	4,179,564	4,182,878	4,252,408
Investment property		7,047	7,218	7,239
Other non-current assets		837,152	850,238	859,520
		<u>18,842,086</u>	<u>18,454,572</u>	<u>18,235,964</u>
<b>Total assets</b>		<u>37,146,557</u>	<u>34,766,050</u>	<u>35,519,138</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade payables	5	6,989,252	5,626,571	5,750,549
Borrowings	5,11,30	3,573,918	2,715,041	3,871,889
Other payables	5	4,404,962	4,483,415	4,028,907
Other financial liabilities	5,7	516	321	13,860
Current income tax liabilities		169,492	114,728	85,651
Provisions	13	647,899	644,282	734,848
Other current liabilities	5	899,920	928,140	970,029
Liabilities related to assets held for sale		-	1,794	-
		<u>16,685,959</u>	<u>14,514,292</u>	<u>15,455,733</u>
<b>Non-current liabilities</b>				
Borrowings	5,11,30	5,823,031	5,923,346	5,808,491
Other payables	5	26,375	29,169	20,892
Other financial liabilities	5,7	15,122	16,621	378
Deferred income tax liabilities		21,594	10,568	15,237
Net defined benefit liability	12	780,480	630,138	483,125
Provisions	13	951,866	932,871	575,632
Other non-current liabilities	5	13,017	3,298	3,238
		<u>7,631,485</u>	<u>7,546,011</u>	<u>6,906,993</u>
<b>Total liabilities</b>		<u>24,317,444</u>	<u>22,060,303</u>	<u>22,362,726</u>
<b>Equity attributable to owners of the Parent Company</b>				
Paid-in capital:	14			
Capital stock		904,169	904,169	904,169
Share premium		3,088,179	3,088,179	3,088,179
Retained earnings	15	8,652,262	8,723,950	8,792,879
Accumulated other comprehensive loss	16	(489,893)	(675,098)	(327,469)
Other components of equity	17	(242,111)	(242,111)	(242,223)
		<u>11,912,606</u>	<u>11,799,089</u>	<u>12,215,535</u>
<b>Non-controlling interest</b>		<u>916,507</u>	<u>906,658</u>	<u>940,877</u>
<b>Total equity</b>		<u>12,829,113</u>	<u>12,705,747</u>	<u>13,156,412</u>
<b>Total liabilities and equity</b>		<u>37,146,557</u>	<u>34,766,050</u>	<u>35,519,138</u>

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

**LG Electronics**  
**Interim Consolidated Statements of Income**  
**Three-Month Periods Ended March 31, 2013 and 2012**

<i>(in millions of Korean won, except per share amounts)</i>	<b>Note</b>	<b>Three-Month Period Ended March 31</b>	
		<b>2013</b>	<b>2012</b>
<b>Net sales</b>	18	14,100,601	13,204,708
<b>Cost of sales</b>	19	10,966,895	10,152,065
<b>Gross profit</b>		3,133,706	3,052,643
Selling and marketing expenses	19,20	1,560,367	1,497,673
Administrative expenses	19,20	337,270	334,771
Research and development expenses	19,20	572,170	498,118
Service costs	19,20	314,442	320,343
<b>Operating income</b>		349,457	401,738
Financial income	21	141,236	192,029
Financial expenses	22	220,927	283,551
Loss from equity method	10	(25,573)	(51,828)
Other non-operating income	23	278,760	454,820
Other non-operating expenses	24	346,230	255,141
Profit before income tax		176,723	458,067
Income tax expense		154,639	210,567
<b>Profit for the period</b>		22,084	247,500
<b>Profit(loss) for the period attributable to:</b>			
Equity holders of the Parent Company		24,201	243,679
Non-controlling interest		(2,117)	3,821
<b>Earnings per share attributable to the equity holders of the Parent Company during the period (in won):</b>			
	25		
Earnings per share for profit attributable to the common equity holders of the Parent Company		133	1,352
Earnings per share for profit attributable to the preferred equity holders of the Parent Company		146	1,365

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

**LG Electronics**  
**Interim Consolidated Statements of Comprehensive Income**  
**Three-Month Periods Ended March 31, 2013 and 2012**

<i>(in millions of Korean won)</i>	Note	Three-Month Period Ended March 31	
		2013	2012
<b>Profit for the period</b>		22,084	247,500
<b>Other comprehensive income(loss), net of tax</b>			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit liability	12	(62,542)	(12,960)
Share of actuarial loss of associates	10	(86)	(95)
Items that will be reclassified subsequently to profit or loss:			
Other comprehensive income from associates and joint ventures	10	26,127	1,436
Cash flow hedges	11	(747)	1,116
Available-for-sale financial assets	7	1,919	101
Currency translation differences		173,534	49,474
<b>Other comprehensive income for the period, net of tax</b>		138,205	39,072
<b>Total comprehensive income for the period, net of tax</b>		160,289	286,572
<b>Comprehensive income(loss) for the period, net of tax, attributable to:</b>			
Equity holders of the Parent Company		150,389	287,257
Non-controlling interest		9,900	(685)
<b>Total comprehensive income for the period, net of tax</b>		160,289	286,572

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

**LG Electronics**
**Interim Consolidated Statements of Changes in Equity**
**Three-Month Periods Ended March 31, 2013 and 2012**

		Attributable to equity holders of the Parent Company						
				Accumulated Other	Other			
<i>(in millions of Korean won)</i>	Note	Paid-in Capital	Retained Earnings	Comprehensive Income(loss)	Components of Equity	Total	Non-controlling Interest	Total Equity
<b>Balance at January 1, 2012</b>		3,992,348	9,499,534	(326,584)	(271,339)	12,893,959	254,289	13,148,248
<b>The effect of enactment of Korean IFRS 1110</b>		-	(706,655)	(885)	29,116	(678,424)	686,588	8,164
<b>Restated amount</b>		3,992,348	8,792,879	(327,469)	(242,223)	12,215,535	940,877	13,156,412
<b>Comprehensive income(loss):</b>								
Profit for the period		-	243,679	-	-	243,679	3,821	247,500
Actuarial loss on defined benefit liability	12	-	(12,976)	-	-	(12,976)	16	(12,960)
Share of actuarial loss of associates	10	-	(95)	-	-	(95)	-	(95)
Other comprehensive income of associates and joint ventures	10	-	-	1,436	-	1,436	-	1,436
Cash flow hedges	11	-	-	1,116	-	1,116	-	1,116
Available-for-sale financial assets	7	-	-	101	-	101	-	101
Currency translation differences		-	-	53,996	-	53,996	(4,522)	49,474
<b>Total comprehensive income(loss)</b>		-	230,608	56,649	-	287,257	(685)	286,572
<b>Transactions with equity holders:</b>								
Dividends		-	(36,872)	-	-	(36,872)	(12,410)	(49,282)
Issuance of common shares of subsidiaries		-	-	-	-	-	8,820	8,820
Conversion rights and stock warrants of subsidiaries exercised		-	-	-	128	128	716	844
Others		-	(10)	-	10	-	-	-
<b>Total transactions with equity holders</b>		-	(36,882)	-	138	(36,744)	(2,874)	(39,618)
<b>Balance at March 31, 2012</b>		3,992,348	8,986,605	(270,820)	(242,085)	12,466,048	937,318	13,403,366
<b>Balance at January 1, 2013</b>		3,992,348	9,407,667	(674,221)	(271,382)	12,454,412	249,805	12,704,217
<b>The effect of enactment of Korean IFRS 1110</b>		-	(683,717)	(877)	29,271	(655,323)	656,853	1,530
<b>Restated amount</b>		3,992,348	8,723,950	(675,098)	(242,111)	11,799,089	906,658	12,705,747
<b>Comprehensive income(loss):</b>								
Profit(loss) for the period		-	24,201	-	-	24,201	(2,117)	22,084
Actuarial loss on defined benefit liability	12	-	(58,931)	-	-	(58,931)	(3,611)	(62,542)
Share of actuarial loss of associates	10	-	(86)	-	-	(86)	-	(86)
Other comprehensive income of associates and joint ventures	10	-	-	26,127	-	26,127	-	26,127
Cash flow hedges	11	-	-	(747)	-	(747)	-	(747)
Available-for-sale financial assets	7	-	-	1,989	-	1,989	(70)	1,919
Currency translation differences		-	-	157,836	-	157,836	15,698	173,534
<b>Total comprehensive income(loss)</b>		-	(34,816)	185,205	-	150,389	9,900	160,289
<b>Transactions with equity holders:</b>								
Dividends		-	(36,872)	-	-	(36,872)	-	(36,872)
Return of investments in subsidiary		-	-	-	-	-	(51)	(51)
<b>Total transactions with equity holders</b>		-	(36,872)	-	-	(36,872)	(51)	(36,923)
<b>Balance at March 31, 2013</b>		3,992,348	8,652,262	(489,893)	(242,111)	11,912,606	916,507	12,829,113

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



**LG Electronics**  
**Interim Consolidated Statements of Cash Flows**  
**Three-Month Periods Ended March 31, 2013 and 2012**

<i>(in millions of Korean won)</i>	Note	Three-Month Period Ended March 31	
		2013	2012
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	402,577	846,283
Interest received		19,057	20,836
Interest paid		(97,678)	(112,614)
Income tax paid		(107,482)	(107,937)
<b>Net cash generated from operating activities</b>		<u>216,474</u>	<u>646,568</u>
<b>Cash flows from investing activities</b>			
Decrease in financial deposits		14,273	53,851
Decrease in loans and other receivables		42,718	89,732
Proceeds from disposal of other financial assets		71,773	7,407
Proceeds from disposal of property, plant and equipment		7,670	26,017
Proceeds from disposal of intangible assets		987	1,066
Proceeds from disposal of and recovery of investments in associates and joint ventures		-	214,757
Decrease in others		207	5,065
Increase in financial deposits		-	(49)
Increase in loans and other receivables		(23,220)	(94,543)
Acquisition of other financial assets		(8,865)	(8,629)
Acquisition of property, plant and equipment		(685,487)	(431,538)
Acquisition of intangible assets		(135,272)	(87,645)
Acquisition of investments in associates and joint ventures		(6,468)	-
Decrease in cash and cash equivalents due to changes in scope of subsidiaries		(268)	-
Increase in others		(260)	-
<b>Net cash used in investing activities</b>		<u>(722,212)</u>	<u>(224,509)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,014,252	885,551
Issuance of common shares of subsidiaries		-	8,820
Stock warrants exercised		-	154
Repayments of borrowings		(328,645)	(1,045,479)
<b>Net cash provided by(used in) financing activities</b>		<u>685,607</u>	<u>(150,954)</u>
<b>Exchange gains on cash and cash equivalents</b>		<u>89,024</u>	<u>31,049</u>
<b>Net increase in cash and cash equivalents</b>		268,893	302,154
Cash and cash equivalents at the beginning of period		2,185,000	2,781,069
<b>Cash and cash equivalents at the end of period</b>		<u>2,453,893</u>	<u>3,083,223</u>

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

# **LG Electronics**

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

### **March 31, 2013 and 2012, and December 31, 2012**

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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 Yeoui-daero, Yeungdeungpo-gu, Seoul.

As of March 31, 2013, LG Corp. owns 33.7% of the Parent Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Group is engaged in the manufacture and sale of electronic products including mobile phones, TV, air conditioners, refrigerators, washing machines and personal computers. As of March 31, 2013, the Group operates five business segments and other supporting segments through the Parent Company and subsidiaries all over the world.

**LG Electronics**  
**Notes to the Interim Consolidated Financial Statements**  
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(a) Consolidated subsidiaries as of March 31, 2013, are as follows:

Territory	Country	Subsidiaries	Percentage of ownership		Closing Month	Major Business	Basis of control
			Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.0%	-	December	Sales	More than half of voting rights
	Korea	Hi Business Logistics Co., Ltd.	100.0%	-	December	Logistics	More than half of voting rights
	Korea	Hi Entech Co., Ltd.	100.0%	-	December	Water engineering	More than half of voting rights
	Korea	LG Hitachi Water Solution Co., Ltd.	51.0%	49.0%	December	Water treatment	More than half of voting rights
	Korea	ACE R&A Co., Ltd.	100.0%	-	December	Production and Sales	More than half of voting rights
	Korea	Hi M Solutek	100.0%	-	December	Maintenance	More than half of voting rights
	Korea	Hi Teleservice Co., Ltd.	100.0%	-	December	Marketing	More than half of voting rights
	Korea	LGE Alliance Fund	96.2%	3.8%	December	Investment	More than half of voting rights
	Korea	Innovation investment Fund	83.3%	16.7%	December	Investment	More than half of voting rights
	Korea	KTB Technology Fund	100.0%	-	December	Investment	More than half of voting rights
	Korea	LG Innotek Co., Ltd. <sup>1</sup>	47.9%	52.1%	December	Production and Sales	De-facto control
	Korea	LG Innotek Alliance Fund <sup>1</sup>	47.4%	52.6%	December	Investment	De-facto control
	Korea	Innowith Co., Ltd. <sup>1</sup>	47.9%	52.1%	December	Services	De-facto control
	Korea	Hanuri Co., Ltd.	100.0%	-	December	Services	More than half of voting rights
	China	China	Hi Logistics (China) Co., Ltd.	100.0%	-	December	Logistics
China		Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	30.0%	December	Production	More than half of voting rights
China		LG Electronics (China) Co., Ltd.(LGECH)	100.0%	-	December	Sales	More than half of voting rights
China		LG Electronics (China) Research and Development Centre Co., Ltd.(LGERD)	100.0%	-	December	R&D	More than half of voting rights
China		LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	30.0%	December	Production	More than half of voting rights

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Territory	Country	Subsidiaries	Percentage of ownership		Closing Month	Major Business	Basis of control
			Controlling interest	Non-controlling interest			
	China	LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS)	100.0%	-	December	Production	More than half of voting rights
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	-	December	Production and Sales	More than half of voting rights
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	-	December	Sales	More than half of voting rights
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	20.0%	December	Production	More than half of voting rights
	China	LG Electronics Nanjing Display Co., Ltd.(LGEND)	70.0%	30.0%	December	Production	More than half of voting rights
	China	LG Electronics Qinhuangdao Inc.(LGEQH)	100.0%	-	December	Production	More than half of voting rights
	China	LG Electronics Shenyang Inc.(LGESY)	78.9%	21.1%	December	Production	More than half of voting rights
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	20.0%	December	Production	More than half of voting rights
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	30.0%	December	Production	More than half of voting rights
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	30.0%	December	Production	More than half of voting rights
	China	Shanghai LG Electronics Co., Ltd.(LGESH)	70.0%	30.0%	December	Production	More than half of voting rights
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	December	Production	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	66.7%	33.3%	December	Production	More than half of voting rights
	China	LG Innotek (Yantai) Co., Ltd.(LGITYT) <sup>1</sup>	47.9%	52.1%	December	Production and Sales	De-facto control
	China	LG Innotek (Huizhou) Co., Ltd.(LGITHZ) <sup>1</sup>	47.9%	52.1%	December	Production and Sales	De-facto control
	China	LG Innotek (Fuzhou) Co., Ltd.(LGITFZ) <sup>1</sup>	47.9%	52.1%	December	Production and Sales	De-facto control
	China	LG Innotek (Guangzhou) Co., Ltd.(LGITGZ) <sup>1</sup>	47.9%	52.1%	December	Production and Sales	De-facto control
	China	LG Innotek (Shanghai) Co., Ltd.(LGITSH) <sup>1</sup>	47.9%	52.1%	December	Production	De-facto control
	China	HiEntech (Tianjin) Co., LTD.	100.0%	-	December	Water engineering	More than half of voting rights
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	-	December	Sales	More than half of voting rights

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Territory	Country	Subsidiaries	Percentage of ownership		Closing Month	Major Business	Basis of control
			Controlling interest	Non-controlling interest			
	India	LG Electronics India Pvt. Ltd.(LGEIL) <sup>4</sup>	100.0%	-	March	Production and Sales	More than half of voting rights
	Japan	LG Electronics Japan Lab. Inc.(LGEJL)	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	December	Sales	More than half of voting rights
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	-	December	Sales	More than half of voting rights
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	December	Sales	More than half of voting rights
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	-	December	Sales	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	-	December	Sales	More than half of voting rights
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	-	December	Production and Sales	More than half of voting rights
	Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100.0%	-	December	Production and Sales	More than half of voting rights
	India	LG Soft India Private Limited.(LGS) <sup>4</sup>	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	-	December	Production and Sales	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. <sup>3</sup>	38.0%	62.0%	December	Real estates	De-facto control
	India	Hi Logistics India Private Limited <sup>4</sup>	100.0%	-	March	Logistics	More than half of voting rights
	Malaysia	HI LOGISTICS MALAYSIA SDN BHD	100.0%	-	December	Logistics	More than half of voting rights
	Indonesia	PT LG Innotek Indonesia(LGITIN) <sup>1</sup>	47.9%	52.1%	December	Production and Sales	De-facto control
	Taiwan	LG Innotek (Taiwan) Ltd.(LGITTW) <sup>1</sup>	47.9%	52.1%	December	Sales	De-facto control
Europe	Netherlands	Hi Logistics Europe B.V.	100.0%	-	December	Logistics	More than half of voting rights
	Austria	LG Electronics Austria GmbH(LGEAG)	100.0%	-	December	Sales	More than half of voting rights
	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	-	December	Sales	More than half of voting rights
	Czech Republic	LG Electronics CZ, s.r.o.(LGE CZ)	100.0%	-	December	Sales	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	-	December	Sales	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	-	December	Sales	More than half of voting rights

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Territory	Country	Subsidiaries	Percentage of ownership		Closing Month	Major Business	Basis of control
			Controlling interest	Non-controlling interest			
	Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100.0%	-	December	European Holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V.(LGESC)	100.0%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S.(LGEFS)	100.0%	-	December	Sales	More than half of voting rights
	Greece	LG Electronics Hellas S.A.(LGEHS)	100.0%	-	December	Sales	More than half of voting rights
	Italy	LG Electronics Italia S.p.A(LGEIS)	100.0%	-	December	Sales	More than half of voting rights
	Latvia	LG Electronics Latvia, LLC(LGELV)	100.0%	-	December	Sales	More than half of voting rights
	Hungary	LG Electronics Magyar KFT(LGEMK)	100.0%	-	December	Sales	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z o.o(LGEMA)	100.0%	-	December	Production	More than half of voting rights
	France	LG Electronics Mobilecomm France(LGEMF)	100.0%	-	December	R&D	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	-	December	Sales	More than half of voting rights
	Norway	LG Electronics Norway AS(LGENO)	100.0%	-	December	Sales	More than half of voting rights
	Poland	LG Electronics Polska Sp. z o.o(LGEPL)	100.0%	-	December	Sales	More than half of voting rights
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	-	December	Sales	More than half of voting rights
	Romania	LG Electronics Romania S.R.L.(LGERO)	100.0%	-	December	Sales	More than half of voting rights
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	-	December	Sales	More than half of voting rights
	Poland	LG Electronics Wroclaw Sp.z o.o(LGEWR)	100.0%	-	December	Production	More than half of voting rights
	Poland	LG Innotek Poland Sp z o.o.(LGITPO) <sup>1</sup>	47.9%	52.1%	December	Production and Sales	De-facto control
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	-	December	Sales	More than half of voting rights
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	-	December	Services	More than half of voting rights
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	-	December	Sales	More than half of voting rights
	Mexico	LG Electronics Mexicali, S.A. DE C.V.(LGEMX)	100.0%	-	December	Production	More than half of voting rights

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Territory	Country	Subsidiaries	Percentage of ownership		Closing Month	Major Business	Basis of control
			Controlling interest	Non-controlling interest			
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	-	December	Sales	More than half of voting rights
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100.0%	-	December	Sales	More than half of voting rights
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	-	December	Production	More than half of voting rights
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERs)	100.0%	-	December	Production	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	-	December	Sales	More than half of voting rights
	USA	LG Receivable Funding LLC	100.0%	-	December	Other	More than half of voting rights
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	-	December	Services	More than half of voting rights
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	-	December	Other	More than half of voting rights
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	-	December	Other	More than half of voting rights
	USA	Zenith Electronics Corporation(Zenith)	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Innotek USA, Inc.(LGITUS) <sup>1</sup>	47.9%	52.1%	December	Sales	De-facto control
	Mexico	HILOGISTICS MEXICO SA DE CV	100.0%	-	December	Logistics	More than half of voting rights
South America	Brazil	LG Armagem Geral Ltda.	100.0%	-	December	Services	More than half of voting rights
	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.0%	-	December	Sales	More than half of voting rights
	Colombia	LG Electronics Colombia Ltda.(LGECEB)	100.0%	-	December	Sales	More than half of voting rights
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	-	December	Production and Sales	More than half of voting rights
	Honduras	LG Electronics Honduras S.de R.L. <sup>2</sup>	20.0%	80.0%	December	Sales	De-facto control
	Chile	LG Electronics Inc Chile Ltda.(LGECL)	100.0%	-	December	Sales	More than half of voting rights
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	December	Sales	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	December	Sales	More than half of voting rights
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	-	December	Sales	More than half of voting rights

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Territory	Country	Subsidiaries	Percentage of ownership		Closing Month	Major Business	Basis of control
			Controlling interest	Non-controlling interest			
	Brazil	SOCIO VIP Ltda.	100.0%	-	December	Services	More than half of voting rights
	Panama	C&S America Solutions	100.0%	-	December	Services	More than half of voting rights
	Panama	LG Consulting corp.	100.0%	-	December	Services	More than half of voting rights
	Panama	LG Electronics Guatemala S.A.	100.0%	-	December	Sales	More than half of voting rights
Middle East and Africa	Nigeria	Easytec Global Services Innovation Limited	100.0%	-	December	Services	More than half of voting rights
	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	-	December	Sales & Services	More than half of voting rights
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100.0%	-	December	Sales	More than half of voting rights
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	-	December	Sales	More than half of voting rights
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	30.0%	December	Sales	More than half of voting rights
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	December	Sales	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	December	Production and Sales	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	December	Sales	More than half of voting right
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	December	Services	More than half of voting rights
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100.0%	-	December	Sales	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	December	Other	More than half of voting rights
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	-	December	Sales	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	December	Sales	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	December	Production and Sales	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	December	Sales	More than half of voting rights
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR) <sup>2</sup>	49.0%	51.0%	December	Production	De-facto control
	Kenya	LG Electronics Service Kenya Limited(LGESK)	100.0%	-	December	Services	More than half of voting rights
Saudi Arabia	LG Electronics Saudi Arabia Limited	100.0%	-	December	Services	More than half of voting rights	



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Territory	Country	Subsidiaries	Percentage of ownership		Closing Month	Major Business	Basis of control
			Controlling interest	Non-controlling interest			
Other	Russia	LG Alina Electronics(LGERI)	95.0%	5.0%	December	Services	More than half of voting rights
	Kazakhstan	LG Electronics Almaty Kazakhstan(LGEAK)	100.0%	-	December	Production and Sales	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	-	December	Production and Sales	More than half of voting rights
	Russia	LG Electronics RUS-Marketing, LLC(LGERM)	100.0%	-	December	Services	More than half of voting rights
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100.0%	-	December	Sales	More than half of voting rights

<sup>1</sup> Although the Parent Company holds less than half of the voting rights of LG Innotek Co., Ltd. which is an intermediate parent of its subsidiaries, the Parent Company is deemed to have control over LG Innotek Co., Ltd. when considering the size and dispersion of holdings of the other vote holders, and the voting patterns at previous shareholders' meetings (Note 3).

<sup>2</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 holds less than half of the voting power.

<sup>3</sup> Although the Parent Company holds less than half of the voting rights, the Group is deemed to have control as the Parent Company has the substantial power to direct the relevant activities and is exposed to variable returns.

<sup>4</sup> In the preparation of consolidated financial statements, the financial statements for three-month period ended March 31, 2013 were used for those subsidiaries with different fiscal years.

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(b) Financial information of major subsidiaries as of March 31, 2013 and December 31, 2012, and for the three-month periods ended March 31, 2013 and 2012, is as follows  
(Before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	March 31, 2013			2013		
	Assets	Liabilities	Equity	Sales	Net Income (loss)	Total Comprehensive Income(loss)
LG Innotek Co., Ltd.	4,717,955	3,496,210	1,221,745	1,422,339	(9,941)	(16,531)
LG Electronics U.S.A., Inc.(LGEUS)	1,861,213	1,574,170	287,043	1,397,935	(1,442)	(1,380)
LG Electronics do Brasil Ltda.(LGEBR)	1,602,166	1,192,495	409,671	734,427	33,533	36,619
Zenith Electronics Corporation(Zenith)	1,031,893	43,859	988,034	36,591	17,531	22,099
LG Electronics RUS, LLC(LGERA)	984,440	650,420	334,020	625,970	24,450	28,332
LG Electronics European Shared Service Center B.V.(LGESC)	907,217	879,976	27,241	47,591	3,070	3,168
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	734,101	414,291	319,810	381,355	22,634	24,424
LG Electronics India Pvt. Ltd.(LGEIL)	731,077	343,285	387,792	549,022	25,712	36,643
LG Electronics (China) Co. Ltd.(LGECH)	674,860	645,663	29,197	311,394	8,595	8,800
P.T. LG Electronics Indonesia(LGEIN)	639,709	414,476	225,233	489,694	6,182	8,533
LG Electronics Reynosa S.A. DE C.V.(LGERES)	546,235	288,420	257,815	452,437	1,138	6,117
LG Electronics Nanjing Display Co., Ltd.(LGEND)	540,656	385,559	155,097	412,804	5,413	5,828
LG Electronics Mlawa Sp. z o.o(LGEMA)	540,061	245,769	294,292	381,140	12,984	13,969
LG Electronics Mexico S.A. DE C.V.(LGEMS)	506,158	428,774	77,384	323,367	5,232	4,204
LG Electronics Wroclaw Sp.z.o.o(LGEWR)	505,501	350,693	154,808	456,601	5,645	5,610
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	504,453	454,326	50,127	540,196	(29,911)	(29,945)
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	486,875	405,432	81,443	988,861	7,093	7,800
Hiplaza Co., Ltd.	443,791	299,253	144,538	306,576	173	(36)
LG Electronics Thailand Co.Ltd.(LGETH)	429,638	273,908	155,730	321,394	10,142	10,868
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	394,701	272,151	122,550	259,442	15,387	16,529
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	359,811	318,492	41,319	141,579	(1,167)	(491)

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<i>(in millions of Korean won)</i>	December 31, 2012			2012		
	Assets	Liabilities	Equity	Sales	Net Income (loss)	Total Comprehensive Income(loss)
LG Innotek Co., Ltd.	4,668,318	3,430,042	1,238,276	1,200,999	28,799	28,846
LG Electronics U.S.A., Inc.(LGEUS)	1,882,404	1,604,377	278,027	1,224,658	(5,850)	(5,601)
LG Electronics do Brasil Ltda.(LGEBR)	1,330,108	971,404	358,704	680,688	(5,706)	(7,186)
Zenith Electronics Corporation(Zenith)	973,707	39,427	934,280	26,994	14,068	10,674
LG Electronics RUS, LLC(LGERA)	1,063,036	643,253	419,783	561,027	21,734	26,541
LG Electronics European Shared Service Center B.V.(LGESC)	1,095,692	1,071,664	24,028	41,677	(3,999)	(4,083)
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	647,211	362,324	284,887	403,227	14,892	13,361
LG Electronics India Pvt. Ltd.(LGEIL)	564,329	218,670	345,659	639,386	35,402	43,114
LG Electronics (China) Co. Ltd.(LGECH)	636,428	616,983	19,445	281,493	19,357	19,829
P.T. LG Electronics Indonesia(LGEIN)	545,659	334,843	210,816	484,437	11,485	9,358
LG Electronics Reynosa S.A. DE C.V.(LGERES)	526,829	281,719	245,110	612,567	30,612	28,950
LG Electronics Nanjing Display Co., Ltd.(LGEND)	423,710	279,980	143,730	232,570	6,019	2,866
LG Electronics Mlawa Sp. z o.o(LGEMA)	563,481	276,155	287,326	421,814	2,073	3,625
LG Electronics Mexico S.A. DE C.V.(LGEMS)	456,972	391,074	65,898	272,836	(16,092)	(16,303)
LG Electronics Wroclaw Sp.z.o.o(LGEWR)	518,020	365,612	152,408	368,823	899	3,296
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	418,758	341,217	77,541	296,281	2,095	2,111
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	411,997	340,570	71,427	1,000,699	13,255	12,402
Hiplaza Co., Ltd.	398,974	254,400	144,574	281,841	(4,879)	(4,879)
LG Electronics Thailand Co.Ltd.(LGETH)	350,146	215,993	134,153	294,150	11,534	12,037
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	391,388	288,848	102,540	156,887	1,166	321
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	358,914	320,062	38,852	137,861	9,343	10,069

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(c) Information of non-controlling interests per subsidiaries and subsidiaries with material non-controlling interests

i) Subsidiaries held at less than 100% of interest

<b>Subsidiaries</b>	<b>Location</b>	<b>Controlling interest</b>	<b>Non-controlling interest</b>
LG Innotek Co., Ltd. and its subsidiaries <sup>1</sup>	Korea	47.90%	52.10%
LG Hitachi Water Solution Co., Ltd.	Korea	51.00%	49.00%
LGE Alliance Fund	Korea	96.20%	3.80%
Innovation investment Fund	Korea	83.30%	16.70%
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	70.00%	30.00%
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	China	70.00%	30.00%
LG Electronics Huizhou Ltd.(LGEHZ)	China	80.00%	20.00%
LG Electronics Nanjing Display Co., Ltd.(LGEND)	China	70.00%	30.00%
LG Electronics Shenyang Inc.(LGESY)	China	78.90%	21.10%
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	China	80.00%	20.00%
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	China	70.00%	30.00%
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	70.00%	30.00%
Shanghai LG Electronics Co., Ltd.(LGESH)	China	70.00%	30.00%
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	China	66.70%	33.30%
LG Electronics Pasig Inc.	Philippines	38.00%	62.00%
LG Electronics Honduras S.de R.L.	Honduras	20.00%	80.00%
LG Electronics Algeria SARL(LGEAS)	Algeria	70.00%	30.00%
LG-Shaker Co., Ltd.(LGESR)	Saudi Arabia	49.00%	51.00%
LG Alina Electronics(LGERI)	Russia	95.00%	5.00%

<sup>1</sup> Above location of LG Innotek Co., Ltd. and its subsidiaries represents the location of head office only.

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ii) Non-controlling interest portion of subsidiaries' financial position and financial performance

Accumulated non-controlling interest as of March 31, 2013 and December 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
LG Innotek Co., Ltd. and its subsidiaries	656,949	659,171
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	59,145	53,910
LG Electronics Nanjing Display Co., Ltd.(LGEND)	44,949	42,251
LG-Shaker Co., Ltd.(LGESR)	32,601	27,529
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	32,206	27,272
LG Electronics Huizhou Ltd.(LGEHZ)	19,524	18,228
LG Electronics Shenyang Inc.(LGESY)	18,823	19,603
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	13,320	21,507
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	12,967	11,909
Shanghai LG Electronics Co., Ltd.(LGESH)	7,937	7,503
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	7,704	7,281
LG Hitachi Water Solution Co., Ltd.	6,679	6,664
Innovation investment Fund	6,278	6,120
LG Alina Electronics(LGERI)	783	767
LGE Alliance Fund	363	386
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	83	116
LG Electronics Honduras S.de R.L.	-	-
Triveni Digital Inc.	-	169
LG Electronics Algeria SARL(LGEAS)	(1,464)	(1,411)
LG Electronics Pasig Inc.	(2,340)	(2,317)
<b>Total</b>	<b>916,507</b>	<b>906,658</b>

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Profit(loss) attributed to non-controlling interest for the three-month periods ended March 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
LG Innotek Co., Ltd. and its subsidiaries	(3,901)	(2,909)
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	2,841	1,990
LG Electronics Nanjing Display Co., Ltd.(LGEND)	916	1,388
LG-Shaker Co., Ltd.(LGESR)	3,930	961
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	3,611	441
LG Electronics Huizhou Ltd.(LGEHZ)	481	888
LG Electronics Shenyang Inc.(LGESY)	(1,604)	194
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	(8,919)	466
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	538	284
Shanghai LG Electronics Co., Ltd.(LGESH)	118	150
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	123	237
LG Hitachi Water Solution Co., Ltd.	(443)	(323)
Innovation investment Fund	229	43
LG Alina Electronics(LGERI)	6	25
LGE Alliance Fund	-	1
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	(37)	(13)
LG Electronics Honduras S.de R.L.	-	-
Triveni Digital Inc.	-	(10)
LG Electronics Algeria SARL(LGEAS)	(5)	32
LG Electronics Pasig Inc.	(1)	(24)
<b>Total</b>	<b>(2,117)</b>	<b>3,821</b>

Dividends paid to non-controlling interest for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
LG Electronics Shenyang Inc.(LGESY)	-	12,410

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iii) Summarized consolidated statements of financial position of subsidiaries with material non-controlling interests, is as follows (Before elimination of intercompany transactions):

- LG Innotek Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
<b>Total assets</b>	5,008,758	4,886,285
Current assets	2,222,887	2,073,033
Non-current assets	2,785,871	2,813,252
<b>Total liabilities</b>	3,743,593	3,617,978
Current liabilities	2,095,591	2,009,225
Non-current liabilities	1,648,002	1,608,753
<b>Total equity</b>	1,265,165	1,268,307
Equity of the owners of LG Innotek Co., Ltd.	1,265,163	1,268,253
Non-controlling interest	2	54

iv) Summarized consolidated statements of comprehensive income of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 2013 and 2012, is as follows (Before elimination of intercompany transactions):

- LG Innotek Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Net sales	1,550,950	1,233,979
Loss for the period	(6,506)	(2,417)
Other comprehensive income(loss), net of tax	3,415	(2,927)
Total comprehensive loss, net of tax	(3,091)	(5,344)

v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 2013 and 2012, is as follows (Before elimination of intercompany transactions):

- LG Innotek Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Cash flows from operating activities	55,179	44,255
Cash flows from investing activities	(136,061)	(34,578)
Cash flows from financing activities	124,679	30,352
Exchange gains on cash and cash equivalents	1,074	115
Net increase in cash and cash equivalents	44,871	40,144
Cash and cash equivalents at the beginning of period	352,808	435,602
Cash and cash equivalents at the end of period	397,679	475,746

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(d) Significant restrictions on its subsidiaries

i) The significant restrictions on the use of assets and on settlement of liabilities by the Group are as follows:

Cash and other short-term financial instruments held by subsidiaries in Egypt, Algeria, Russia, Kazakhstan and Uzbekistan are subject to currency regulations of each relevant country. Accordingly, there are transfer limits on its cash and short-term financial instruments from these countries.

ii) The nature and limitation of the protective rights of non-controlling interest which may restrict use of assets and settlement of liabilities by the Group are as follows:

<u>Subsidiaries</u>	<u>The nature and limitation of the protective rights for non-controlling interest</u>
LG Hitachi Water Solution Co., Ltd.	For the following special resolutions of the board of directors, consents from directors who were appointed by non-controlling interest holder are required. <ul style="list-style-type: none"> <li>- Acquisitions and disposals of assets over KRW one billion not included in the business plan</li> <li>- Borrowings and issues of debentures over KRW one billion not included in the business plan</li> <li>- Expenditure over KRW one billion not included in the business plan</li> <li>- Initial agreement, amendment and termination of significant contracts over one billion won.</li> </ul>
LG-Shaker Co., Ltd.(LGESR)	Unanimous approval is required for the confirmation of financial statements and dividend declaration.

(e) Interest over consolidated structured entity and its relevant risks

LG Receivable Funding LLC is the special purpose entity that has been established for asset securitization based on trade receivables. The Group performs asset securitization within the limit of agreement assuming that certain conditions are met in accordance with the relevant contract. These conditions include maintaining certain financial ratios (interest coverage ratio, degree of leverage) and securitizing trade receivables against debtors whose credit ratings are higher than a specific level (BBB- from Standard & Poors or Baa3 from Moody's).



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(f) Changes in the Parent Company's interest in the subsidiaries

Changes in the Parent Company's interest in the subsidiaries without loss of control are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
LG Innotek Co.,Ltd. and its subsidiaries		
Decrease in the Parent Company's interest by exercise of conversion rights (A)	-	128
Consideration received from non-controlling interest (B)	-	-
Changes of the Parent Company's ownership interest (A-B)	-	128

(g) Subsidiaries newly included in the consolidation for the three-month period ended March 31, 2013, are:

<b>Subsidiaries</b>	<b>Reasons</b>	<b>Country</b>	<b>Percentage of ownership</b>	<b>Closing month</b>	<b>Major Business</b>
Hanuri Co., Ltd	Newly established	Korea	100%	December	Services
HILOGISTICS MEXICO SA DE CV	Newly established	Mexico	100%	December	Logistics
HiEntech (Tianjin) Co., LTD.	Newly established	China	100%	December	Water engineering

(h) Subsidiaries excluded from the consolidation and gain and loss related to loss of control for the three-month period ended March 31, 2013, are:

<i>(in millions of Korean won)</i>	<b>Reason</b>	<b>Percentage of ownership</b>	<b>Fair value</b>	<b>Book value</b>	<b>Gain on disposal</b>	<b>Related account title</b>
Triveni Digital Inc.	Disposal of shares	89%	3,571	1,587	1,984	Other non-operating income

**2. Significant Accounting Policies**

**Basis of Preparation**

The interim consolidated financial statements for the three-month period ended March 31, 2013, have been prepared in accordance with Korean IFRS 1034, 'Interim Financial Reporting'. These interim consolidated financial statements have been prepared in accordance with the Korean IFRS standards and interpretations issued and effective at March 31, 2013.

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#### Changes in Accounting Policy and Disclosures

##### (a) New and amended standards adopted by the Group

Korean IFRS 1019(Amendment) 'Employee Benefits', Korean IFRS 1028(Amendment) 'Investments in Associates and Joint Ventures', Korean IFRS 1107(Amendment) 'Financial Instruments: Disclosures', Korean IFRS 1110(Enactment) 'Consolidated Financial Statements', Korean IFRS 1111(Enactment) 'Joint Arrangements', Korean IFRS 1112(Enactment) 'Disclosure of Interests in Other Entities', Korean IFRS 1113(Enactment) 'Fair Value Measurement' and 'Annual improvements to Korean IFRS' have been adopted from reporting period beginning on or after January 1, 2013.

##### - Korean IFRS 1019(Amendment): 'Employee Benefits'

According to the amendments to Korean IFRS 1019, 'Employee Benefits', the use of a 'corridor' approach is no longer permitted, and therefore all actuarial gains and losses incurred are immediately recognized in other comprehensive income. All past service costs incurred are immediately recognized in accordance with the change of the plan. Interest cost and the expected returns on plan assets which used to be calculated separately have been revised to calculate net interest expense(income) by applying the discount rate used in the defined benefit liability(asset) measurement.

The Group retrospectively applied the calculation method of employee benefits in accordance with the above amendments. The comparative statement of income and comprehensive income for the three-month period ended March 31, 2012, was restated by reflecting adjustments resulting from the retrospective application.

The Group shall recognize a liability and expense for termination benefits at the earlier of the following dates; (a) when the Group can no longer withdraw the offer of benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of Korean IFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits. The Group expects that the amendments of Korean IFRS 1019 would not have material impact on its consolidated financial statements.

##### - Korean IFRS 1028(Amendment): 'Investments in associates and joint ventures'

According to the amendments, the accounting for joint ventures is integrated into this standard and the application of the equity method is set out in this standard. The scope exception for venture capital organizations, or mutual funds, unit trusts and similar entities has been eliminated and has been characterized as a measurement exemption from the requirement measurement in using the equity method in Korean IFRS 1028 (Amendment). The disclosure requirements are specified in Korean IFRS 1112 'Disclosure of Interests in Other Entities'. The amendments of Korean IFRS 1028 do not have material impact on its consolidated financial statements.

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- Korean IFRS 1107(Amendment): 'Financial Instruments: Disclosure'

According to the amendments to Korean IFRS 1107, 'Financial Instruments: Disclosure', the Group is required to disclose quantitative and qualitative information in order for the users of the financial statements to evaluate their effect or potential effect on financial statements for recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with paragraph 42 of Korean IFRS 1032. The effects of this amendment are disclosed in Note 5.

- Korean IFRS 1110(Enactment): 'Consolidated Financial Statement'

Korean IFRS 1110 supersedes Korean IFRS 1027, 'Consolidated and Separate Financial Statements', and Korean IFRS 2012, 'Consolidation—Special Purpose Entities'.

Korean IFRS 1110 explains the principle of control which is the basis for determining which entities are consolidated in the consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard sets out further guidance where it is difficult to determine control.

Prior to the application of the above enactment, LG Innotek Co., Ltd., an intermediate parent company, was classified as an associate. Although the Parent Company has less than half of ownership interest in LG Innotek Co., Ltd., the Parent Company is deemed to have control over LG Innotek Co., Ltd. when considering the size and dispersion of holdings of the other vote holders, and the voting patterns at previous shareholders' meetings. As a result, the Group classified LG Innotek Co., Ltd. and its subsidiaries as subsidiaries.

Accordingly, the comparative financial statements of the Group were retrospectively adjusted and restated as if those have been subsidiaries from the date when the Group obtained control over the entities.

- Korean IFRS 1111(Enactment): 'Joint Arrangements'

Korean IFRS 1111, 'Joint Arrangements', aims to reflect the substance of joint arrangements by focusing on the contractual rights and obligations that each party to the arrangement has rather than its legal form. Joint arrangements are classified as either joint operations or joint ventures. A joint operation is when joint operators have rights to the assets and obligations for the liabilities, and accounts for the assets, liabilities, revenues and expenses, while parties to the joint venture who have rights to the net assets of the arrangement, account for their interest in the joint venture using the equity method. The Group expects that the application of this amendment does not have a material impact on its consolidated financial statements.

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- Korean IFRS 1112(Enactment): 'Disclosures of Interests in Other Entities'

Korean IFRS 1112, 'Disclosures of Interests in Other Entities', provides the disclosure requirements for all forms of interests in other entities, including a subsidiary, a joint arrangement, an associate, a consolidated structured entity and an unconsolidated structured entity. According to the above enactment of standard, part of disclosures of interests in other entities are changed and disclosed in Note 1 and 10 to the consolidated financial statements.

- Korean IFRS 1113(Enactment): 'Fair Value Measurement'

Korean IFRS 1113, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Korean IFRS. Korean IFRS 1113 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within the Korean IFRS. This amendment was effective for the financial year beginning on or after January 1, 2013, and the enactment of Korean IFRS 1113 does not have a material impact on its consolidated financial statements.

- Annual improvements to Korean IFRS

Korean IFRS 1001, 'Presentation of Financial Statements'

Korean IFRS 1016, 'Property, Plant and Equipment'

Korean IFRS 1032, 'Financial Instruments: Presentation'

Korean IFRS 1034, 'Interim Financial Reporting'

These annual improvements are effective for the financial year beginning on or after January 1, 2013, and do not have a material impact on its consolidated financial statements.

- The effects of enactments and amendments on the standards on comparative consolidated financial statements

i) The consolidated statements of financial position as of January 1 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>January 1, 2012</b>		
	<b>Before restatement</b>	<b>Effect of changes<sup>1</sup></b>	<b>After restatement</b>
<b>Total assets</b>	32,658,457	2,860,681	35,519,138
Current assets	15,783,126	1,500,048	17,283,174
Non-current assets	16,875,331	1,360,633	18,235,964
<b>Total liabilities</b>	19,510,209	2,852,517	22,362,726
Current liabilities	14,214,522	1,241,211	15,455,733
Non-current liabilities	5,295,687	1,611,306	6,906,993
<b>Total equity</b>	13,148,248	8,164	13,156,412
Equity of the owners of the Parent Company	12,893,959	(678,424)	12,215,535
Non-controlling interest	254,289	686,588	940,877

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<i>(in millions of Korean won)</i>	<b>December 31, 2012</b>		
	<b>Before restatement</b>	<b>Effect of changes<sup>1</sup></b>	<b>After restatement</b>
<b>Total assets</b>	31,457,386	3,308,664	34,766,050
Current assets	14,554,289	1,757,189	16,311,478
Non-current assets	16,903,097	1,551,475	18,454,572
<b>Total liabilities</b>	18,753,169	3,307,134	22,060,303
Current liabilities	12,815,912	1,698,380	14,514,292
Non-current liabilities	5,937,257	1,608,754	7,546,011
<b>Total equity</b>	12,704,217	1,530	12,705,747
Equity of the owners of the Parent Company	12,454,412	(655,323)	11,799,089
Non-controlling interest	249,805	656,853	906,658

<sup>1</sup> Above changes are effects resulting from applying Korean IFRS 1110. There is no effect of the application of Korean IFRS 1001 and 1019 on consolidated statements of financial position.

ii) The consolidated statement of comprehensive income for the three-month period ended March 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>Before restatement</b>	<b>Effect of changes</b>			<b>After restatement</b>
		<b>Korean IFRS 1001<sup>1</sup></b>	<b>Korean IFRS 1019</b>	<b>Korean IFRS 1110<sup>2</sup></b>	
Net sales	12,227,897	-	-	976,811	13,204,708
Gross profit	2,914,048	-	470	138,125	3,052,643
Operating income	448,179	(72,885)	890	25,554	401,738
Profit before income tax	449,761	-	890	7,416	458,067
Profit for the period	242,502	-	675	4,323	247,500
Profit for the period attributable to:					
Equity holders of the Parent Company	235,747	-	667	7,265	243,679
Non-controlling interest	6,755	-	8	(2,942)	3,821
Other comprehensive income, net of tax	41,255	-	(675)	(1,508)	39,072
Other comprehensive income, net of tax, attributable to:					
Equity holders of the Parent Company	44,195	-	(667)	50	43,578
Non-controlling interest	(2,940)	-	(8)	(1,558)	(4,506)
Total comprehensive income, net of tax	283,757	-	-	2,815	286,572
Total comprehensive income, net of tax, attributable to:					
Equity holders of the Parent Company	279,942	-	-	7,315	287,257
Non-controlling interest	3,815	-	-	(4,500)	(685)
Earnings per share attributable to the equity holders of the Parent Company during the period (in won):					
Earnings per share for profit attributable to the common equity holders of the Parent Company	1,308	-	4	40	1,352
Earnings per share for profit attributable to the preferred equity holders of the Parent Company	1,321	-	4	40	1,365

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<sup>1</sup> During the prior period, the Group changed its accounting policy to present the operating income after deducting cost of sales, selling and administrative expenses, research and development expenses and service costs from net sales, in accordance with the amendment of Korean IFRS 1001, 'Presentation of Financial Statements'.

<sup>2</sup> Above changes include effect of application of Korean IFRS 1001 for LG Innotek Co., Ltd and its subsidiaries.

iii) The consolidated statement of cash flows for the three-month period ended March 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>Before restatement</b>	<b>Effect of changes<sup>1</sup></b>	<b>After restatement</b>
Cash flows from operating activities	501,397	145,171	646,568
Cash flows from investing activities	(88,966)	(135,543)	(224,509)
Cash flows from financing activities	(181,305)	30,351	(150,954)
Exchange gains on cash and cash equivalents	30,884	165	31,049
Net increase in cash and cash equivalents	262,010	40,144	302,154

<sup>1</sup> Above changes are effects resulting from applying Korean IFRS 1110. There is no effect of the application of Korean IFRS 1001 and 1019 on consolidated statement of cash flows.

(b) New standards, amendments and interpretations have not been early adopted by the Group

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013, and not early adopted by the Group are as follows:

- Korean IFRS 1032(Amendment): 'Financial instruments: Presentation'

Amendments to Korean IFRS 1032 'Financial instruments: Presentation' clarify the facts that the right of offset cannot be contingent on a future event and shall be legally enforceable under any circumstances, and if an entity can settle amounts in a manner such that the outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. These amendments will be effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Group expects that the application of these amendments would not have a material impact on its consolidated financial statements.

**Application of Accounting Policies**

The significant accounting policies and methods of computation applied in the preparation of these interim consolidated financial statements are the same as the policies and methods adopted for the financial statements for the year ended December 31, 2012, unless otherwise stated in Note 2.

Certain reclassifications have been made to the comparative consolidated financial statements to conform to the March 31, 2013 financial statement presentation. These reclassifications have no effect on the reported net income or the net asset of the prior period.

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

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#### **Consolidation**

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110, 'Consolidated Financial Statements'.

Subsidiaries are all entities over which the Group has control (including structured entities). The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities (the activities that significantly affect the investee's returns). Power can be assessed by considering the voting rights. In other cases, the assessment will be more complex and require more than one factor to be considered including voting patterns at previous shareholders' meetings, for example, when power result from contractual arrangement. The Group is exposed or has right to variable returns from its involvement with the investee when the Group's returns from its involvement have the potential to vary as a result of the investee's performance.

#### **Employee Benefits**

Net interest expense(income) are calculated by applying discount rate used to measure the defined benefit obligation in calculating the expected return on plan assets, and administration costs deducted in determining the return on plan assets are limited to plan asset management costs. In addition, all past service costs are recognized immediately.

#### **Income Tax Expenses**

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

### **3. Critical Accounting Estimates and Judgments**

The estimates and judgments are reviewed on an ongoing basis and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Critical Accounting Estimates and Assumptions**

For the interim consolidated financial statements, the Group's management makes judgments, estimates and assumptions which affect accounting policies and its assets, liabilities, income and cost. 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.

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##### (a) Revenue Recognition

The Group recognizes revenue using the percentage of completion method for the rendering of service such as installation. When using the percentage of completion method, revenue shall be recognized by estimating services performed to date as a percentage of total services to be performed. The revenue may change with variations in terms and conditions including changes in the scope of work, costs, a contract period or a customer's plan.

##### (b) Impairment of Goodwill

The Group tests goodwill regularly for impairment. 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.

##### (c) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Income tax expense in each interim period is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year as explained in Note 2. 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.

##### (d) 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 judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

##### (e) Provisions

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

##### (f) Defined Benefit Obligation

The present value of the defined benefit obligation depends on various factors that apply an actuarial basis using a number of assumptions. The assumptions used in determining the net cost(income) for pensions include the discount rate.



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Any changes in these assumptions will impact the carrying amount of the defined benefit obligation. The Group determines the appropriate discount rate at the end of each period. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligation.

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 obligation are based on current market conditions.

**Significant Judgment on Accounting Policies Adopted by the Group**

In order to determine the Group's de-facto control, the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders and additional facts and circumstances including voting patterns at previous shareholders' meetings are considered.

**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 (HE)	LCD TV, PDP TV, Monitors, PCs, Security devices, Audio, Video and others
Mobile Communications (MC)	Mobile communications, Network and others
Home Appliance (HA)	Refrigerators, Washing machines, Microwaves, Vacuum cleaners, Healthcare products and others
Air Conditioning & Energy Solution (AE)	Residential air conditioners, Commercial air conditioners and others
LG Innotek Co.,Ltd. and its subsidiaries (Innotek)	LED, Display & Network, Substrate & Material, Optics Solution, Auto & Motor and others
Other	-

(a) The segment information for sales and operating income(loss) for the three-month periods ended March 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>							
	<b>HE</b>	<b>MC</b>	<b>HA</b>	<b>AE</b>	<b>Innotek</b>	<b>Other segments<sup>1</sup></b>	<b>Inter-segment transactions<sup>2</sup></b>	<b>Total</b>
Sales	5,172,433	3,209,714	2,806,666	1,230,671	1,550,950	810,251	(680,084)	14,100,601
External sales	5,171,948	3,209,704	2,805,332	1,230,017	1,199,250	484,350	-	14,100,601
Internal sales	485	10	1,334	654	351,700	325,901	(680,084)	-
Operating income(loss) <sup>3</sup>	29,752	132,778	101,669	72,766	15,828	(3,336)	-	349,457
Depreciation and amortization	125,856	70,549	75,302	22,486	126,129	36,364	-	456,686

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2012								
<i>(in millions of Korean won)</i>	HE	MC	HA	AE	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	Total
Sales	5,423,198	2,497,215	2,535,694	1,217,900	1,233,979	791,396	(494,674)	13,204,708
External sales	5,422,084	2,497,192	2,533,110	1,215,996	978,721	557,605	-	13,204,708
Internal sales	1,114	23	2,584	1,904	255,258	233,791	(494,674)	-
Operating income(loss) <sup>3</sup>	163,656	34,367	143,305	71,404	27,589	(38,583)	-	401,738
Depreciation and amortization	116,912	79,213	70,316	22,903	111,209	31,473	-	432,026

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

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

<sup>3</sup> Non-operating income(expenses) are not separately disclosed as the Chief Operating Decision Maker does not review them by segments.

(b) The segment information for assets and liabilities as of March 31, 2013 and December 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	March 31, 2013		December 31, 2012	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Home Entertainment	15,382,803	13,283,329	14,087,363	12,113,340
Mobile Communications	7,254,271	5,001,863	6,891,881	4,463,562
Home Appliance	8,569,341	6,385,959	7,857,399	5,729,303
Air Conditioning & Energy Solution	3,613,823	2,470,870	3,009,048	1,960,556
LG Innotek Co., Ltd. and its subsidiaries	5,008,758	3,743,593	4,886,285	3,617,978
<b>Sub-total<sup>1</sup></b>	<b>39,828,996</b>	<b>30,885,614</b>	<b>36,731,976</b>	<b>27,884,739</b>
Other segments and inter-segment elimination	(2,682,439)	(6,568,170)	(1,965,926)	(5,824,436)
<b>Total</b>	<b>37,146,557</b>	<b>24,317,444</b>	<b>34,766,050</b>	<b>22,060,303</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.

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(c) External sales by geographic areas for the three-month periods ended March 31, 2013 and 2012, 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>	
	2013	2012	March 31, 2013	December 31, 2012
Korea	3,718,402	3,437,587	9,358,422	8,799,503
North America	2,618,075	2,472,074	138,224	135,758
Europe	1,630,127	1,256,447	257,095	268,881
Central & South America	1,662,478	1,574,901	484,081	428,613
Middle Asia & Africa	1,140,538	1,108,993	83,588	78,722
Asia	911,532	1,065,266	190,830	199,555
India	522,178	597,849	146,624	143,066
China	1,066,471	941,548	638,456	876,974
Commonwealth of Independent States	830,800	750,043	196,313	187,652
<b>Total</b>	<b>14,100,601</b>	<b>13,204,708</b>	<b>11,493,633</b>	<b>11,118,724</b>

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

(d) There is no external customer attributing to more than 10% of total sales for the three-month periods ended March 31, 2013 and 2012.

**5. Financial Instruments by Category**

(a) Categorizations of financial instruments as of March 31, 2013 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2013					
	Assets at fair value through profit or loss	Derivatives for hedge	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Total
Cash and cash equivalents	-	-	2,453,893	-	-	2,453,893
Financial deposits	-	-	164,417	-	-	164,417
Trade receivables	-	-	8,533,402	-	-	8,533,402
Loans and other receivables	-	-	1,144,040	-	-	1,144,040
Other financial assets	8,049	4,826	-	50,766	4,954	68,595
<b>Total</b>	<b>8,049</b>	<b>4,826</b>	<b>12,295,752</b>	<b>50,766</b>	<b>4,954</b>	<b>12,364,347</b>

# LG Electronics

## Notes to the Interim Consolidated Financial Statements

March 31, 2013 and 2012, and December 31, 2012

March 31, 2013

<i>(in millions of Korean won)</i>	Liabilities at			Total
	fair value through profit or loss	Derivatives for hedge	Liabilities carried at amortized cost	
Trade payables	-	-	6,989,252	6,989,252
Borrowings	-	-	9,396,949	9,396,949
Other payables	-	-	1,803,031	1,803,031
Other financial liabilities	5,461	10,177	-	15,638
Other liabilities	-	-	37,476	37,476
<b>Total</b>	<b>5,461</b>	<b>10,177</b>	<b>18,226,708</b>	<b>18,242,346</b>

December 31, 2012

<i>(in millions of Korean won)</i>	Assets at fair			Assets	Held-to-	Total
	value through profit or loss	Derivatives for hedge	Loans and receivables	classified as available-for- sale	maturity financial assets	
Cash and cash equivalents	-	-	2,185,000	-	-	2,185,000
Financial deposits	-	-	175,036	-	-	175,036
Trade receivables	-	-	7,332,761	-	-	7,332,761
Loans and other receivables	-	-	1,101,848	-	-	1,101,848
Other financial assets	10,380	-	-	54,599	58,508	123,487
<b>Total</b>	<b>10,380</b>	<b>-</b>	<b>10,794,645</b>	<b>54,599</b>	<b>58,508</b>	<b>10,918,132</b>

December 31, 2012

<i>(in millions of Korean won)</i>	Liabilities at			Total
	fair value through profit or loss	Derivatives for hedge	Liabilities carried at amortized cost	
Trade payables	-	-	5,626,571	5,626,571
Borrowings	-	-	8,638,387	8,638,387
Other payables	-	-	2,071,439	2,071,439
Other financial liabilities	3,053	13,889	-	16,942
Other liabilities	-	-	24	24
<b>Total</b>	<b>3,053</b>	<b>13,889</b>	<b>16,336,421</b>	<b>16,353,363</b>

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(b) Income and expenses by category of financial instruments for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013						Total
	Assets at fair value through profit or loss	Derivatives for hedge	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets		
Interest income	-	-	23,247	-	-	-	23,247
Exchange differences	-	-	137,202	-	-	-	137,202
Bad debt expenses	-	-	(14,270)	-	-	-	(14,270)
Loss on the transfer of trade receivables	-	-	(4,211)	-	-	-	(4,211)
Gains on valuation of available-for-sale financial assets (Other comprehensive income)	-	-	-	1,919	-	-	1,919
Gains on sales of available-for-sale financial assets	-	-	-	2,297	-	-	2,297
Impairment of available-for-sale financial assets	-	-	-	(453)	-	-	(453)
Dividend income	-	-	-	317	-	-	317
Derivatives (Financial expense)	(1,548)	-	-	-	-	-	(1,548)
Derivatives (Other comprehensive expense)	-	(747)	-	-	-	-	(747)

<i>(in millions of Korean won)</i>	2013				Total
	Liabilities at fair value through profit or loss	Derivatives for hedge	Liabilities carried at amortized cost		
Interest expenses	-	-	(101,156)	-	(101,156)
Exchange differences	-	-	(144,111)	-	(144,111)
Derivatives (Financial expense)	(4,309)	-	-	-	(4,309)

**LG Electronics**  
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<i>(in millions of Korean won)</i>	2012						Total
	Assets at fair value through profit or loss	Derivatives for hedge	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets		
Interest income	-	-	25,871	-	356		26,227
Exchange differences	-	-	(83,079)	-	(775)		(83,854)
Bad debt expenses	-	-	(5,354)	-	-		(5,354)
Loss on the transfer of trade receivables	-	-	(10,641)	-	-		(10,641)
Gains on valuation of available-for-sale financial assets (Other comprehensive income)	-	-	-	101	-		101
Gains on sales of available-for-sale financial assets (Other comprehensive income)	-	-	-	383	-		383
Impairment of available-for-sale financial assets	-	-	-	(27)	-		(27)
Dividend income	-	-	-	289	-		289
Derivatives (Financial income)	2,189	-	-	-	-		2,189
Derivatives (Other comprehensive income)	-	1,116	-	-	-		1,116

<i>(in millions of Korean won)</i>	2012				Total
	Liabilities at fair value through profit or loss	Derivatives for hedge	Liabilities carried at amortized cost		
Interest expenses	-	-	(113,576)		(113,576)
Exchange differences	-	-	169,939		169,939
Derivatives (Financial expense)	(9,221)	-	-		(9,221)

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(c) Recognized financial instruments that are subject to an enforceable master netting arrangements or similar arrangements, are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>				
	<b>Gross assets</b>	<b>Gross liabilities offset</b>	<b>Net amounts presented in the statement of financial position</b>	<b>Amounts not offset</b>	<b>Net amount</b>
Trade receivables	333,180	314,866	18,314	-	18,314

<i>(in millions of Korean won)</i>	<b>December 31, 2012</b>				
	<b>Gross assets</b>	<b>Gross liabilities offset</b>	<b>Net amounts presented in the statement of financial position</b>	<b>Amounts not offset</b>	<b>Net amount</b>
Trade receivables	233,188	217,885	15,303	-	15,303

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>				
	<b>Gross liabilities</b>	<b>Gross assets offset</b>	<b>Net amounts presented in the statement of financial position</b>	<b>Amounts not offset</b>	<b>Net amount</b>
Trade payables	504,355	314,866	189,489	-	189,489

<i>(in millions of Korean won)</i>	<b>December 31, 2012</b>				
	<b>Gross liabilities</b>	<b>Gross assets offset</b>	<b>Net amounts presented in the statement of financial position</b>	<b>Amounts not offset</b>	<b>Net amount</b>
Trade payables	363,973	217,885	146,088	-	146,088

**6. Trade Receivables**

(a) Carrying amounts of trade receivables, and allowance for doubtful accounts, as of March 31, 2013 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Trade receivables	8,694,672	7,471,179
Less: allowance for doubtful accounts	(161,270)	(138,418)
<b>Carrying amount</b>	<b>8,533,402</b>	<b>7,332,761</b>

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(b) The aging analysis of the trade receivables as of March 31, 2013 and December 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Current	7,873,328	6,496,531
Up to 6 months	578,312	755,749
7 to 12 months	66,980	71,286
Over one year	55,568	31,594
Defaulted	120,484	116,019
<b>Total</b>	<b>8,694,672</b>	<b>7,471,179</b>

(c) Transferred financial assets that are not derecognized in their entirety are as follows:

Trade receivables have been discounted through collateralized borrowing agreements with financial institutions at the end of the reporting period. In case the customers default, the Group has an obligation to pay the related amounts to the financial institution. As a result, this transaction has been accounted for as a collateralized borrowing (Note 11).

The Group also performs asset securitization by issuing commercial papers through special purpose entities based on trade receivables.

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>		<b>December 31, 2012</b>	
	<b>Discounted receivables</b>	<b>Securitized receivables</b>	<b>Discounted receivables</b>	<b>Securitized receivables</b>
<b>Carrying amount of asset<sup>1</sup></b>				
Trade receivables	108,652	937,656	120,630	1,287,241
<b>Carrying amount of related liability<sup>1</sup></b>				
Short-term borrowings	(108,652)	(162,192)	(120,630)	(247,844)
<b>Net position<sup>2</sup></b>	<b>-</b>	<b>775,464</b>	<b>-</b>	<b>1,039,397</b>

<sup>1</sup> Fair values of the above trade receivables and short-term borrowings are the same as their carrying amounts.

<sup>2</sup> Net position is the difference of fair value between the above transferred financial asset and the associated liability.



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**7. Other Financial Assets and Liabilities**

(a) Details of other financial assets and liabilities as of March 31, 2013 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
<b>Other financial assets</b>		
Derivatives	12,875	10,380
Available-for-sale	50,766	54,599
Held-to-maturity	4,954	58,508
<b>Total</b>	<b>68,595</b>	<b>123,487</b>
Current	7,838	56,486
Non-current	60,757	67,001
<b>Other financial liabilities</b>		
Derivatives	15,638	16,942
<b>Total</b>	<b>15,638</b>	<b>16,942</b>
Current	516	321
Non-current	15,122	16,621

(b) Changes in available-for-sale financial assets for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>					
	<b>Beginning</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Valuation</b>	<b>Impairment</b>	<b>Ending</b>
Listed equity securities <sup>1</sup>	8,169	-	(532)	3,088	-	10,725
Unlisted equity securities <sup>1</sup>	43,760	2,567	(8,273)	-	(453)	37,601
Debt securities	2,670	-	(230)	-	-	2,440
<b>Total</b>	<b>54,599</b>	<b>2,567</b>	<b>(9,035)</b>	<b>3,088</b>	<b>(453)</b>	<b>50,766</b>

<i>(in millions of Korean won)</i>	<b>2012</b>					
	<b>Beginning</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Valuation</b>	<b>Impairment</b>	<b>Ending</b>
Listed equity securities <sup>1</sup>	8,970	-	-	135	-	9,105
Unlisted equity securities <sup>1</sup>	54,423	305	(540)	-	(27)	54,161
Debt securities	6,775	-	-	-	-	6,775
<b>Total</b>	<b>70,168</b>	<b>305</b>	<b>(540)</b>	<b>135</b>	<b>(27)</b>	<b>70,041</b>

<sup>1</sup> The listed securities among the above equity securities are measured using quoted prices in active markets. However, the unlisted securities are measured at cost as they are mostly in the beginning of their business stages and their fair values cannot be reliably measured.

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- (c) The effects on comprehensive income due to valuation and elimination of available-for-sale financial assets for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Valuation:		
Recognition of other comprehensive income, net of tax	1,919	101
Recognition of impairment loss	(453)	(27)
Reclassification of equity to profit for the period	-	-
Derecognition of unmarketable equity securities not measured by fair value:		
Carrying amounts of eliminated equity securities	8,273	540
Gain on disposal of equity securities	1,875	383

**8. Inventories**

Inventories as of March 31, 2013 and December 31, 2012, consist of:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>			<b>December 31, 2012</b>		
	<b>Acquisition cost</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>	<b>Acquisition cost</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>
Finished products and merchandise	3,149,815	(83,398)	3,066,417	3,002,528	(82,103)	2,920,425
Half-finished products and work-in-process	351,905	(8,437)	343,468	339,695	(11,130)	328,565
Raw materials and supplies	1,886,925	(36,929)	1,849,996	1,610,022	(44,863)	1,565,159
Other	300,642	(35,203)	265,439	291,587	(31,236)	260,351
<b>Total</b>	<b>5,689,287</b>	<b>(163,967)</b>	<b>5,525,320</b>	<b>5,243,832</b>	<b>(169,332)</b>	<b>5,074,500</b>

The loss on valuation of inventories recognized for the three-month period ended March 31, 2013, amounts to ₩24,068 million (2012: reversal of loss ₩31,195 million).

**9. Property, Plant and Equipment, and Intangible Assets**

- (a) Changes in property, plant and equipment for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
<b>At January 1</b>	9,889,204	9,593,424
Acquisitions	682,884	321,965
Transfer-in	1,561	875
Disposals and others	(10,777)	(23,925)
Decrease due to the transfer of business	(15,483)	-
Depreciation	(364,246)	(337,444)
Impairment	(930)	(1,188)
Exchange differences	82,775	37,116
<b>At March 31</b>	<b>10,264,988</b>	<b>9,590,823</b>

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(b) Changes in intangible assets for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
<b>At January 1</b>	1,222,302	1,167,567
Acquisitions	24,891	18,933
Acquisitions by internal development	49,924	47,882
Transfer-in	22,998	20,995
Disposals and others	(6,488)	(7,021)
Decrease due to the transfer of business	(731)	-
Amortization	(92,440)	(94,582)
Impairment	(103)	(2,423)
Exchange differences	1,245	349
<b>At March 31</b>	<b>1,221,598</b>	<b>1,151,700</b>

**10. Investments in Associates and Joint Ventures**

(a) Associates and joint ventures as of March 31, 2013, are as follows:

	<b>Country</b>	<b>Closing month</b>	<b>Percentage of ownership</b>	<b>Type</b>	<b>Nature of relationships with the Group</b>
LG Display Co., Ltd.	Korea	December	37.90%	Associate	Production and supply of display products
Ericsson-LG Co., Ltd	Korea	December	25.00%	Associate	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.00%	Associate	Production and supply of data storages
Global OLED Technology LLC.	USA	December	32.73%	Associate	OLED related patent licensing
Korea Information Certificate Authority Inc. <sup>1</sup>	Korea	December	9.27%	Associate	Certificate services
LG Fuel Cell Systems Inc.	USA	December	25.50%	Associate	R&D of fuel cell
SKT Vietnam PTE., Ltd.	Vietnam	December	25.37%	Associate	Communication services
One-Red, LLC	USA	March	25.00%	Associate	DVD related patent licensing
LG Holdings(HK) Ltd.	Hong Kong	December	49.00%	Joint venture	Real estate
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	Turkey	December	50.00%	Joint venture	Production and supply of air conditioning products
EIC PROPERTIES PTE LTD.	Singapore	December	38.20%	Joint venture	Real estate
LG Fund for Enterprises	Korea	December	50.00%	Joint venture	Fund operation relating to new technology business

<sup>1</sup> Classified as an associate although the percentage of ownership is less than 20% because the Group has significant influence over the investee's board of directors.

Equity method of accounting is applied to all associates and joint ventures.

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(b) Investments in associates and joint ventures

- i) Investments in associates as of March 31, 2013 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2013				December 31, 2012			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Display Co., Ltd.	679,218	3,888,850	(49,354)	3,839,496	679,218	3,869,592	(48,548)	3,821,044
Ericsson-LG Co., Ltd	26,629	81,229	(184)	81,045	26,629	91,820	(182)	91,638
Hitachi-LG Data Storage Inc.(HLDS)	11,024	9,865	(151)	9,714	7,684	33,125	(169)	32,956
Global OLED Technology LLC.	53,454	35,830	-	35,830	53,454	35,677	-	35,677
Korea Information Certificate Authority Inc. <sup>1</sup>	852	2,583	-	2,583	852	2,516	-	2,516
LG Fuel Cell Systems Inc.	26,098	20,567	-	20,567	26,098	21,937	-	21,937
SKT Vietnam PTE., Ltd.	72,194	7,725	-	-	72,194	7,440	-	-
One-Red, LLC	3,128	3,128	-	3,128	-	-	-	-
<b>Total</b>	<b>872,597</b>	<b>4,049,777</b>	<b>(49,689)</b>	<b>3,992,363</b>	<b>866,129</b>	<b>4,062,107</b>	<b>(48,899)</b>	<b>4,005,768</b>

<sup>1</sup> Classified as an associate although the percentage of ownership is less than 20% because the Group has significant influence over the investee's board of directors.

- ii) Investments in joint ventures as of March 31, 2013 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2013				December 31, 2012			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Holdings(HK) Ltd.	115,234	118,398	-	118,398	115,234	112,226	-	112,226
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	14,718	53,299	(1,519)	51,780	14,718	48,630	(460)	48,170
EIC PROPERTIES PTE LTD.	9,636	14,512	-	14,512	9,636	14,208	-	14,208
LG Fund for Enterprises	3,678	2,511	-	2,511	3,678	2,506	-	2,506
	<b>143,266</b>	<b>188,720</b>	<b>(1,519)</b>	<b>187,201</b>	<b>143,266</b>	<b>177,570</b>	<b>(460)</b>	<b>177,110</b>

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(c) Changes in the carrying amount of investments in associates and joint ventures

i) Changes in the carrying amount of investments in associates for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
<b>Opening net book amount</b>	4,005,768	4,086,568
Acquisitions	6,468	-
Loss from equity method	(29,481)	(52,587)
Share of other comprehensive income(loss) of associates	19,944	(2,484)
Share of actuarial loss of associates	(86)	(95)
Dividends/Recovery of investments	(10,250)	(114,704)
<b>Closing net book amount</b>	<b>3,992,363</b>	<b>3,916,698</b>

ii) Changes in the carrying amount of investments in joint ventures for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
<b>Opening net book amount</b>	177,110	165,840
Acquisitions	-	-
Gain from equity method	3,908	759
Share of other comprehensive income(loss) of joint ventures	6,183	3,321
Share of actuarial loss of joint ventures	-	-
Dividends/Recovery of investments	-	-
<b>Closing net book amount</b>	<b>187,201</b>	<b>169,920</b>

(d) Summary of the consolidated financial information of associate important to the reporting entity is as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	<b>LG Display Co., Ltd.</b>	<b>LG Display Co., Ltd.</b>
<b>Total assets</b>	24,085,945	24,454,740
Current assets	9,115,142	8,914,694
Non-current assets	14,970,803	15,540,046
<b>Total liabilities</b>	13,741,006	14,215,334
Current liabilities	8,307,629	9,206,177
Non-current liabilities	5,433,377	5,009,157
<b>Total equity</b>	10,344,939	10,239,406
Equity of the owners of LG Display Co., Ltd.	10,259,846	10,209,039
Non-controlling interests	85,093	30,367

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<i>(in millions of Korean won)</i>	Three-Month Period Ended March 31	
	2013	2012
	LG Display Co., Ltd.	LG Display Co., Ltd.
Net sales	6,803,240	6,183,676
Profit(loss) for the period	4,723	(125,495)
Other comprehensive income(loss), net of tax	46,084	(2,723)
Total comprehensive income(loss), net of tax	50,807	(128,218)
Dividend received	-	-

- (e) Reconciliations of the summarized financial information of associate important to the reporting entity to the carrying amount of the Group's interest are as follows:

<i>(in millions of Korean won)</i>	Three-Month Period Ended March 31	
	2013	2012
	LG Display Co., Ltd.	LG Display Co., Ltd.
Opening net assets	10,209,039	10,102,845
Profit(loss) for the period	4,723	(125,495)
Other comprehensive income(loss), net of tax	46,084	(2,723)
Closing net assets	10,259,846	9,974,627
The Group's share in the net assets at the end of the reporting period	3,888,850	3,780,742
Unrealized loss	(49,354)	(43,476)
Carrying amount at the end of the period	3,839,496	3,737,266

- (f) The Group's share in the operating results in the individually insignificant associates and joint ventures for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Associates	Joint ventures	Associates	Joint ventures
Profit(loss) for the period	(30,449)	4,967	1,655	2,536
Other comprehensive income(loss), net of tax	2,360	6,183	(1,497)	3,321
Total comprehensive income(loss), net of tax	(28,089)	11,150	158	5,857

- (g) Accumulated comprehensive loss that was not recognized due to discontinuation of the equity method for the three-month period ended March 31, 2013, is as follows:

<i>(in million of Korean won)</i>	December 31, 2012	Increase/(decrease)	March 31, 2013
SKT Vietnam PTE., Ltd.	45,393	(285)	45,108

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(h) The fair value and book value of listed associate as of March 31, 2013 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>			
	<b>Shares owned</b> <b>(Unit: shares)</b>	<b>Price per share</b> <b>(Unit: won)</b>	<b>Fair value</b>	<b>Book value</b>
LG Display Co., Ltd.	135,625,000	31,900	4,326,438	3,839,496

<i>(in millions of Korean won)</i>	<b>December 31, 2012</b>			
	<b>Shares owned</b> <b>(Unit: shares)</b>	<b>Price per share</b> <b>(Unit: won)</b>	<b>Fair value</b>	<b>Book value</b>
LG Display Co., Ltd.	135,625,000	31,050	4,211,156	3,821,044

**11. Borrowings**

(a) The carrying amounts of borrowings as of March 31, 2013 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
<b>Current</b>		
Short-term borrowings	1,693,956	1,277,363
Current portion of long-term borrowings	980,504	768,125
Current portion of debentures	899,458	669,553
<b>Sub-total</b>	<b>3,573,918</b>	<b>2,715,041</b>
<b>Non-current</b>		
Long-term borrowings	2,739,963	2,873,857
Debentures	2,883,187	2,852,042
Convertible bonds	199,881	197,447
<b>Sub-total</b>	<b>5,823,031</b>	<b>5,923,346</b>
<b>Total</b>	<b>9,396,949</b>	<b>8,638,387</b>

(b) Details of borrowings are as follows:

i) Short-term borrowings as of March 31, 2013 and December 31, 2012, consist of:

<i>(in millions of Korean won)</i>	<b>Latest maturity date</b>	<b>Annual interest rate at Mar. 31, 2013</b>	<b>Carrying amount</b>	
			<b>March 31, 2013</b>	<b>December 31, 2012</b>
General loans				
HSBC and others	2013.10.28	1.70 ~ 11.37%	1,423,112	908,889
Borrowings on negotiated trade bills <sup>1</sup>				
Woori Bank and others	-	0.75 ~ 1.50%	270,844	368,474
<b>Total</b>			<b>1,693,956</b>	<b>1,277,363</b>

<sup>1</sup> At the end of the reporting period, borrowings are collateralized by certain trade receivables of the Group.

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ii) Long-term borrowings as of March 31, 2013 and December 31, 2012, consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at Mar. 31, 2013	March 31, 2013		
			Total	Current	Non-current
<b>Local currency loans</b>					
Kookmin Bank	2013.05.14	4.67%	190,000	190,000	-
Kookmin Bank	2014.11.12	4.62%	150,000	-	150,000
Kookmin Bank	2014.12.10	4.72%	50,000	12,500	37,500
Kookmin Bank	2015.03.04	5.16%	110,000	-	110,000
Kookmin Bank	2016.05.24	4.73%	190,000	-	190,000
NH Bank	2014.03.10	4.70%	190,000	190,000	-
Shinhan Bank	2014.09.08	4.78%	45,000	30,000	15,000
Shinhan Bank	2016.05.22	2.75%	199	66	133
Shinhan Bank	2016.10.19	4.37%	190,000	47,500	142,500
Shinhan Bank	2017.02.16	4.60%	190,000	-	190,000
Shinhan Bank	2017.02.27	3.63%	50,000	-	50,000
Shinhan Bank	2017.09.15	1.75%	1,007	224	783
IBK Securities Co., Ltd.	2016.10.14	3.35%	90,000	-	90,000
Woori Bank	2014.02.18	5.67%	10,000	10,000	-
Woori Bank	2017.10.28	4.62%	190,000	-	190,000
Hana Bank	2013.09.15	1.75%	105	105	-
Hana Bank	2014.03.28	2.85%	640	640	-
Hana Bank	2015.06.28	2.89%	810	360	450
Hana Bank	2015.09.28	2.89%	600	240	360
Hana Bank	2016.03.28	2.89%	1,980	660	1,320
Small & Medium Business Corporation	2014.11.17	3.99%	119	51	68
Korea EXIM Bank	2013.06.09	5.50%	50,000	50,000	-
Korea EXIM Bank	2014.06.02	4.90%	120,000	60,000	60,000
Korea Development Bank	2014.04.07	4.45%	190,000	-	190,000
Korea Development Bank	2014.06.24	5.56%	8,000	-	8,000
Korea Development Bank	2014.06.24	5.68%	6,000	-	6,000
Korea Development Bank	2014.06.24	5.31%	6,000	-	6,000
Korea Development Bank	2014.11.24	4.55%	150,000	-	150,000
Korea Development Bank	2014.12.24	4.71%	140,000	-	140,000
Korea Development Bank	2015.03.10	5.06%	90,000	-	90,000
Korea Development Bank	2015.05.04	5.24%	16,000	-	16,000
Korea Development Bank	2015.05.04	4.52%	4,000	-	4,000
Korea Finance Corporation	2013.05.31	4.91%	90,000	90,000	-
Korea Finance Corporation	2013.09.30	4.42%	90,000	90,000	-



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<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at Mar. 31, 2013	March 31, 2013		
			Total	Current	Non-current
Korea Finance Corporation	2014.02.28	4.56%	90,000	90,000	-
Korea Finance Corporation	2015.02.28	4.80%	100,000	-	100,000
Korea Finance Corporation	2015.09.13	4.57%	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64%	40,000	-	40,000
Korea Finance Corporation	2016.04.20	4.63%	30,000	-	30,000
Korea Finance Corporation	2016.07.27	3.81%	50,000	-	50,000
Korea Finance Corporation	2016.07.27	3.78%	50,000	-	50,000
Korea Finance Corporation	2016.07.27	3.71%	30,000	-	30,000
Korea Finance Corporation	2016.07.27	3.75%	20,000	-	20,000
Korea Finance Corporation	2017.02.28	3.58%	70,000	-	70,000
Korea Finance Corporation	2017.03.29	4.62%	190,000	-	190,000
<b>Foreign currency loans</b>					
HSBC and others	-	1.31 ~ 9.19%	360,007	118,158	241,849
<b>Total</b>			<b>3,720,467</b>	<b>980,504</b>	<b>2,739,963</b>

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at Dec. 31, 2012	December 31, 2012		
			Total	Current	Non-current
<b>Local currency loans</b>					
Kookmin Bank	2013.05.14	4.67%	190,000	190,000	-
Kookmin Bank	2014.11.12	4.62%	150,000	-	150,000
Kookmin Bank	2014.12.10	4.72%	50,000	-	50,000
Kookmin Bank	2015.03.04	5.16%	110,000	-	110,000
Kookmin Bank	2016.05.24	4.73%	190,000	-	190,000
NH Bank	2014.03.10	4.70%	190,000	-	190,000
Shinhan Bank	2014.09.08	4.78%	52,500	30,000	22,500
Shinhan Bank	2016.05.22	2.75%	216	66	150
Shinhan Bank	2016.10.19	4.37%	190,000	47,500	142,500
Shinhan Bank	2017.02.16	Financial bond 6M+0.94%	190,000	-	190,000
Shinhan Bank	2017.09.15	1.75%	1,063	224	839
IBK Securities Co., Ltd.	2016.10.14	3.35%	90,000	-	90,000
Woori Bank	2014.02.18	5.67%	10,000	-	10,000
Woori Bank	2017.10.28	4.62%	190,000	-	190,000
Hana Bank	2013.03.28	2.81%	120	120	-
Hana Bank	2013.09.15	1.75%	157	157	-
Hana Bank	2014.03.28	2.81%	800	640	160

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<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at Dec. 31, 2012	December 31, 2012		
			Total	Current	Non-current
Hana Bank	2015.06.28	3.04%	900	360	540
Hana Bank	2015.09.28	3.04%	660	240	420
Hana Bank	2016.03.28	3.04%	2,145	660	1,485
Small & Medium Business Corporation	2014.11.17	3.80%	136	68	68
Korea EXIM Bank	2013.06.29	5.50%	50,000	50,000	-
Korea EXIM Bank	2014.06.02	4.90%	120,000	60,000	60,000
Korea Development Bank	2013.03.11	4.59%	100,000	100,000	-
Korea Development Bank	2014.04.07	4.45%	190,000	-	190,000
Korea Development Bank	2014.06.24	5.56%	8,000	-	8,000
Korea Development Bank	2014.06.24	5.68%	6,000	-	6,000
Korea Development Bank	2014.06.24	5.31%	6,000	-	6,000
Korea Development Bank	2014.11.24	4.55%	150,000	-	150,000
Korea Development Bank	2014.12.24	4.71%	140,000	-	140,000
Korea Development Bank	2015.03.10	5.06%	90,000	-	90,000
Korea Development Bank	2015.05.04	5.24%	16,000	-	16,000
Korea Development Bank	2015.05.04	4.52%	4,000	-	4,000
Korea Finance Corporation	2013.05.31	4.91%	90,000	90,000	-
Korea Finance Corporation	2013.09.30	4.42%	90,000	90,000	-
Korea Finance Corporation	2014.02.28	4.56%	90,000	-	90,000
Korea Finance Corporation	2015.02.28	4.80%	100,000	-	100,000
Korea Finance Corporation	2015.09.13	4.57%	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64%	40,000	-	40,000
Korea Finance Corporation	2016.04.20	4.63%	30,000	-	30,000
Korea Finance Corporation	2016.07.27	3.81%	50,000	-	50,000
Korea Finance Corporation	2016.07.27	3.78%	50,000	-	50,000
Korea Finance Corporation	2016.07.27	3.71%	30,000	-	30,000
Korea Finance Corporation	2017.03.29	4.62%	190,000	-	190,000
<b>Foreign currency loans</b>					
HSBC and others	-	1.31 ~ 9.19%	313,285	108,090	205,195
<b>Total</b>			<b>3,641,982</b>	<b>768,125</b>	<b>2,873,857</b>

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iii) Debentures as of March 31, 2013 and December 31, 2012, consist of:

<i>(in millions of Korean won)</i>		Latest maturity date	Annual interest rate at Mar. 31, 2013	March 31, 2013		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds (54 <sup>th</sup> )	2013.04.22	4.20%	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (55 <sup>th</sup> )	2013.06.16	4.60%	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 <sup>th</sup> )	2015.09.09	4.63%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 <sup>th</sup> )	2015.10.22	4.30%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-1 <sup>st</sup> )	2014.02.16	4.44%	130,000	130,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 <sup>nd</sup> )	2016.02.16	4.91%	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59 <sup>th</sup> ) <sup>1</sup>	2014.04.28	3ML+1.00%	189,057	-	189,057
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 <sup>th</sup> )	2016.05.20	4.41%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 <sup>st</sup> )	2016.06.29	4.38%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-1 <sup>st</sup> )	2013.08.05	3.89%	110,000	110,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 <sup>nd</sup> )	2016.08.05	4.34%	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(63 <sup>rd</sup> ) <sup>1</sup>	2014.08.23	3ML+0.70%	111,210	-	111,210
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 <sup>th</sup> )	2016.09.30	4.32%	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 <sup>th</sup> ) <sup>1</sup>	2016.12.02	2.00%	251,765	-	251,765
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 <sup>st</sup> )	2015.09.10	3.18%	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 <sup>nd</sup> )	2017.09.10	3.28%	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(67 <sup>th</sup> )	2018.03.21	3.11%	300,000	-	300,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(24 <sup>th</sup> )	2013.10.06	5.88%	100,000	100,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(25-2 <sup>nd</sup> )	2014.02.09	5.70%	150,000	150,000	-
Fixed rate notes in local currency	Private, non-guaranteed bonds(26 <sup>th</sup> )	2013.05.17	5.26%	30,000	30,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(28 <sup>th</sup> )	2015.11.29	5.10%	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(29 <sup>th</sup> )	2015.02.24	5.01%	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-1 <sup>st</sup> )	2015.02.09	4.32%	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-2 <sup>nd</sup> )	2017.02.09	4.90%	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-1 <sup>st</sup> )	2016.11.12	3.61%	70,000	-	70,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-2 <sup>nd</sup> )	2017.11.12	3.73%	80,000	-	80,000
Less: discount on debentures				(9,387)	(542)	(8,845)
<b>Total</b>				<b>3,782,645</b>	<b>899,458</b>	<b>2,883,187</b>

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<i>(in millions of Korean won)</i>		Latest maturity date	Annual interest rate at Dec. 31, 2012	December 31, 2012		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds (54 <sup>th</sup> )	2013.04.22	4.20%	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (55 <sup>th</sup> )	2013.06.16	4.60%	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 <sup>th</sup> )	2015.09.09	4.63%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 <sup>th</sup> )	2015.10.22	4.30%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-1 <sup>st</sup> )	2014.02.16	4.44%	130,000	-	130,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 <sup>nd</sup> )	2016.02.16	4.91%	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59 <sup>th</sup> ) <sup>1</sup>	2014.04.28	3ML+1.00%	182,087	-	182,087
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 <sup>th</sup> )	2016.05.20	4.41%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 <sup>st</sup> )	2016.06.29	4.38%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-1 <sup>st</sup> )	2013.08.05	3.89%	110,000	110,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 <sup>nd</sup> )	2016.08.05	4.34%	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(63 <sup>rd</sup> ) <sup>1</sup>	2014.08.23	3ML+0.70%	107,110	-	107,110
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 <sup>th</sup> )	2016.09.30	4.32%	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 <sup>th</sup> ) <sup>1</sup>	2016.12.02	2.00%	252,216	-	252,216
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 <sup>st</sup> )	2015.09.10	3.18%	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 <sup>nd</sup> )	2017.09.10	3.28%	130,000	-	130,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(24 <sup>th</sup> )	2013.10.06	5.88%	100,000	100,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(25-1 <sup>st</sup> )	2013.02.09	5.29%	50,000	50,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(25-2 <sup>nd</sup> )	2014.02.09	5.70%	150,000	-	150,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(26 <sup>th</sup> )	2013.05.17	5.26%	30,000	30,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(28 <sup>th</sup> )	2015.11.29	5.10%	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(29 <sup>th</sup> )	2015.02.24	5.01%	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-1 <sup>st</sup> )	2015.02.09	4.32%	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-2 <sup>nd</sup> )	2017.02.09	4.90%	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-1 <sup>st</sup> )	2016.11.12	3.61%	70,000	-	70,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-2 <sup>nd</sup> )	2017.11.12	3.73%	80,000	-	80,000
Less: discount on debentures				(9,818)	(447)	(9,371)
<b>Total</b>				<b>3,521,595</b>	<b>669,553</b>	<b>2,852,042</b>

<sup>1</sup> The Group entered into a cross-currency swap contract amounting to USD270 million with Bank of Tokyo-Mitsubishi UFJ and others, and up to CHF215 million with Union Bank of Switzerland and others to hedge cash flow risk related to floating interest rates and foreign exchange rates of debentures. At the end of the reporting period, the swap contracts are measured at fair value. The loss on valuation of the effective portion amounting to ₩747 million(2012: gain on valuation amounting to ₩1,116 million), after applying the tax effect, is recognized in other comprehensive loss and ₩5,919 million was reclassified from equity to net income (2012: net loss ₩4,348 million) during the three-month period ended March 31, 2013.

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iv) Details of convertible bonds as of March 31, 2013 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	Issue date	Redemption date	Amount	
			March 31, 2013	December 31, 2012
Convertible bonds(27 <sup>th</sup> ) <sup>1</sup>	2010.11.11	2014.11.11	216,572	216,572
Less: Discount on bonds			(16,691)	(19,125)
<b>Total</b>			<b>199,881</b>	<b>197,447</b>

<sup>1</sup> Terms and conditions of the 27<sup>th</sup> convertible bonds are as follows:

Type	Convertible bonds(27 <sup>th</sup> )
Coupon rate	0%
Rate of return	2% (8.3071% terms of payment for redemption premium)
Exercise period	2010.12.11 ~ 2014.10.11
Shares to be issued upon exercise	Registered common shares
Major terms and conditions	1. Exercise price : ₩150,000 per share 2. Right of claim for early redemption: The early redemption of the bonds to repay the outstanding balance can be exercised from when three years has elapsed from the date of issue (November 11, 2013) until one month ahead from the maturity (October 11, 2014). However, in order to exercise the early redemption, the closing price of the common share of the issuing company must exceed 140% of the conversion price for 20 consecutive trading days since the start of exercise period of the early redemption.

The early redemption option embedded in the 27<sup>th</sup> convertible bonds is not separated as the exercise price is approximately equal to the amortized cost of the debt instrument.

(c) Payment schedule of borrowings as of March 31, 2013, is as follows:

<i>(in millions of Korean won)</i>	Total	Less than		
		1 year	2 years	5 years
Short-term borrowings	1,742,468	1,742,468	-	-
Current portion of long-term borrowings	1,001,949	1,001,949	-	-
Current portion of debentures	912,092	912,092	-	-
Long-term borrowings	3,061,442	119,800	1,340,157	1,601,485
Debentures	3,333,272	116,696	651,403	2,565,173
Convertible bonds	216,572	-	216,572	-
<b>Total</b>	<b>10,267,795</b>	<b>3,893,005</b>	<b>2,208,132</b>	<b>4,166,658</b>

The above cash flows are calculated at nominal value based on the earliest maturity dates, and include cash flows of principal and interests.

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**12. Net Defined Benefit Liability**

- (a) The amounts recognized in the consolidated statements of financial position as of March 31, 2013 and December 31, 2012, are determined as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Present value of funded obligations	1,750,638	1,613,435
Present value of unfunded obligations	36,813	34,899
<b>Sub-total</b>	<b>1,787,451</b>	<b>1,648,334</b>
Fair value of plan assets	(1,006,971)	(1,018,196)
<b>Net defined benefit liability</b>	<b>780,480</b>	<b>630,138</b>

- (b) The amounts recognized in the consolidated statements of income for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Current service cost	74,966	65,262
Net interest cost	5,126	4,861
Costs of managing the plan assets	348	401
<b>Total</b>	<b>80,440</b>	<b>70,524</b>

- (c) The line items in which expenses are included for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Cost of sales	40,127	35,261
Selling and marketing expenses	12,931	13,650
Administrative expenses	5,339	3,627
Research and development expenses	19,799	16,797
Service costs	2,244	1,189
<b>Total</b>	<b>80,440</b>	<b>70,524</b>

- (d) Cumulative actuarial losses after income tax effect recognized in the consolidated statements of comprehensive income for the three-month period ended March 31, 2013, are ₩357,000 million (2012: ₩294,458 million).

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(e) Changes in the defined benefit obligations for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
<b>At January 1</b>	1,648,334	1,282,419
Current service cost	74,966	65,262
Interest expense	14,940	14,262
Remeasurements for:		
- Actuarial gain arising from changes in financial assumptions	80,788	16,772
Benefits paid	(28,637)	(29,420)
Decrease due to the transfer of business	(4,251)	-
Others	1,311	260
<b>At March 31</b>	<b>1,787,451</b>	<b>1,349,555</b>

(f) Changes in the fair value of plan assets for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
<b>At January 1</b>	1,018,196	799,294
Interest income	9,814	9,401
Remeasurements for:		
- Return on plan assets (excluding amounts included in interest income)	(571)	(295)
Employer contributions	2,239	590
Benefits paid	(19,584)	(18,730)
Decrease due to the transfer of business	(2,939)	-
Costs of managing the plan assets	(348)	(401)
Others	164	68
<b>At March 31</b>	<b>1,006,971</b>	<b>789,927</b>

(g) The actual return on plan assets for the three-month period ended March 31, 2013, is ₩9,243 million (2012: ₩9,106 million).

(h) The principal actuarial assumptions used as of March 31, 2013 and December 31, 2012, are as follows:

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Discount rate	3.3%	3.8%
Future salary increases	6.0%	6.0%

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- (i) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as of March 31, 2013 and December 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>1% increase</b>	<b>1% decrease</b>
Discount rate	(153,803)	194,729
Future salary increases	183,732	(155,654)

- (j) Plan assets as of March 31, 2013 and December 31, 2012, consist of:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Time deposits and others	352,505	417,311
Debt instruments (guaranteed)	346,231	334,004
Securities combined with derivatives (guaranteed)	255,649	222,114
Equity instruments	1,510	948
Others	51,076	43,819
<b>Total</b>	<b>1,006,971</b>	<b>1,018,196</b>

- (k) At the end of the reporting period, the average remaining years of service in the future of the Group is 10.2 years. The maturity analysis of undiscounted pension benefit payments are as follows:

<i>(in millions of Korean won)</i>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Between 5 and 10 years</b>	<b>Over 10 years</b>	<b>Total</b>
Benefits	107,137	104,236	342,197	589,761	1,468,819	2,612,150

### 13. Provisions

Changes in provisions during the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>				
	<b>Warranty</b>	<b>Sales returns</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	598,329	61,498	8,882	908,444	1,577,153
Additional provisions	186,825	63,892	661	15,400	266,778
Used during the period	(195,344)	(61,498)	-	(2,131)	(258,973)
Exchange differences	9,601	1,682	8	3,516	14,807
<b>At March 31</b>	<b>599,411</b>	<b>65,574</b>	<b>9,551</b>	<b>925,229</b>	<b>1,599,765</b>
<b>Current</b>	542,801	65,574	-	39,524	647,899
<b>Non-current</b>	56,610	-	9,551	885,705	951,866



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<i>(in millions of Korean won)</i>	2012				
	Warranty	Sales returns	Restoration	Litigation and others	Total
<b>At January 1</b>	701,743	67,844	6,672	534,221	1,310,480
Additional provisions	261,437	60,876	534	15,344	338,191
Used during the period	(282,532)	(67,844)	-	(24,305)	(374,681)
Exchange differences	4,670	536	-	5,573	10,779
<b>At March 31</b>	<b>685,318</b>	<b>61,412</b>	<b>7,206</b>	<b>530,833</b>	<b>1,284,769</b>
<b>Current</b>	625,433	61,412	-	36,353	723,198
<b>Non-current</b>	59,885	-	7,206	494,480	561,571

**14. Paid-in Capital**

(a) As of March 31, 2013 and December 31, 2012, the number of shares authorized is 600 million.

	Par value per share <i>(in won)</i>	March 31, 2013		December 31, 2012	
		Number of shares issued	Amount <i>(in millions)</i>	Number of shares issued	Amount <i>(in millions)</i>
Common stock	5,000	163,647,814	818,239	163,647,814	818,239
Preferred stock <sup>1</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>180,833,806</b>	<b>904,169</b>

<sup>1</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 shares. This preferred dividend rate is not applicable to stock dividends. In addition, the preferred shareholders have same rights on the remaining assets as common shareholders. Repayment and conversion are not applicable to preferred shares.

(b) Share premium balances are as follows:

<i>(in millions of Korean won)</i>	March 31, 2013	December 31, 2012
Share premium <sup>2</sup>	3,088,179	3,088,179

<sup>2</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 million 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 common 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 recognized as the share premium due to issuance of common shares in 2011.

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**15. Retained Earnings**

Retained earnings as of March 31, 2013 and December 31, 2012, consist of:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Legal reserve <sup>1</sup>	149,503	145,816
Discretionary reserve <sup>2</sup>	5,872,588	6,351,342
Unappropriated retained earnings	2,630,171	2,226,792
<b>Total</b>	<b>8,652,262</b>	<b>8,723,950</b>

<sup>1</sup> The Commercial Code of the Republic of Korea requires the Parent Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit.

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

**16. Accumulated Other Comprehensive Income(loss)**

Details of accumulated other comprehensive income(loss) as of March 31, 2013 and December 31, 2012, consist of:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Share in accumulated other comprehensive income(loss) of associates and joint ventures	(41,319)	(67,446)
Cash flow hedge	(1,486)	(739)
Available-for-sale financial assets	7,435	5,446
Currency translation differences	(454,523)	(612,359)
<b>Total</b>	<b>(489,893)</b>	<b>(675,098)</b>

**17. Other Components of Equity**

Details of other components of equity as of March 31, 2013 and December 31, 2012, consist of:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
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>	(209,292)	(209,292)
<b>Total</b>	<b>(242,111)</b>	<b>(242,111)</b>

<sup>1</sup> The Parent Company has treasury shares consisting of 763,168 shares (2012: 763,168 shares) of common shares and 4,690 shares (2012: 4,690 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 interest and other reserves of subsidiaries, net of related deferred tax.

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**18. Net Sales**

Details of net sales for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Sales of goods	13,865,956	12,965,884
Sales of services	162,873	178,599
Royalty income	71,772	60,225
<b>Total</b>	<b>14,100,601</b>	<b>13,204,708</b>

**19. Expenses by Nature**

Expenses that are recorded by nature for the three-month periods ended March 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Changes in inventories	(346,198)	79,387
Purchase of raw materials and merchandise	9,898,164	8,824,074
Employee benefit expense	1,420,099	1,335,422
Depreciation and amortization	452,213	430,708
Advertising expense	209,995	198,064
Promotion expense	131,725	131,168
Transportation expense	409,680	369,970
Commission expense	598,225	581,786
Other expenses	977,241	852,391
<b>Total<sup>1</sup></b>	<b>13,751,144</b>	<b>12,802,970</b>

<sup>1</sup> Cost of sales, selling and marketing expenses, administrative expenses, research and development expenses and service costs are included.

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

Details of general operating expenses for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Wages and salaries	669,301	640,997
Severance benefits	40,905	33,010
Welfare expense	137,775	137,997
Transportation expense	403,673	361,564
Rental expense	107,327	107,852
Commission expense	433,525	428,571
Depreciation	63,023	58,217
Amortization	68,448	73,441
Taxes and dues	37,122	33,265
Advertising expense	209,995	198,064
Promotion expense	131,725	131,168
Direct R&D costs	94,455	93,758
Direct service costs	174,077	177,516
Bad debt expense	14,827	1,314
Other	198,071	174,171
<b>Total</b>	<b>2,784,249</b>	<b>2,650,905</b>

**21. Financial Income**

Financial income for the three-month periods ended March 31, 2013 and 2012, consists of:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Interest income	23,247	26,227
Exchange differences	116,807	164,216
Gain on derivatives	1,182	1,586
<b>Total</b>	<b>141,236</b>	<b>192,029</b>

**22. Financial Expenses**

Financial expenses for the three-month periods ended March 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Interest expense	101,156	113,576
Exchange differences	108,716	155,020
Loss on derivatives	6,286	3,973
Loss on disposal of trade receivables	4,211	10,641
Other	558	341
<b>Total</b>	<b>220,927</b>	<b>283,551</b>

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**23. Other Non-operating Income**

Other non-operating income for the three-month periods ended March 31, 2013 and 2012, consists of:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Dividend income	317	289
Exchange differences	266,492	300,047
Gain on derivatives	28	602
Gain on disposal of property, plant and equipment	2,634	3,513
Gain on disposal of intangible assets	263	66
Gain on disposal of investments in associates and joint ventures	-	135,795
Other	9,026	14,508
<b>Total</b>	<b>278,760</b>	<b>454,820</b>

**24. Other Non-operating Expenses**

Other non-operating expenses for the three-month periods ended March 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Exchange differences	319,829	217,138
Loss on derivatives	781	5,247
Loss on disposal of property, plant and equipment	4,519	1,828
Loss on disposal of intangible assets	5,764	6,020
Impairment loss on available-for-sale financial assets	453	27
Other	14,884	24,881
<b>Total</b>	<b>346,230</b>	<b>255,141</b>

**25. Earnings per Share**

The Group has no potential dilutive common shares. Accordingly, basic earnings per share is identical to diluted earnings per share.

(a) Basic earnings per common share for the three-month periods ended March 31, 2013 and 2012, is as follows:

	<b>2013</b>	<b>2012</b>
Profit attributable to common shares (in millions of won) <sup>1</sup>	21,698	220,233
Weighted average number of common shares outstanding (unit: shares) <sup>2</sup>	162,884,646	162,884,649
Basic earnings per common share (in won)	133	1,352

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(b) Basic earnings per preferred share for the three-month periods ended March 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Profit attributable to preferred shares (in millions of won) <sup>1</sup>	2,503	23,446
Weighted average number of preferred shares outstanding (unit: shares) <sup>2</sup>	17,181,302	17,181,305
Basic earnings per preferred share (in won)	146	1,365

<sup>1</sup> Profit attributable to common and preferred shares for the three-month periods ended March 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
<b>Profit for the period attributable to the Parent Company (A)</b>	24,201	243,679
Common share dividends (B)	8,144	8,144
Preferred share dividends (C)	1,074	1,074
<b>Undistributed earnings (D=A-B-C)</b>	14,983	234,461
Undistributed earnings available for common shares (E)	13,554	212,089
Undistributed earnings available for preferred shares (F)	1,429	22,372
<b>Profit attributable to common shares (G=B+E)</b>	21,698	220,233
<b>Profit attributable to preferred shares (H=C+F)</b>	2,503	23,446

<sup>2</sup> Weighted average numbers of shares for the three-month periods ended March 31, 2013 and 2012, are calculated as follows:

<i>(unit: shares)</i>	<u>2013</u>	<u>2012</u>
Common shares outstanding	163,647,814	163,647,814
Common treasury shares	(763,168)	(763,165)
Common shares	162,884,646	162,884,649
<b>Weighted average number of common shares outstanding</b>	162,884,646	162,884,649
Preferred shares outstanding	17,185,992	17,185,992
Preferred treasury shares	(4,690)	(4,687)
Preferred shares	17,181,302	17,181,305
<b>Weighted average number of preferred shares outstanding</b>	17,181,302	17,181,305

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**26. Information on Cash Flow**

(a) A reconciliation between operating profit and net cash inflow(outflow) from operating activities for the three-month periods ended March 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Profit for the period	22,084	247,500
Adjustments:		
Interest expense, net	77,909	87,349
Exchange differences, net	37,201	(27,489)
Gain on derivatives, net	5,857	7,032
Depreciation	364,246	337,444
Amortization	92,440	94,582
Loss on disposal of property, plant and equipment and intangible assets, net	7,386	4,269
Provisions for severance benefits	80,440	70,524
Provisions	266,778	338,191
Income tax expense	154,639	210,567
Loss from equity method	25,573	51,828
Gain on disposal of investments in associates and joint ventures	-	(135,795)
Other	37,177	(3,718)
	<u>1,149,646</u>	<u>1,034,784</u>
Changes in operating assets and liabilities:		
Decrease(increase) in trade receivables	(1,119,095)	239,552
Decrease in loans and other receivables	11,286	19,659
Decrease(increase) in inventories	(370,266)	110,582
Decrease(increase) in other assets	(62,997)	5,332
Increase(decrease) in trade payables	1,212,804	(110,337)
Decrease in other payables	(104,482)	(196,620)
Decrease in provisions	(258,973)	(374,681)
Decrease in other liabilities	(66,138)	(118,208)
Payment of defined benefit liability	(9,053)	(10,690)
Deposit in plan assets, net	(2,239)	(590)
	<u>(769,153)</u>	<u>(436,001)</u>
<b>Cash generated from operations</b>	<u>402,577</u>	<u>846,283</u>

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(b) Significant transactions not affecting cash flows for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Reclassification of construction-in-progress of property, plant and equipment	465,128	209,807
Reclassification of intangible assets in progress	78,288	70,041
Reclassification of long-term prepayment to intangible assets	21,778	22,602
Reclassification of current maturities of borrowings	522,828	209,952

(c) The assets and liabilities arising from the transfer of business

- i) The Group transferred the Data Storage business to Hitachi-LG Data Storage Inc. and its subsidiaries on March 1, 2013.
- ii) Total consideration received and the assets and liabilities arising from the transfer of business are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Total consideration <sup>1</sup>	29,733
Assets of the transferred business:	
Trade receivables	7,378
Loans and other receivables	68
Inventories	24,657
Other assets	153
Property, plant and equipment	15,483
Intangible assets	731
Liabilities of the transferred business:	
Trade payables	17,425
Defined benefit liabilities	1,312

<sup>1</sup> This total consideration is recognized as loans and other receivables and others as of March 31, 2013.

**27. Contingencies**

(a) At the end of the reporting period, borrowings are collateralized by property, plant and equipment, including land, buildings and machinery, and intangible assets, including land use rights, with the book value of ₩37,770 million (2012: ₩166,671 million).

(b) At the end of the reporting period, the Group is provided with a performance guarantee of ₩130,055 million (2012: ₩135,754 million) from Seoul Guarantee Insurance and two other banks relating to the sales contracts.



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

In December 2012, the European Commission imposed a penalty on the Parent Company for anti-competitive activities among CRT (Cathode Ray Tube) manufacturers as a result of an investigation. The Parent Company recognized such penalty amounting to EUR491,567 thousand that is a reasonably expected loss as a litigation provision. However, the Parent Company appealed the decision of the European Commission. The ultimate amount of loss resulting from the investigation may differ from the amount of penalty imposed.

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

The Parent Company and certain foreign subsidiaries have been named as defendants in a class action in the United States and in Canada, in connection with the alleged anti-competitive activities among ODD (Optical Disk Drive) manufacturers. The consequences of that lawsuits and the effect to the consolidated financial statements could not be estimated reasonably as of the end of 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.

As of the reporting date, LG Display Co., Ltd., one of the associates, has been named as a defendant in the case related to the infringement of patents. And LG Display Co., Ltd. is currently under the investigation for anti-competitive activities. The outcome of the case may affect the gain or loss from the equity method valuation. The Group does not have individual responsibility in the case and the investigation above.

#### **28. 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 (2012: ₩245,500 million). Its overseas subsidiaries, including LG Electronics India Private Limited, have overdraft facility agreements with a limit of ₩1,156,757 million (2012: ₩1,172,028 million) with various banks including Standard Chartered New Delhi Bank. In addition, LG Innotek Co., Ltd. and its subsidiaries and three other domestic subsidiaries, have overdraft facility agreements with various banks, including Hana Bank, with a limit of ₩125,342 million (2012: ₩122,085 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 27 various banks amounting to ₩4,579,628 million (2012: ₩4,879,932 million) and for domestic trade receivables with Deutsche Bank amounting to ₩71,261 million (2012: ₩70,813 million). The Parent Company has corporate electronic settlement services contracts for collection of trade receivables with Hana Bank of up to ₩126,000 million (2012: ₩126,000 million).

In addition, LG Innotek Co., Ltd. and its subsidiaries have trade receivables transfer agreements with Hana Bank and others amounting to ₩412,517 million (2012: ₩354,580 million) at the end of the reporting period.

The European subsidiaries, including 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 USD353 million (2012: USD443 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 on a revolving basis, for up to USD100 million (2012: USD200 million).

(c) At the end of the reporting period, the Parent Company has corporate electronic settlement services contracts with Shinhan Bank and seven other banks for up to ₩935,450 million (2012: ₩945,450 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

In addition, LG Innotek Co., Ltd. and its subsidiaries and three other domestic subsidiaries, provided payment guarantees to financial institutions, including Woori Bank, amounting to ₩236,673 million (2012: ₩281,427 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>March 31, 2013</b>	<b>December 31, 2012</b>
Property, plant and equipment	21,392	26,247
Intangible assets	20,081	23,584
<b>Total</b>	<b>41,473</b>	<b>49,831</b>

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(f) Operating lease commitments – the Group as lessee

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

<i>(in millions of Korean won)</i>	March 31, 2013			Total lease payments
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	
Buildings and offices	102,671	136,973	39,265	278,909
Vehicles	19,879	13,396	-	33,275
Equipment	28,902	22,096	-	50,998
<b>Total</b>	<b>151,452</b>	<b>172,465</b>	<b>39,265</b>	<b>363,182</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>	March 31, 2013			Total lease payments
	No later than 1 year	Later than 1 year and no later than 3 years	Over 3 years	
Healthcare rental	66,668	132,254	62,252	261,174

The Group recognized ₩17,811 million (2012: ₩11,224 million) in lease income for the three-month period ended March 31, 2013.

At the end of reporting period, acquisition cost of operating lease assets amount to ₩65,000 million and their accumulated depreciation amounts to ₩20,461 million.

(h) Trademark license 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/LED	QUALCOMM Incorporated and others	The Group
Provision of license	Home appliance	The Group	Panasonic Corporation and others

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**29. Related Party Transactions**

(a) The related parties of the Group as of the end of reporting period are as follows:

<b>Classification</b>	<b>Name</b>
Significantly influencing the Parent Company	LG Corp.
Associates and joint ventures <sup>1</sup>	LG Display Co., Ltd. and others
Other related parties	SERVEONE Co., Ltd., LG CNS Co., Ltd., and others

<sup>1</sup> The details of associates and joint ventures are provided in Note 10.

(b) Significant transactions and balances

i) Significant transactions for the three-month periods ended March 31, 2013 and 2012, and balances as of March 31, 2013 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>		<b>2012</b>	
	<b>Sales</b>	<b>Purchases</b>	<b>Sales</b>	<b>Purchases</b>
LG Corp.	113	36,398	705	32,405
Associates and joint ventures	210,347	1,829,467	238,291	1,448,154
Other related parties	30,021	412,387	40,938	318,331
<b>Total</b>	<b>240,481</b>	<b>2,278,252</b>	<b>279,934</b>	<b>1,798,890</b>

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>		<b>December 31, 2012</b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Receivables</b>	<b>Payables</b>
LG Corp.	30,252	13,590	29,394	2,034
Associates and joint ventures	316,541	817,962	226,243	674,852
Other related parties	105,102	487,984	97,662	580,775
<b>Total</b>	<b>451,895</b>	<b>1,319,536</b>	<b>353,299</b>	<b>1,257,661</b>

ii) Significant capital transactions with related parties and others for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Associates and joint ventures		
Capital investment	3,340	-
Receipt of dividends	10,250	36,341

iii) The details of the transfer of business between the Group and related parties are provided in Note 26.

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

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- (d) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties for the three-month periods ended March 31, 2013 and 2012.

### **30. Risk Management**

#### **Financial Risk Management**

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

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

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

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

The information of the carrying amount of in each category of financial instruments and the details of borrowings related to the financial risk management presented in Note 5 and Note 11, respectively.

#### **(a) Market risk**

##### **i) Foreign exchange risk**

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

The purpose of foreign exchange risk management is to provide the foundation of a stable business operation by minimizing the uncertainty and volatility of foreign exchange gains and losses from foreign exchange rate fluctuations.

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

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The Group curtails foreign exchange risk by reducing foreign exchange exposure and considers hedges against its remaining exposure with derivative financial instruments such as Leading & Lagging strategy and forward exchange contracts under its global hedge policy. The Group determines a hedge ratio for considering factors highly related to foreign exchange rate fluctuation such as risk index, implied volatility, and market view and scrutinize changes in foreign exchange exposure and the results of hedging activities on a monthly basis.

Speculative foreign exchange trading is strictly prohibited.

As of March 31, 2013 and December 31, 2012, if the foreign exchange rate of the Korean won fluctuated by 10% while other variables were fixed, the effects on income(loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>		<b>December 31, 2012</b>	
	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>
USD/KRW	(246,561)	246,561	(192,006)	192,006
EUR/KRW	46,504	(46,504)	39,742	(39,742)

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

ii) Interest rate risk

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

As of March 31, 2013, as interest rate increases, net interest expense would decrease because the amounts of financial deposits with variable interest rate are greater than those of borrowings with variable interest rate. However, to mitigate interest rate risk, the Group manages interest rate risk fundamentally by minimizing external borrowings through utilizing internal funds within the Group, reducing borrowings with high interest rates, maintaining an adequate mix between short-term and long-term liabilities and between fixed and variable interest rates, monitoring daily, weekly, and monthly interest rate trends in domestic and international markets, setting up counter measures and managing short term borrowings and financial deposits with variable interest rate.

At the end of the reporting period, if interest rates fluctuate by 100bp without other variables changing, the effects on income and expenses related to borrowings and financial deposits with variable interest rates for the three-month periods are as follows:

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<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>		<b>March 31, 2012</b>	
	<b>100bp increase</b>	<b>100bp decrease</b>	<b>100bp increase</b>	<b>100bp decrease</b>
Interest expense	4,099	(4,099)	6,514	(6,514)
Interest income	5,398	(5,398)	6,900	(6,900)

iii) Price risk

The Group is exposed to price risk through securities owned by the Group classified as available-for-sale financial assets on the consolidated financial statements.

The listed securities owned by the Group are traded in the public market, and related to KOSPI and KOSDAQ Indices.

The effect of price index's fluctuation related to the listed securities on the equity (before applying the tax effect) is set out in the below table. The analysis is performed in respect of 30% increase/decrease of price index under the assumption that other variations are consistent and the listed securities owned by the Group have correlation with the relevant past index.

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>		<b>December 31, 2012</b>	
	<b>30% increase</b>	<b>30% decrease</b>	<b>30% increase</b>	<b>30% decrease</b>
KOSPI	1	(1)	1	(1)
KOSDAQ	2,651	(2,651)	1,923	(1,923)

The valuation and the reclassified amounts of the cash flow hedging derivative and the available-for-sale financial asset related to the market risk above are presented in Note 7 and Note 11, respectively.

(b) Credit risk

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

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

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

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

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As of March 31, 2013, trade receivable balance of the Group is ₩8,694,672 million (2012: ₩7,471,179 million) and its risk is managed appropriately with insurer's credit limit of ₩28,995,754 million (2012: ₩30,200,202 million).

#### (c) Liquidity risk

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

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

In addition, the Group copes with potential financial distress by maintaining adequate amount of cash and committed credit facilities. The balance of cash and cash equivalents, and current-financial deposits at March 31, 2013, is ₩2,507,893 million (2012: ₩2,239,000 million). The Group maintains total committed credit lines of ₩600,000 million (2012: ₩600,000 million) in Woori Bank, Kookmin Bank, and Shinhan Bank in Korea at March 31, 2013.

As of March 31, 2013, the balance of cash and cash equivalents, and current-financial deposits of the Group is about 70% (2012: 82%) of the current borrowings due in 12 months. If committed credit lines are included, the balance covers about 87% (2012: 105%) of short-term borrowings.

In addition, the Parent Company is able to source funds any time from domestic and international financial markets as of the end of reporting period because it has good investment credit grades from Korea Investors Service, Korea Ratings and NICE Information Service of AA0-Stable, and Standard & Poors and Moody's of BBB- Stable and Baa2 Negative, respectively.

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

#### **Capital Risk Management**

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



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Debt-to-equity ratio and net borrowing ratio are as follows:

<i>(in millions of Korean won, except for ratios)</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Liability (A)	24,317,444	22,060,303
Equity (B)	12,829,113	12,705,747
Cash and cash equivalents and current financial deposits (C)	2,507,893	2,239,000
Borrowings (D)	9,396,949	8,638,387
Debt-to-equity ratio (A/B)	190%	174%
Net borrowings ratio (D-C)/B	54%	50%

**Fair Value Estimation**

(a) The book values and fair values of the Group's financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2013</b>		<b>December 31, 2012</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Current financial asset items:</b>				
[Assets at fair value]				
- Other financial assets				
Financial assets at fair value through profit or loss	5,461	5,461	2,931	2,931
[Assets at amortized cost]				
- Cash and cash equivalents	2,453,893	2,453,893	2,185,000	2,185,000
- Financial deposits	54,000	54,000	54,000	54,000
- Trade receivables	8,533,402	8,533,402	7,332,761	7,332,761
- Loans and other receivables	535,263	535,263	498,615	498,615
- Other financial assets				
Held-to-maturity financial assets	2,377	2,377	53,555	53,555
<b>Non-current financial asset items:</b>				
[Assets at fair value]				
- Other financial assets				
Financial assets at fair value through profit or loss	2,588	2,588	7,449	7,449
Derivatives for hedge	4,826	4,826	-	-
Available-for-sale financial assets <sup>1</sup>	10,725	10,725	8,169	8,169
[Assets at amortized cost]				
- Financial deposits	110,417	110,417	121,036	121,036
- Loans and other receivables	608,777	575,223	603,233	542,830
- Other financial assets				
Held-to-maturity financial assets	2,577	2,577	4,953	4,953
<b>Total financial assets</b>	<b>12,324,306</b>	<b>12,290,752</b>	<b>10,871,702</b>	<b>10,811,299</b>

<sup>1</sup> Available-for-sale financial assets measured at cost are not included in the above table.

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<i>(in millions of Korean won)</i>	March 31, 2013		December 31, 2012	
	Book amount	Fair value	Book amount	Fair value
<b>Current financial liability items:</b>				
[Liabilities at fair value]				
- Other financial liabilities				
Financial liabilities at fair value through profit or loss	516	516	321	321
[Liabilities at amortized cost]				
- Trade payables	6,989,252	6,989,252	5,626,571	5,626,571
- Borrowings	3,573,918	3,573,918	2,715,041	2,715,041
- Other payables	1,776,656	1,776,656	2,042,270	2,042,270
- Other current liabilities	37,476	37,476	24	24
<b>Non-current financial liability items:</b>				
[Liabilities at fair value]				
- Other financial liabilities				
Financial liabilities at fair value through profit or loss	4,945	4,945	2,732	2,732
Derivatives for hedge	10,177	10,177	13,889	13,889
[Liabilities at amortized cost]				
- Borrowings	5,823,031	6,026,596	5,923,346	6,107,218
- Other payables	26,375	26,375	29,169	29,169
<b>Total financial liabilities</b>	<b>18,242,346</b>	<b>18,445,911</b>	<b>16,353,363</b>	<b>16,537,235</b>

No significant changes in the business environment and economic environment that affect the fair value of financial assets and financial liabilities occurred during the reporting period.

(b) The fair value for the purpose of measurement and disclosure have been determined based on the methods explained below:

i) Derivatives

The Group determined the fair value of derivatives by using valuation technology based on market condition. These valuation techniques maximize the use of observable market information and minimize the use of entity-specific information. The fair value of derivative financial instruments are measured at a discounted present value using the forward exchange rates at the end of the reporting period.

ii) Available-for-sale financial assets

The fair value of available-for-sale financial assets traded in active markets is determined based on quoted market prices at the end of the reporting period. When quoted prices are readily and regularly available from stock-exchanges, dealers, brokers, industry groups, pricing services or regulatory agencies, and those prices represent actual and regularly occurring market transactions on an arm's length basis, this is deemed to be an active market.

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The quoted market price used for available-for-sale financial assets held by the Group is the current bid price.

iii) Non-current loans and other receivables

The fair values of non-current loans and other receivables have been calculated based on the expected future cash inflows discounted at a rate that reflects the credit risk of the nominal value.

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Discount rate	5.39%	5.62%

iv) Non-current borrowings

The fair values of non-current borrowings have been calculated based on the expected future cash outflow discounted using the unsecured corporate bond yield of the companies with the same credit ratings.

v) Current financial assets and current financial liabilities

Current assets and current liabilities have short-term maturities, therefore the fair value approximates the carrying value.

(c) 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).

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<i>(In millions of Korean won)</i>	<b>March 31, 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Derivatives for trading	-	8,049	-	8,049
Available-for-sale financial assets				
- Listed securities	10,725	-	-	10,725
Derivatives for hedge	-	4,826	-	4,826
<b>Total</b>	<b>10,725</b>	<b>12,875</b>	<b>-</b>	<b>23,600</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	5,461	-	5,461
Derivatives for hedge	-	10,177	-	10,177
<b>Total</b>	<b>-</b>	<b>15,638</b>	<b>-</b>	<b>15,638</b>

<i>(In millions of Korean won)</i>	<b>December 31, 2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Derivatives for trading	-	10,380	-	10,380
Available-for-sale financial assets				
- Listed securities	8,169	-	-	8,169
<b>Total</b>	<b>8,169</b>	<b>10,380</b>	<b>-</b>	<b>18,549</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	3,053	-	3,053
Derivatives for hedge	-	13,889	-	13,889
<b>Total</b>	<b>-</b>	<b>16,942</b>	<b>-</b>	<b>16,942</b>

<sup>1</sup> Fair value in the above fair value measurement hierarchy is based on recurring fair value measurements.

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses various valuation techniques and makes judgments based on current market conditions.

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These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'. Financial instruments included in 'level 2' are derivative financial instruments. The fair value of derivative financial instruments is measured at discount using forward exchange rate as of the reporting date.

If one or more of the significant inputs are not based on observable market data, the instrument is included in 'level 3'. Financial instrument included 'level 3' uses other method including discounting cash flow method and others.

In case of investments in equity instruments that do not have a quoted market price in an active market and their fair value cannot be measured reliably, they are measured at cost and not included in the above fair value measurement hierarchy.

**31. Share-Based Payments**

The 259,250 shares of unexercised stock appreciation rights as of December 31, 2011, were all exercised in 2012. Exercise price per share of exercised share purchase options is ₩69,500, and the arithmetic average of the weighted average share price calculated on each exercise date is ₩88,169.

**32. Business Combinations**

On September 1, 2012, LG Innotek (Guangzhou) Co., Ltd., a subsidiary, acquired an LED-related business of LG Display Guangzhou Co., Ltd. and LG Display Nanjing Co., Ltd., subsidiaries of LG Display Co., Ltd., for ₩44,585 million.

The assets acquired are measured at fair values at the acquisition date in accordance with Korean IFRS 1103, 'Business Combination'. No additional identifiable intangible assets or goodwill arose.

The following table summarizes the consideration paid and the fair value of assets acquired and liabilities assumed:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Consideration	
Cash and cash equivalents	44,585
Recognized amounts of identifiable assets acquired and liabilities assumed	
Inventory	3,199
Property, plant and equipment, and intangible assets	34,908
Non-trade receivables	6,478
Total identifiable net assets	44,585
Goodwill	-
Total	44,585

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The revenue and profit or loss of the combined business for the current reporting period as though the acquisition date had been as of the beginning of the reporting period is not disclosed since it is impracticable to obtain proper financial information as the acquired business is only a part of production process of the seller.

**33. Events Occurring after the Reporting Period**

The Group's future strategy of the business includes smart car and electric car parts business leveraging the existing capabilities in IT, consumer electronics and components. The Group intends to accelerate the growth of the electric car parts business in the future and increase the value of the business that the Group is fostering by merging with V-ENS Co., Ltd. V-ENS Co., Ltd. holds the strengths in vehicle design and vehicle verification. On May 1, 2013, the Group acquired all common shares of V-ENS Co., Ltd. from its related party, LG CNS Co., Ltd., at the total consideration of ₩17,000 million. The Group plans to merge with V-ENS Co., Ltd. on July 1, 2013, and is currently assessing the financial implications.

- (a) Summary of the statement of financial position of V-ENS Co., Ltd. as of December 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2012</b>
<b>Total assets</b>	55,092
Current assets	41,255
Non-current assets	13,837
<b>Total liabilities</b>	43,535
Current liabilities	42,936
Non-current liabilities	599
<b>Total equity</b>	11,557

- (b) Summary of the statement of comprehensive income of V-ENS Co., Ltd. for the year ended December 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>2012</b>
Net sales	109,778
Loss for the period	(659)
Other comprehensive loss, net of tax	(1)
<b>Total comprehensive loss, net of tax</b>	<b>(660)</b>