

LG Electronics Inc.
Interim Separate Financial Statements
June 30, 2011 and 2010

LG Electronics Inc.

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Review Report on Interim Financial Information

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

Reviewed Financial Statements

We have reviewed the accompanying interim separate financial statements of LG Electronics Inc. (the "Company"). These financial statements consist of the statement of financial position of the Company as of June 30, 2011, and the related separate statements of operations and comprehensive loss for the three-month and six-month periods ended June 30, 2011 and 2010, and statements of changes in shareholders' equity and cash flows for the six-month periods ended June 30, 2011 and 2010, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to issue a report on these interim separate financial statements based on our reviews.

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

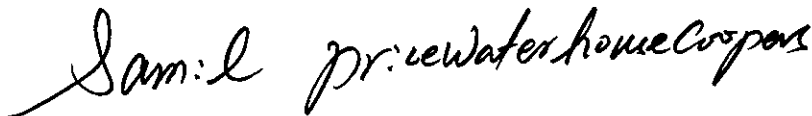
Conclusion

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

Other matters

We have audited the accompanying separate statement of financial position of the Company as of December 31, 2010, and the related separate income statement and statement of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those separate financial statements in our audit report dated March 4, 2011. These separate financial statements are not included in this review report. The separate statement of financial position as of December 31, 2010, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2010.

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



Seoul, Korea
August 12, 2011

This review report is effective as of August 12, 2011, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim separate financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics Inc.
Interim Separate Statements of Financial Position
June 30, 2011 and December 31, 2010

<i>(in millions of Korean won)</i>	Notes	June 30, 2011	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents	4, 28	860,155	868,834
Financial deposits	4, 28	45,000	85,000
Trade receivables	4, 5	6,016,748	5,487,565
Loans and other receivables	4	344,912	243,113
Inventories	7	1,150,734	1,064,792
Current income tax assets		1,403	-
Other current assets		400,034	340,374
Assets classified as held for sale		4,579	4,701
		<u>8,823,565</u>	<u>8,094,379</u>
Non-current assets			
Financial deposits	4	31,721	23,853
Loans and other receivables	4	399,536	361,871
Other financial assets	4, 6	95,656	87,075
Property, plant and equipment	8	4,839,151	4,661,430
Intangible assets	8	830,222	725,818
Deferred income tax assets		509,039	439,112
Investments in subsidiaries, jointly controlled entities and associates	9	7,869,620	7,844,726
Investment property		5,434	5,508
Other non-current assets		738,796	731,237
		<u>15,319,175</u>	<u>14,880,630</u>
Total assets		<u>24,142,740</u>	<u>22,975,009</u>
Liabilities			
Current liabilities			
Trade payables	4	4,271,164	4,285,280
Borrowings	4, 10	2,491,432	1,937,288
Other payables	4	2,885,695	2,604,779
Other financial liabilities	4, 6	25,843	3,998
Current income tax liabilities		-	9,205
Provisions	11	181,252	177,949
Other current liabilities		404,217	346,135
		<u>10,259,603</u>	<u>9,364,634</u>
Non-current liabilities			
Borrowings	4, 10	3,427,674	3,062,576
Other financial liabilities	4, 6	5,835	37,228
Defined benefit liability	12	249,129	269,243
Provisions	11	336,101	315,200
		<u>4,018,739</u>	<u>3,684,247</u>
Total liabilities		<u>14,278,342</u>	<u>13,048,881</u>
Equity			
Paid-in capital			
Capital stock		809,169	809,169
Share premium		2,207,919	2,207,919
Retained earnings	13	6,876,220	6,932,015
Accumulated other comprehensive income		3,909	9,844
Other components of equity	14	(32,819)	(32,819)
Total equity		<u>9,864,398</u>	<u>9,926,128</u>
Total liabilities and equity		<u>24,142,740</u>	<u>22,975,009</u>

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

LG Electronics Inc.
Interim Separate Statements of Operations
Three-Month and Six-Month Periods Ended June 30, 2011 and 2010

<i>(in millions of Korean won, except per share amounts)</i>	Notes	2011		2010	
		Three Months	Six Months	Three Months	Six Months
Net sales	15	7,573,605	14,506,354	7,653,107	14,880,444
Cost of sales	16	6,266,090	11,981,695	6,441,404	12,279,309
Gross profit		1,307,515	2,524,659	1,211,703	2,601,135
Selling and marketing expenses	16, 17	703,201	1,403,292	818,365	1,512,674
Administrative expenses	16, 17	129,718	232,827	151,978	272,618
Research and development expenses	16, 17	448,399	841,770	361,295	682,844
Service costs	16, 17	128,502	231,841	111,600	219,005
Other operating income	18	162,959	401,310	529,331	767,044
Other operating expenses	16, 19	147,257	351,552	510,582	800,408
Operating expense		(86,603)	(135,313)	(212,786)	(119,370)
Financial income	20	119,280	291,357	148,701	399,934
Financial expenses	21	105,452	212,788	330,880	439,231
Loss before income tax		(72,775)	(56,744)	(394,965)	(158,667)
Income tax benefit		(36,744)	(35,487)	(144,025)	(136,735)
Loss for the period		(36,031)	(21,257)	(250,940)	(21,932)
Loss per share during the period (in won)					
Loss per share attributable to the ordinary equity holders of the company	22	(225)	(135)	(1,559)	(139)
Loss per share attributable to the preferred equity holders of the company	22	(213)	(110)	(1,547)	(114)

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

LG Electronics Inc.
Interim Separate Statements of Comprehensive Loss
Three-Month and Six-Month Periods Ended June 30, 2011 and 2010

(in millions of Korean won)

	Notes	2011		2010	
		Three Months	Six Months	Three Months	Six Months
Loss for the period		<u>(36,031)</u>	<u>(21,257)</u>	<u>(250,940)</u>	<u>(21,932)</u>
Other comprehensive income(loss)					
Available-for-sale financial assets		(487)	(1,622)	1,249	169
Actuarial loss on defined benefit liability	12	(768)	(1,466)	(227)	(188)
Cash flow hedges	10	(4,313)	(4,313)	-	-
Other comprehensive income(loss) for the period, net of tax		<u>(5,568)</u>	<u>(7,401)</u>	<u>1,022</u>	<u>(19)</u>
Total comprehensive loss for the period		<u>(41,599)</u>	<u>(28,658)</u>	<u>(249,918)</u>	<u>(21,951)</u>

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

LG Electronics Inc.
Interim Separate Statements of Changes in Shareholders' Equity
Six-Month Periods Ended June 30, 2011 and 2010

<i>(in millions of Korean won)</i>	Notes	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Other Components of Equity	Total
Balance at January 1, 2010		3,017,088	7,892,549	11,137	(32,819)	10,887,955
Comprehensive income						
Loss for the period		-	(21,932)	-	-	(21,932)
Actuarial loss on defined benefit liability	12	-	(188)	-	-	(188)
Available-for-sale financial assets		-	-	169	-	169
Dividends	23	-	(282,725)	-	-	(282,725)
Balance at June 30, 2010		<u>3,017,088</u>	<u>7,587,704</u>	<u>11,306</u>	<u>(32,819)</u>	<u>10,583,279</u>
Balance at January 1, 2011		3,017,088	6,932,015	9,844	(32,819)	9,926,128
Comprehensive income						
Loss for the period		-	(21,257)	-	-	(21,257)
Actuarial loss on defined benefit liability	12	-	(1,466)	-	-	(1,466)
Available-for-sale financial assets		-	-	(1,622)	-	(1,622)
Cash flow hedge	10	-	-	(4,313)	-	(4,313)
Dividends	23	-	(33,072)	-	-	(33,072)
Balance at June 30, 2011		<u>3,017,088</u>	<u>6,876,220</u>	<u>3,909</u>	<u>(32,819)</u>	<u>9,864,398</u>

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

LG Electronics Inc.
Interim Separate Statements of Cash Flows
Six-Month Periods Ended June 30, 2011 and 2010

<i>(in millions of Korean won)</i>	Notes	Six-Month Period Ended June 30	
		2011	2010
Cash flows from operating activities			
Cash generated from operations	24	(228,215)	(1,075,622)
Interest received		15,125	21,548
Interest paid		(87,416)	(64,699)
Dividends received		85,228	91,250
Income tax paid		(42,961)	(63,051)
Net cash used in operating activities		<u>(258,239)</u>	<u>(1,090,574)</u>
Cash flows from investing activities			
Decrease in financial deposits		40,000	203,936
Decrease in loans and other receivables		43,298	31,115
Proceeds from disposal of other financial assets		5,490	68,339
Proceeds from disposal of investments in subsidiaries, jointly controlled entities and associates		-	120,027
Proceeds from disposal of property, plant and equipment		37,582	12,813
Proceeds from intangible assets		1,164	170
Decrease in other assets		177	88
Increase in financial deposits		(3,636)	-
Increase in loans and other receivables		(76,496)	(36,205)
Acquisition of other financial assets		(35,676)	(83,690)
Acquisition of investments in subsidiaries, jointly controlled entities and associates		(1,800)	(132,268)
Acquisition of property, plant and equipment		(435,205)	(170,461)
Acquisition of intangible assets		(127,947)	(113,813)
Business combination	29	(150,300)	-
Net cash used in investing activities		<u>(703,349)</u>	<u>(99,949)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,730,318	2,126,158
Repayments of borrowings		(744,337)	(726,600)
Dividends paid		(33,072)	(282,725)
Net cash provided by financing activities		<u>952,909</u>	<u>1,116,833</u>
Net decrease in cash and cash equivalents		(8,679)	(73,690)
Cash and cash equivalents at the beginning of period		<u>868,834</u>	<u>789,966</u>
Cash and cash equivalents at the end of period		<u>860,155</u>	<u>716,276</u>

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

LG Electronics Inc.

Notes to the Interim Separate Financial Statements

June 30, 2011 and 2010

1. General Information

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

At the end of the reporting period, LG Corp. and its related parties own 34.8% of the Company's total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Company is engaged in the manufacture and sale of electronic products including mobile phones, TV, air conditioners, refrigerators, washing machines, and personal computers. At the end of the reporting period, the Company operates manufacturing facilities mainly in Pyeongtaek, Changwon, Cheongju and Gumi in the Republic of Korea.

2. Significant Accounting Policies

Basis of Preparation

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

The interim separate financial statements for the six-month period ended June 30, 2011, have been prepared in accordance Korean IFRS 1034, '*Interim Financial Reporting*'. These interim separate financial statements have been prepared in accordance with the Korean IFRS standards and interpretations issued and effective at June 30, 2011.

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

The following new standards, new interpretations and amendments to standards and interpretations have been issued and announced but are not effective as of June 30, 2011 and have not been early adopted:

- Korean IFRS 1012 (amendment): 'Income taxes' (applied from January 1, 2012)
- Korean IFRS 1107 (amendment): 'Financial instruments: Disclosures' (applied from July 1, 2011)

LG Electronics Inc.
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The Company expects additional disclosures of the nature of the transferred assets, the carrying amount and a description of the risks and rewards for the financial assets in accordance with Korean IFRS 1107 amendment.

Application of Accounting Policies

The significant accounting policies and methods of computation followed by the Company in the preparation of its separate interim financial statements are the same as the policies and methods adopted for the financial statements for the year ended December 31, 2010, unless otherwise stated. Certain prior year accounts, presented herein solely for comparative purposes, have been reclassified to conform to current period's financial statement presentation. Such reclassification does not impact the net income or net assets reported in the prior year.

Business Combination

The acquisition method of accounting is used to account for the business combination. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration includes any assets or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the company's share of the identifiable net assets acquired is recorded as goodwill.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other operating income and expenses' or 'financial income and expenses'. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other operating income and expenses' or 'financial income and expenses'.

3. Critical Accounting Estimates and Assumptions

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

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Estimated Impairment of Goodwill

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

Income Taxes

At the end of the reporting period, the Company recognises the current and deferred income tax for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Fair Value of Financial Instruments

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

Provisions

The Company recognises provisions for product warranties and sales return at the end of the reporting period as described in Note 11. The amounts are estimated based on historical data.

Defined Benefit Liability

The present value of the defined benefit liability depends on various factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit liability. The Company determines the appropriate discount rate at the end of the reporting period. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 12.

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4. Financial Instruments by Category

Categorisations of financial instruments as of June 30, 2011, are as follows:

<i>(in millions of Korean won)</i>	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Total
Cash and cash equivalents	-	860,155	-	-	860,155
Financial deposits	-	76,721	-	-	76,721
Trade receivables	-	6,016,748	-	-	6,016,748
Loans and other receivables	-	744,448	-	-	744,448
Other financial assets	-	-	41,751	53,905	95,656
Total	-	7,698,072	41,751	53,905	7,793,728

<i>(in millions of Korean won)</i>	Liabilities at fair value through profit or loss	Derivatives for hedge	Liabilities carried at amortised cost	Total
Trade payables	-	-	4,271,164	4,271,164
Borrowings	-	-	5,919,106	5,919,106
Other payables	-	-	1,223,847	1,223,847
Other financial liabilities	25,843	5,835	-	31,678
Total	25,843	5,835	11,414,117	11,445,795

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

<i>(in millions of Korean won)</i>	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Total
Cash and cash equivalents	-	868,834	-	-	868,834
Financial deposits	-	108,853	-	-	108,853
Trade receivables	-	5,487,565	-	-	5,487,565
Loans and other receivables	-	604,984	-	-	604,984
Other financial assets	-	-	28,945	58,130	87,075
Total	-	7,070,236	28,945	58,130	7,157,311

<i>(in millions of Korean won)</i>	Liabilities at fair value through profit and loss	Derivatives for hedge	Liabilities carried at amortised cost	Total
Trade payables	-	-	4,285,280	4,285,280
Borrowings	-	-	4,999,864	4,999,864
Other payables	-	-	1,415,001	1,415,001
Other financial liabilities	41,226	-	-	41,226
Total	41,226	-	10,700,145	10,741,371

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5. Trade Receivables

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

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Trade receivables	6,035,662	5,501,803
Less: allowance for doubtful accounts	(18,914)	(14,238)
Net book amount	6,016,748	5,487,565

The ageing of the trade receivables follows:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Less than 6 months	6,010,030	5,487,110
6 to 12 months	5,262	48
Over one year	100	391
Defaulted	20,270	14,254
Total	6,035,662	5,501,803

6. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Other financial assets		
Available-for-sale	41,751	28,945
Held-to-maturity	53,905	58,130
Total	95,656	87,075
Current	-	-
Non-current	95,656	87,075
Other financial liabilities		
Derivatives	31,678	41,226
Current	25,843	3,998
Non-current	5,835	37,228

7. Inventories

Inventories consist of:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Merchandise and finished products ¹	397,375	415,795
Work-in-process	142,896	131,288
Raw materials and supplies ¹	526,515	440,729
Others	83,948	76,980
Total	1,150,734	1,064,792

¹ Inventories in-transit are included.

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8. Property, Plant and Equipment and Intangible assets

Changes in property, plant and equipment are as follows:

<i>(in millions of Korean won)</i>	2011	2010
At January 1	4,661,430	4,657,140
Acquisitions	435,205	170,461
Acquisition on business combination	7,549	-
Transfer-out	-	(987)
Disposals and others	(36,870)	(13,757)
Depreciation	(226,734)	(254,202)
Impairment	(1,429)	(50)
At June 30	4,839,151	4,558,605

Changes in intangible assets are as follows:

<i>(in millions of Korean won)</i>	2011	2010
At January 1	725,818	685,917
Acquisitions	127,947	113,813
Acquisition on business combination	90,900	-
Transfer-in	43,363	36,218
Disposals and others	(11,261)	(1,540)
Amortisation	(146,545)	(112,775)
At June 30	830,222	721,633

9. Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates are as follows:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Subsidiaries	3,400,580	3,375,686
Jointly controlled entities and associates	4,469,040	4,469,040
Total	7,869,620	7,844,726

The status and carrying amounts of investments in subsidiaries are as follows:

<i>(in millions of Korean won)</i>	Countries of incorporation	Percentage of ownership (%) at	June 30,	December 31,
		June 30, 2011	2011	2010
LG Electronics U.S.A., Inc. (LGEUS)	USA	100.00	955,542	955,542
LG Electronics India Pvt. Ltd. (LGEIL)	India	100.00	311,746	311,746
LG Electronics de Sao Paulo Ltda. (LGESP)	Brazil	100.00	270,631	270,631
LG Electronics Mlawa Sp. z o. o (LGEMA)	Poland	100.00	214,091	214,091

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LG Electronics Tianjin Appliances Co., Ltd. (LGETA)	China	70.00	161,331	161,331
LG Electronics European Holdings B.V. (LGEEH)	Netherlands	100.00	148,552	148,552
Hiplaza CO., Ltd	Korea	100.00	104,459	104,459
Taizhou LG Electronics Refrigeration Co., Ltd. (LGETR)	China	88.44	97,608	97,608
PT LG Electronics Indonesia (LGEIN)	Indonesia	100.00	94,124	94,124
LG Electronics Wroclaw Sp z o.o (LGEWR)	Poland	100.00	70,014	70,014
LG Electronics Mexico S.A. DE C.V. (LGEMS)	Mexico	99.97	68,720	68,720
LG Electronics Panama, S.A. (LGEPS)	Panama	100.00	79,222	79,222
LG Electronics Thailand Co., Ltd. (LGETH)	Thailand	100.00	55,578	55,578
LG Electronics Australia Pty, Ltd. (LGEAP)	Australia	100.00	50,664	50,664
Others			718,298	693,404
Total			3,400,580	3,375,686

Investments in jointly controlled entities and associates are as follows:

<i>(in millions of Korean won)</i>	Country of incorporation	Percentage of ownership (%) at June 30, 2011	June 30, 2011	December 31, 2010
LG Display Co., Ltd.	Korea	37.90	3,480,623	3,480,623
LG Innotek Co., Ltd.	Korea	47.89	541,538	541,538
LG-Ericsson Co., Ltd.	Korea	50.00	163,503	163,503
LG Holdings (HK) Ltd.	Hong Kong	49.00	129,386	129,386
Global OLED Technology LLC.	USA	32.73	53,454	53,454
Others			100,536	100,536
Total			4,469,040	4,469,040

10. Borrowings

The carrying amounts of borrowings are as follows:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Current		
Short-term borrowings	787,879	1,367,592
Current maturities of long-term borrowings	595,620	190,000
Current maturities of debentures	1,107,933	379,696
Sub-total	2,491,432	1,937,288
Non-current		
Long-term borrowings	1,920,000	1,357,780
Debentures	1,507,674	1,704,796
Sub-total	3,427,674	3,062,576
Total	5,919,106	4,999,864

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Short-term borrowings consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at June 30, 2011	Carrying amount	
			June 30, 2011	December 31, 2010
Foreign currency loans				
LG Electronics European Shared Service Center B.V.	2011-12-29	3ML + 1.10	133,569	139,708
Borrowings on negotiated trade bills				
Woori Bank and others	-	0.97~1.90	654,310	1,227,884
Total			787,879	1,367,592

Long-term borrowings consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at June 30, 2011	June 30, 2011		
			Total	Less: current	Non-current
Local currency loans					
Kookmin Bank	2013-05-14	4.67	190,000	-	190,000
Kookmin Bank	2014-11-12	4.62	150,000	-	150,000
Nonghyup	2014-03-10	4.70	190,000	-	190,000
Shinhan Bank	2016-10-19	4.37	190,000	-	190,000
The Korea Development Bank	2011-10-06	3M CD + 0.88	190,000	190,000	-
The Korea Development Bank	2012-03-30	5.81	190,000	190,000	-
The Korea Development Bank	2014-11-24	4.55	150,000	-	150,000
The Korea Development Bank	2014-12-24	4.71	140,000	-	140,000
The Korea Development Bank	2015-03-10	5.06	90,000	-	90,000
The Korea Development Bank	2013-03-11	4.59	100,000	-	100,000
Korea Finance Corporation	2015-09-14	4.57	80,000	-	80,000
Korea Finance Corporation	2015-12-24	4.64	40,000	-	40,000
Korea Finance Corporation	2014-02-28	4.56	90,000	-	90,000
Korea Finance Corporation	2015-03-02	4.80	100,000	-	100,000
The Korea Development Bank	2014-04-07	4.45	190,000	-	190,000
Korea Finance Corporation	2016-04-20	4.63	30,000	-	30,000
Kookmin Bank	2016-05-24	4.73	190,000	-	190,000
Foreign currency loans					
The Korea Development Bank	2012-6-26	3ML+0.4	215,620	215,620	-
Total			2,515,620	595,620	1,920,000

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<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at Dec 31, 2010	December 31, 2010		
			Total	Less: current	Non- current
Local currency loans					
Kookmin Bank	2013-05-14	4.67	190,000	-	190,000
Kookmin Bank	2014-11-12	4.62	150,000	-	150,000
Shinhan Bank	2016-10-19	4.37	190,000	-	190,000
The Korea Development Bank	2011-10-06	3M CD + 0.88	190,000	190,000	-
The Korea Development Bank	2012-03-30	5.81	190,000	-	190,000
The Korea Development Bank	2014-11-24	4.55	150,000	-	150,000
The Korea Development Bank	2014-12-24	4.71	140,000	-	140,000
Korea Finance Corporation	2015-09-14	4.57	80,000	-	80,000
Korea Finance Corporation	2015-12-24	4.64	40,000	-	40,000
The Korea Development Bank	2012-06-26	3ML+0.4	227,780	-	227,780
Total			1,547,780	190,000	1,357,780

Debentures consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at June 30, 2011	June 30, 2011		
			Total	Less: current	Non- current
Fixed rate notes in local currency					
Public, non-guaranteed bonds (49 th)	2012-04-11	5.27	190,000	190,000	-
Public, non-guaranteed bonds (51 st)	2012-02-17	5.99	190,000	190,000	-
Public, non-guaranteed bonds (53 rd)	2011-08-06	4.70	190,000	190,000	-
Public, non-guaranteed bonds (54 th)	2013-04-22	4.20	190,000	-	190,000
Public, non-guaranteed bonds (55 th)	2013-06-16	4.60	190,000	-	190,000
Public, non-guaranteed bonds (56 th)	2015-09-09	4.63	190,000	-	190,000
Public, non-guaranteed bonds (57 th)	2015-10-22	4.30	190,000	-	190,000
Public, non-guaranteed bonds (58 th -1)	2014-02-16	4.44	130,000	-	130,000
Public, non-guaranteed bonds (58 th -2)	2016-02-16	4.91	60,000	-	60,000
Public, non-guaranteed bonds (60 th)	2016-05-20	4.41	190,000	-	190,000
Public, non-guaranteed bonds (61 st)	2016-06-29	4.38	190,000	-	190,000
Floating rate notes in foreign currency					
Citibank, N.A	2012-05-15	3ML+0.65	539,050	539,050	-
Public, non-guaranteed bonds (59 th) ¹	2014-04-28	3ML+1.00	183,277	-	183,277
Less: discount on debentures			(6,720)	(1,117)	(5,603)
Total			2,615,607	1,107,933	1,507,674

¹ The Company entered into currency swap contract amounting to US\$170 million with BTMU (Bank of Tokyo-Mitsubishi UFJ) and others for cash flow hedges related to the Company's floating interest rate and foreign exchange rate on borrowings. As of June 30, 2011, the loss on valuation of the effective portion of changes in the fair value amounting to ₩4,313 million, net of income tax, is recognized in other comprehensive loss.

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<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at Dec 31, 2010	December 31, 2010		
			Total	Less: current	Non-current
Fixed rate notes in local currency					
Public, non-guaranteed bonds (49 th)	2012-04-11	5.27	190,000	-	190,000
Public, non-guaranteed bonds (51 st)	2012-02-17	5.99	190,000	-	190,000
Public, non-guaranteed bonds (52 nd)	2011-05-28	4.30	190,000	190,000	-
Public, non-guaranteed bonds (53 rd)	2011-08-06	4.70	190,000	190,000	-
Public, non-guaranteed bonds (54 th)	2013-04-22	4.20	190,000	-	190,000
Public, non-guaranteed bonds (55 th)	2013-06-16	4.60	190,000	-	190,000
Public, non-guaranteed bonds (56 th)	2015-09-09	4.63	190,000	-	190,000
Public, non-guaranteed bonds (57 th)	2015-10-22	4.30	190,000	-	190,000
Floating rate notes in foreign currency					
Citibank, N.A	2012-05-15	3ML+0.65	569,450	-	569,450
Less: discount on debentures			(4,958)	(304)	(4,654)
Total			2,084,492	379,696	1,704,796

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

<i>(in millions of Korean won)</i>	June 30, 2011		December 31, 2010	
	Carrying amount	Fair value ¹	Carrying amount	Fair value ¹
Long-term borrowings	1,920,000	1,939,547	1,357,780	1,381,684
Debentures	1,507,674	1,520,218	1,704,796	1,731,695
Total	3,427,674	3,459,765	3,062,576	3,113,379

¹ The fair values are based on the cash flows discounted using the borrowing rate of 4.79% (2010: 4.81 %)

Payment schedule¹ of borrowings as of June 30, 2011, is as follows:

<i>(in millions of Korean won)</i>	Total	Less than			Over
		1 year	2 years	5 years	5 years
Short-term borrowings	787,879	787,879	-	-	-
Current maturities of long-term borrowings	595,620	595,620	-	-	-
Current maturities of debentures	1,109,050	1,109,050	-	-	-
Long-term borrowings	1,920,000	-	313,750	1,582,500	23,750
Debentures	1,513,277	-	380,000	1,133,277	-
Total	5,925,826	2,492,549	693,750	2,715,777	23,750

¹ The above cash flow amounts are undiscounted.

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11. Provisions

Changes in the provisions for the six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011				
	Warranty	Sales returns	Restoration	Litigation	Total
At January 1, 2011	171,470	654	3,971	317,054	493,149
Addition	168,092	1,956	233	8,652	178,933
Acquisition on business combination	1,671	-	-	-	1,671
Utilisation	(150,552)	(1,443)	(70)	(4,335)	(156,400)
At June 30, 2011	190,681	1,167	4,134	321,371	517,353
Current	180,085	1,167	-	-	181,252
Non-current	10,596	-	4,134	321,371	336,101

<i>(in millions of Korean won)</i>	2010				
	Warranty	Sales returns	Restoration	Litigation	Total
At January 1, 2010	195,853	1,037	3,188	323,345	523,423
Addition	146,831	2,142	34	12,855	161,862
Utilisation	(167,186)	(2,014)	(69)	(1,007)	(170,276)
At June 30, 2010	175,498	1,165	3,153	335,193	515,009
Current	169,536	1,165	-	-	170,701
Non-current	5,962	-	3,153	335,193	344,308

12. Defined Benefit Liability

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

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Present value of funded obligations	873,120	805,656
Fair value of plan assets	(623,991)	(536,413)
Liabilities	249,129	269,243

The amounts recognised in the statements of operations for the three-month and six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Current service cost	39,486	78,757	31,698	63,395
Interest cost	10,550	21,066	9,232	18,465
Expected return on plan assets	(5,959)	(11,900)	(6,989)	(13,978)
Total expense	44,077	87,923	33,941	67,882

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The line items, in which expenses are included for the three-month and six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Cost of sales	23,070	45,539	16,392	33,588
Selling and marketing expenses	6,351	13,103	5,215	10,248
Administrative expenses	2,189	4,739	2,683	4,297
Research and development expenses	11,710	23,340	9,084	18,590
Service costs	757	1,202	567	1,159
Total expense	44,077	87,923	33,941	67,882

Cumulative actuarial losses recognised in the statement of other comprehensive loss at the end of the reporting period, are ₩44,587 million (2010: ₩43,121 million).

Changes in the defined benefit obligations for the six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
At January 1	805,656	627,159
Current service cost	78,757	63,395
Interest expense	21,066	18,465
Benefits paid	(35,797)	(30,239)
Liabilities assumed in a business combination	3,438	-
At June 30	873,120	678,780

Changes in the fair value of plan assets for the six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
At January 1	536,413	423,879
Expected return on plan assets	11,900	13,978
Employer contributions	90,000	50,000
Benefits paid	(14,566)	(6,359)
Actuarial loss	(1,879)	(576)
Assets assumed in a business combination	2,123	-
At June 30	623,991	480,922

The actual return on plan assets for the six-month period ended June 30, 2011, is ₩10,021 million (2010: ₩13,402 million).

The principal actuarial assumptions used are as follows:

(%)	June 30, 2011	December 31, 2010
Discount rate	5.5	5.5
Expected rate of return	4.3	4.3
Future salary increase	6.0	6.0

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Plan assets consist of:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Securities combined with derivatives (guaranteed)	405,311	341,706
Time deposits	218,680	194,707
Total	623,991	536,413

13. Retained Earnings

Details of retained earnings consist of:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Legal reserve ¹	142,128	138,821
Discretionary reserve ²	6,756,716	5,643,697
Unappropriated retained earnings	(22,624)	1,149,497
Total	6,876,220	6,932,015

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

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

14. Other Components of Equity

Details of other components of equity consist of:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Total	(32,819)	(32,819)

¹ The Company has treasury shares consisting of 763,162 shares (2010: 763,161 shares) of ordinary shares and 4,687 shares (2010: 4,687 shares) of preferred shares at the end of the reporting period. The Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

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15. Net Sales

Net sales for the three-month and six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Net sales				
Sales of goods	7,398,046	14,191,613	7,490,826	14,576,262
Sales of services	75,187	136,155	70,040	132,726
Royalty income	100,372	178,586	92,241	171,456
Total	7,573,605	14,506,354	7,653,107	14,880,444

16. Expenses by Nature

Expenses recorded by nature consist of: cost of sales, general operating expenses and other operating expenses in the statements of operations for the three-month and six-month periods ended June 30, 2011 and 2010, consist of:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Changes in inventories	108,101	(85,941)	(133,441)	(416,424)
Purchase of raw materials and merchandise	5,397,555	10,607,097	5,925,729	11,452,152
Employee benefits	689,344	1,342,252	578,937	1,131,050
Depreciation, amortisation and impairment loss	189,471	374,708	190,386	367,027
Advertising expense	164,343	361,186	221,421	438,630
Sales promotional expense	66,258	106,397	67,124	108,960
Transportation expenses	190,605	379,546	218,077	412,447
Commission expense	350,340	646,557	384,551	644,401
Other expenses	667,150	1,311,175	942,440	1,628,615
Total¹	7,823,167	15,042,977	8,395,224	15,766,858

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

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

Details of general operating expenses for the three-month and six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Wages and salaries	270,335	526,074	227,412	444,014
Severance benefits	21,248	43,608	18,146	36,187
Welfare expense	43,228	80,168	39,658	74,051
Freight expense	189,245	376,407	217,526	408,673

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Rental expense	35,739	67,794	29,202	56,136
Commission expense	225,339	420,432	274,352	463,402
Depreciation	26,818	53,260	27,713	55,658
Amortisation	62,068	121,318	49,298	89,939
Taxes and dues	3,213	6,147	3,672	5,876
Advertising expense	164,343	361,186	221,421	438,630
Promotional expense	66,258	106,397	67,124	108,960
Direct R&D costs	128,834	225,819	100,464	186,349
Direct service costs	90,761	163,195	82,144	162,147
Others	82,391	157,925	85,106	157,119
Total	1,409,820	2,709,730	1,443,238	2,687,141

18. Other Operating Income

Other operating income for the three-month and six-month periods ended June 30, 2011 and 2010, consists of:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Rental income	6,437	12,834	7,349	13,729
Foreign exchange gains	134,758	347,403	514,986	721,407
Gain on disposal of property, plant and equipment	246	2,021	484	4,280
Others	21,518	39,052	6,512	27,628
Total	162,959	401,310	529,331	767,044

19. Other Operating Expenses

Other operating expenses for the three-month and six-month periods ended June 30, 2011 and 2010, consist of:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Foreign exchange losses	136,903	331,948	480,725	762,238
Loss on disposal of property, plant and equipment	965	1,309	2,362	5,224
Loss on disposal of intangible assets	5,742	10,097	1,194	1,370
Others	3,647	8,198	26,301	31,576
Total	147,257	351,552	510,582	800,408

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20. Financial Income

Financial income for the three-month and six-month periods ended June 30, 2011 and 2010, consists of:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Interest income	10,047	19,725	11,600	23,871
Dividend income	20,228	98,850	34,428	106,314
Foreign exchange gain	72,354	151,750	62,468	201,111
Gain on settlement of derivatives	16,620	20,873	38,620	67,018
Others	31	159	1,585	1,620
Total	119,280	291,357	148,701	399,934

21. Financial Expenses

Financial expenses for the three-month and six-month periods ended June 30, 2011 and 2010, consist of:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Interest expense	52,456	97,608	35,967	66,042
Foreign exchange loss	33,624	89,254	281,322	346,979
Loss on settlement of derivatives	17,014	20,790	11,796	21,388
Others	2,358	5,136	1,795	4,822
Total	105,452	212,788	330,880	439,231

22. Earnings(loss) per Share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares in issue excluding shares purchased by the Company and held as treasury shares. Preferred shares have a right to participate in the profits of the Company. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares. At the end of the reporting period, the Company has no potential ordinary shares.

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Loss attributable to ordinary shares ¹	(32,379)	(19,373)	(224,363)	(19,976)
Weighted average number of ordinary shares outstanding(unit: shares) ²	143,884,652	143,884,652	143,884,656	143,884,656
Basic loss per ordinary share(in won)	(225)	(135)	(1,559)	(139)

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<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Loss attributable to preferred shares ¹	(3,652)	(1,884)	(26,577)	(1,956)
Weighted average number of ordinary shares outstanding(unit: shares) ²	17,181,305	17,181,305	17,181,306	17,181,307
Basic loss per preferred share(in won)	(213)	(110)	(1,547)	(114)

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

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Loss from continuing operations(A)	(36,031)	(21,257)	(250,940)	(21,932)
Ordinary shares dividends(B)	7,194	14,388	62,949	125,899
Preferred shares dividends(C)	1,074	2,148	7,731	15,463
Undistributed loss(D=A-B-C)	(44,299)	(37,793)	(321,620)	(163,294)
Undistributed loss available for ordinary shares(E)	(39,573)	(33,761)	(287,312)	(145,875)
Undistributed loss available for preferred shares(F)	(4,726)	(4,032)	(34,308)	(17,419)
Loss attributable to ordinary shares (G=B+E)	(32,379)	(19,373)	(224,363)	(19,976)
Loss attributable to preferred shares (H=C+F)	(3,652)	(1,884)	(26,577)	(1,956)

² Weighted average numbers of shares are calculated as follows:

	2011		2010	
	Three months	Six months	Three months	Six months
Ordinary shares issued	144,647,814	144,647,814	144,647,814	144,647,814
Ordinary treasury shares	(763,162)	(763,162)	(763,158)	(763,158)
Total ordinary shares	143,884,652	143,884,652	143,884,656	143,884,656
Weighted average number of ordinary shares outstanding	143,884,652	143,884,652	143,884,656	143,884,656
Preferred shares outstanding	17,185,992	17,185,992	17,185,992	17,185,992
Preferred treasury shares	(4,687)	(4,687)	(4,686)	(4,686)
Total preferred shares	17,181,305	17,181,305	17,181,306	17,181,306
Weighted average number of preferred shares outstanding	17,181,305	17,181,305	17,181,306	17,181,307

23. Dividends

The dividends in respect of the year ended December 31, 2010, amounting to ₩33,072 million, were paid in April 2011 (2010: ₩282,725 million).

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24. Cash Generated from Operations

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

<i>(in millions of Korean won)</i>	2011	2010
Loss for the period	(21,257)	(21,932)
Adjustments :		
Interest expense, net	77,883	42,171
(Gain) loss on foreign currency exchange, net	(74,710)	35,769
Gain on derivatives, net	(83)	(45,630)
Depreciation	226,734	254,202
Amortisation	146,545	112,775
Loss on disposal of property, plant and equipment, intangible assets, net	9,385	2,314
Provisions for severance benefits	87,923	67,882
Provisions, net	178,933	161,862
Dividends income	(98,850)	(106,314)
Others	(24,935)	(130,021)
Changes in operating assets and liabilities		
Increase in trade receivables	(510,629)	(1,671,117)
(Increase) decrease in other receivables	(94,675)	20,234
Increase in inventories	(79,203)	(421,399)
Increase in other assets	(108,933)	(114,416)
(Decrease) increase in trade payables	(27,844)	1,032,475
Increase (decrease) in other payables	299,859	(48,975)
Decrease in provisions	(156,400)	(170,276)
Increase(decrease) in other liabilities	53,273	(1,346)
Payment of defined benefit liability	(21,231)	(23,880)
Payment of plan assets, net	(90,000)	(50,000)
Cash Generated from Operations	(228,215)	(1,075,622)

Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Reclassification of construction-in-progress of property, plant and equipment	232,718	112,500
Reclassification of construction-in-progress of intangible assets	75,865	122,736
Reclassification to intangible assets from long-term advances	43,363	36,169
Reclassification of current maturities of borrowings	1,323,287	189,723

25. Contingencies

(a) At the end of the reporting period, the Company is provided with a performance guarantee of ₩79,400 million (2010: ₩85,605 million) from Seoul Guarantee Insurance relating to the sales contracts.

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(b) At the end of the reporting period, the Company is contingently liable for guarantees approximating ₩2,532,259 million (2010: ₩2,412,377 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
LG Electronics European Shared Service Center B.V.(LGESC)	527,866	441,336
LG Electronics U.S.A., Inc. (LGEUS)	318,040	256,253
LG Electronics Ticaret A.S.(LGETK)	174,137	194,957
LG Electronics (China) Co. Ltd. (LGECH)	167,207	108,695
LG Electronics Wroclaw Sp z o.o(LGEWR)	152,244	117,810
LG Electronics Thailand Co.Ltd.(LGETH)	127,482	100,787
LG Electronics Algeria SARL(LGEAS)	121,839	74,501
LG Electronics RUS, LLC (LGERA)	90,808	109,405
LG Electronics Vietnam Co., Ltd.(LGEVN)	86,248	79,723
LG Electronics Argentina S.A.(LGEAR)	81,799	63,814
LG Electronics Mlawa Sp. z o.o (LGEMA)	66,378	64,631
LG-Shaker Co. Ltd.(LGESR)	62,943	66,485
LG Electronics S.A. (Pty) Ltd. (LGESA)	62,552	67,630
LG Electronics Inc, Chile Ltda.(LGECL)	58,217	61,501
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	33,907	52,412
PT LG Electronics Indonesia (LGEIN)	24,796	39,862
LG Electronics Tianjin Appliances Co., Ltd. (LGETA)	6,469	92,417
LG Electronics Mexico S.A. DE C.V. (LGEMS)	1,375	24,367
Others	367,952	395,791
Total	2,532,259	2,412,377

(c) At the end of the reporting period, the Company has contingent liabilities with respect to investigations and litigations arising in the ordinary course of business. Major investigations and litigations are as follows:

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

In addition, the Company and certain foreign subsidiaries have been named as defendants in a number of class actions brought by purchasers of CRT products in the United States and in Canada in connection with the alleged anti-competitive activities among CRT manufacturers. The outcome of the cases and effect on financial statements could not be ascertained at the end of the reporting period.

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

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

26. Commitments

(a) At the end of the reporting period, the Company has overdraft facility agreements with various banks including Shinhan Bank, with a limit of ₩250,500 million (2010: ₩250,500 million).

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with Shinhan Bank and other 33 various banks amounting to ₩6,312,275 million (2010: ₩6,372,146 million), and for domestic trade receivables with Shinhan Bank and other two banks amounting to ₩380,000 million (2010: ₩375,680 million). The Company has corporate electronic settlement services contracts for collection of trade receivables with two banks including Hana Bank of up to ₩110,000 million (2010: ₩130,000 million).

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

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

(e) *Contractual commitments for the acquisition of assets*

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

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Property, plant and equipment	55,755	48,578
Intangible assets	6,460	1,424
Total	62,215	50,002

(f) *Operating lease commitments – the Company as lessee*

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

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<i>(in millions of Korean won)</i>	June 30, 2011			
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total lease payments
Buildings and offices	45,360	61,664	13,970	120,994
Vehicles	12,654	6,909	-	19,563
Equipment	32,283	61,588	-	93,871
Total	90,297	130,161	13,970	234,428

(g) Trademark licenses commitments

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

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

27. Related Party Transactions

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

<u>Territory</u>	<u>Name</u>
Domestic subsidiaries	Hiplaza CO., Ltd, Hi Business Logistics, Innovation Investment Fund, Hi M Solutek (formerly System Air-con Engineering Incorporation), KTB Technology Fund, HI Teleservice CO.,Ltd. LGE Alliance Fund, Ace R&A Co.,Ltd.
China	LG Electronics (China) Co. Ltd.(LGECH) Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR) LG Electronics HK Ltd.(LGEHK) LG Electronics (Hangzhou) Recording Media Co., Ltd.(LGEHN) LG Electronics Huizhou Ltd.(LGEHZ) LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS) LG Electronics Nanjing Display Co., Ltd.(LGEND) NanJing LG-Panda Appliances Co., Ltd.(LGEPN) Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD) LG Electronics Qinhuangdao Inc.(LGEQH) LG Electronics (China) Research and Development Centre Co., Ltd.(LGERD) Shanghai LG Electronics Co., Ltd.(LGESH) LG Electronics Shenyang Inc.(LGESY) LG Electronics Tianjin Appliances Co., Ltd.(LGETA) Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) Hi Logistics (China) Co., Ltd. LG Electronics (Shanghai) Research and Development Center.(LGECR) Tianjin Lijie Cartridge Heater Co.,Ltd. LG Electronics Air-Conditioning(Shandong) Co.,Ltd.(LGEQA)
Asia	LG Electronics Philippines Inc.(LGEPH) LG Electronics India Pvt. Ltd.(LGEIL) PT LG Electronics Indonesia (LGEIN) LG Electronics Malaysia SDN. BHD (LGEML) LG Soft India Private Limited.(LGSIL) LG Electronics Singapore PTE LTD (LGESL) LG Electronics Vietnam Co., Ltd.(LGEVN)

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	LG Electronics Thailand Co.Ltd.(LGETH) LG Electronics Taiwan Taipei Co., Ltd.(LGETT) LG Electronics Australia Pty, Ltd.(LGEAP) LG Electronics Japan, Inc.(LGEJP) LG Electronics Japan,Lab.(LGEJL)
Europe	LG Electronics Austria GmbH (LGEAG) LG Electronics Benelux Sales B.V.(LGEBN) LG Electronics CZ, s.r.o.(LGE CZ) LG Electronics Deutschland GmbH (LGEDG) LG Electronics European Holdings B.V.(LGE EH) LG Electronics Espana S.A.(LGEES) LG Electronics France S.A.R.L (LGEFS) LG Electronics Hellas S.A.R.L (LGEHS) LG Electronics Italia S.p.A (LGEIS) LG Electronics JIT Europe B.V.(LGEJE) LG Electronics Latvia, LLC (LGELV) LG Electronics Mlawa Sp. z o.o (LGEMA) LG Electronics Mobilecomm France (LGEMF) LG Electronics Magyar KFT (LGEMK) LG Electronics Norway AS.(LGENO) LG Electronics Polska Sp. z o.o (LGEPL) LG Electronics Portugal S.A.(LGEPT) LG Electronics Romania S.R.L.(LGERO) LG Electronics European Shared Service Center B.V.(LGESC) LG Electronics European Logistics & Services B.V.(LGELS) LG Electronics Nordic AB (LGESW) LG Electronics United Kingdom Ltd.(LGEUK) LG Electronics Wroclaw Sp z o.o (LGEWR) HI Logistics Europe B.V.
North America	LG Electronics Alabama Inc.(LGEAI) LG Electronics Canada, Inc.(LGE CI) LG Electronics Miami Inc.(LGE MI) LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM) LG Electronics Mobilecomm U.S.A., Inc.(LGEMU) LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR) LG Electronics Mexicali, S.A. DE C.V.(LGEMX) LG Electronics Mexico S.A. DE C.V.(LGEMS) LG Electronics Reynosa S.A. DE C.V.(LGER S) LG Electronics U.S.A., Inc.(LGEUS) Zenith Electronics Corporation Triveni Digital Inc. Zenith Electronics Corporation of Pennsylvania Servicios Integrales LG S.A DE C.V Servicios LG Monterrey Mexico S.A. de C.V. LG Receivable Funding LLC
South America	LG Electronics Argentina S.A.(LGEAR) LG Electronics da Amazonia Ltda.(LGEAZ) LG Electronics Colombia Ltda.(LGE CB) LG Electronics Inc, Chile Ltda.(LGE CL) LG Electronics Peru S.A.(LGEPR) LG Electronics Panama, S.A.(LGEPS) LG Electronics de Sao Paulo Ltda.(LGESP) LG Electronics Venezuela S.A.(LGEVZ) C & S America Solution Inc. LG Electronics Guatemala S.A. SOCIO VIP Ltda LG Armagem Geral Ltda. LG Consulting corp.

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

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

Significant transactions for the six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Sales	Purchases	Sales	Purchases
LG Corp.	5,784	60,516	569	68,547
Subsidiaries	10,831,322	497,753	11,265,474	729,713
Jointly controlled entities and associates	339,357	1,160,079	335,400	1,095,611
Other related parties	64,218	629,225	40,242	529,192
Total	11,240,681	2,347,573	11,641,685	2,423,063

The balances of significant transactions are as follows:

<i>(in millions of Korean won)</i>	June 30, 2011		December 31, 2010	
	Receivables	Payables	Receivables	Payables
LG Corp.	17,565	-	4,245	692
Subsidiaries	4,590,908	1,266,706	4,572,270	1,691,391
Jointly controlled entities and associates	174,467	430,214	188,866	259,142
Other related parties	98,245	293,059	90,578	180,411
Total	4,881,185	1,989,979	4,855,959	2,131,636

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The Company recognised dividend income amounting to ₩27,207 million (2010: ₩34,400 million) from subsidiaries and ₩71,191 million (2010: ₩71,651million) from associates, including LG Display Co., Ltd., for the six-month period ended June 30, 2011.

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

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

28. Risk Management

Financial Risk Management

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

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

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

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

(a) Market risk

i) Foreign exchange risk

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

The purpose of foreign exchange risk management is to maximise the Company's value by minimising the uncertainty and volatility of foreign exchange gains and losses from foreign exchange rate fluctuations.

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

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

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

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

<i>(in millions of Korean won)</i>	June 30, 2011		December 31, 2010	
	10% increase	10% decrease	10% increase	10% decrease
USD	(125,424)	125,424	(206,158)	206,158
EUR	25,765	(25,765)	41,081	(41,081)

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

ii) Interest rate risk

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

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

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

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

<i>(in millions of Korean won)</i>	<u>June 30, 2011</u>		<u>December 31, 2010</u>	
	<u>100bp increase</u>	<u>100bp decrease</u>	<u>100bp increase</u>	<u>100bp decrease</u>
Interest expense	17,325	(17,325)	15,904	(15,904)
Interest income	8,602	(8,602)	9,188	(9,188)
Gain (loss) on valuation of derivatives (IRS ¹)	6,511	(6,822)	7,114	(7,114)

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

(b) Credit risk

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

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

Assumed TR risk is especially mitigated with credit insurance, guarantees / collateral, and internal credit limits. In order to manage the risk, Korea Trade Insurance Corporation (K-Sure), Seoul Guarantee Insurance (Coface) and Global Credit Insurance Program are operated.

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

At the end of the reporting period, trade receivable balance of the Company is ₩1,468,089 million (2010: ₩979,367 million) and its risk is managed appropriately with insurer's credit limit of ₩2,294,785 million (2010: ₩2,047,968 million).

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(c) Liquidity risk

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

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

In addition, the Company copes with potential financial distress by maintaining adequate amount of cash and committed credit facilities. The balance of cash and cash equivalents, and current-financial deposits at June 30, 2011, is ₩905,155 million (2010: ₩953,834 million). The Company maintains total committed credit lines of ₩600,000 million (2010: ₩600,000 million) in Woori Bank and Kookmin Bank in Korea at the end of the reporting period.

At the end of the reporting period, the cash and cash equivalents balance of the Company is 35% (2010: 49%) of current borrowings with due date in 12 months. If committed credit lines are included, the balance covers 59% (2010: 80%) of short-term borrowings.

In addition, the Company is able to source funds any time in domestic and international financial markets because it has good investment credit grades from Standard & Poors and Moody's of BBB Negative and Baa2 Stable (2010: BBB Stable and Baa3 Stable).

Cash flow information on maturity of borrowings is presented in Note 10.

Capital Risk Management

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

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

<i>(in millions of Korean won, except for ratios)</i>	June 30, 2011	December 31, 2010
Liability (A)	14,278,342	13,048,881
Equity (B)	9,864,398	9,926,128
Cash and cash equivalents and current financial deposits (C)	905,155	953,834
Borrowings (D)	5,919,106	4,999,864
Liability-to-equity ratio (A/B)	145%	131%
Net Borrowings ratio (D-C)/B	51%	41%

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Methods and Assumptions in Determining Fair Value

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

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

<i>(In millions of Korean won)</i>	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
- Listed securities	13,561	-	-	13,561
Total	13,561	-	-	13,561
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	25,843	-	25,843
Derivatives for hedge	-	5,835	-	5,835
Share-based payments	-	5,304	-	5,304
Total	-	36,982	-	36,982

<i>(In millions of Korean won)</i>	December 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
- Listed securities	13,508	-	-	13,508
Total	13,508	-	-	13,508
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	41,226	-	41,226
Share-based payments	-	8,946	-	8,946
Total	-	50,172	-	50,172

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring

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market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as available for sale.

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

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

29. Business Combination

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

The goodwill amounting to ₩56,778 million arising on the acquisition is due to the synergy benefits, increasing overseas market share and reducing R&D costs, resulting from combining business operations of the Company and acquired air-conditioning business.

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

<i>(in millions of Korean won)</i>	Amount
Consideration transferred ¹	150,300
The assets acquired and liabilities assumed ²	
Current assets	
Trade receivables	50,828
Other receivables	4
Inventories	9,223
Other assets	888
Non-current assets	
Financial deposits	4,232
Other receivables	786
Investments in subsidiaries, jointly controlled entities and associates	23,095
Other assets	149
Property, plant and equipment	7,549
Intangible assets	34,122
Current liabilities	
Trade payables	(26,771)

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Other payables	(2,233)
Provisions	(1,671)
Other liabilities	(5,365)
Non-current liabilities	
Defined benefit liabilities	(1,315)
Total identifiable net assets	93,522
Goodwill ¹	56,778
Total	150,300

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

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

Acquisition related-costs of amounting to ₩3,646 million were all expensed during the period.

The gross contractual amount for trade receivables is ₩53,168 million, of which ₩2,340 million is expected to be uncollectible.

The revenue and net loss included in the income statement from May 1, 2011 to June 30, 2011, contributed by air-conditioning business of LS Mtron.Co.,Ltd. were ₩22,948 million and ₩(811) million, respectively. Had LS Mtron.Co.,Ltd. been consolidated from January 1, 2011, revenue of ₩72,577 million and loss of ₩(118) million would have been included in the statement of operations for the six-month period ended June 30, 2011.