LG Electronics
Consolidated Financial Statements
December 31, 2010 and 2009

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December 31, 2010 and 2009

Report of Independent Auditors

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

We have audited the accompanying consolidated statements of financial position of LG Electronics Inc. and its subsidiaries (collectively the “Group”) as of December 31, 2010 and 2009, and the related consolidated income statements and statements of comprehensive income, changes in shareholders’ equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, whose financial statements reflect 45% and 39% of the Group’s consolidated total assets as of December 31, 2010 and 2009, respectively, and 81% and 74% of the Group’s consolidated total sales for the years then ended, respectively.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2010 and 2009, and the results of its operations and cash flows for the years ended 2010 and 2009, in conformity with International Financial Reporting Standards as adopted by the Republic of Korea (“Korean IFRS”).

Without qualifying our opinion, we draw your attention to the following matters.

As explained in Note 2, the Group has early adopted Korean IFRS on January 1, 2010.

As explained in Note 42, the Group lost control over LG Innotek Co., Ltd. during the period, and the results of operations, the gain recognised on the measurement to fair value and the related income tax expense are recognised under discontinued operations.

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

Samil PricewaterhouseCoopers

Seoul, Korea
March 4, 2011

This report is effective as of March 4, 2011, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics
Consolidated Statements of Financial Position
December 31, 2010 and 2009, and January 1, 2009

(in millions of Korean won)	Note	December 31, 2010	December 31, 2009	January 1, 2009
Assets				
Current assets				
Cash and cash equivalents	6	1,944,162	2,423,787	2,560,035
Financial deposits	6	85,000	223,000	50,000
Trade receivables	7	7,001,962	7,637,131	7,354,042
Loans and other receivables	7	525,046	714,636	867,812
Other financial assets	8	1,814	902	12,705
Inventories	9	5,872,420	4,899,313	5,263,826
Other current assets	10	1,079,099	1,011,304	1,210,514
Assets classified as held for sale		5,030	-	-
		16,514,533	16,910,073	17,318,934
Non-current assets				
Financial deposits	6	105,479	162,373	190,240
Loans and other receivables	7	543,562	478,226	457,024
Other financial assets	8	105,601	102,473	27,141
Property, plant and equipment	11	6,500,484	7,708,933	7,775,316
Intangible assets	12	763,382	803,828	698,944
Deferred income tax assets	17	968,751	693,789	723,639
Investments in jointly controlled entities and associates	13	6,008,145	4,404,163	4,044,204
Investment property	14	7,295	12,979	13,111
Other non-current assets	10	801,267	837,675	533,331
		15,803,966	15,204,439	14,462,950
Total assets		32,318,499	32,114,512	31,781,884
Liabilities				
Current liabilities				
Trade payables		5,824,392	5,315,853	4,021,262
Borrowings	15	4,009,229	4,307,015	8,437,731
Other payables	16	3,730,292	4,269,470	3,979,227
Other financial liabilities	8	5,314	62,153	61,225
Current income tax liabilities		98,659	144,230	250,032
Provisions	19	824,766	814,859	641,935
Other current liabilities	20	901,201	1,255,087	735,024
		15,393,853	16,168,667	18,126,436
Non-current liabilities				
Borrowings	15	3,183,706	2,601,583	2,684,540
Other payables	16	11,597	13,999	7,616
Other financial liabilities	8	37,492	80,222	129,416
Deferred income tax liabilities	17	10,253	25,682	6,133
Defined benefit liability	18	318,112	299,406	277,590
Provisions	19	501,077	495,981	158,827
Other non-current liabilities	20	2,772	3,726	28,672
		4,065,009	3,520,599	3,292,794
Total liabilities		19,458,862	19,689,266	21,419,230
Equity attributable to owners of the Parent Company				
Paid-in capital:	21			
Capital stock		809,169	809,169	809,169
Share premium		2,207,919	2,207,919	2,207,919
Retained earnings	22	10,108,173	9,214,309	7,005,588
Accumulated other comprehensive income(expense)		(209,844)	(156,886)	9,070
Other components of equity	23	(271,277)	(270,333)	(269,712)
		12,644,140	11,804,178	9,762,034
Non-controlling interest		215,497	621,068	600,620
Total equity		12,859,637	12,425,246	10,362,654
Total liabilities and equity		32,318,499	32,114,512	31,781,884

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

LG Electronics
Consolidated Income Statements
Years ended December 31, 2010 and 2009

(in millions of Korean won, except per share amounts)	Note	Year Ended December 31 2010	2009
Continuing operations			
Net sales	25,40	55,753,804	55,491,157
Cost of sales	26,40	43,723,913	41,340,613
Gross profit		12,029,891	14,150,544
Selling and marketing expenses	26,28	7,270,523	6,740,274
Administrative expenses	26,28	1,402,217	1,297,264
Research and development expenses	26,28	1,500,759	1,269,828
Service costs	26,28	1,768,262	1,883,013
Other operating income	30	2,009,992	2,417,367
Other operating expenses	26,31	1,921,653	2,696,829
Operating income		176,469	2,680,703
Financial income	32	819,747	1,291,031
Financial expenses	33	1,039,012	1,542,430
Income from jointly controlled entities and associates	13	477,322	435,378
Profit before income tax		434,526	2,864,682
Income tax expense	34	141	588,680
Profit from continuing operations		434,385	2,276,002
Discontinued operations	42		
Profit from discontinued operations		847,734	74,126
Profit for the year		1,282,119	2,350,128
Profit for the year attributable to:			
Equity holders of the Parent Company		1,226,962	2,287,485
Profit for the year from continuing operations		393,713	2,240,182
Profit for the year from discontinued operations		833,249	47,303
Non-controlling interest		55,157	62,643
Profit for the year from continuing operations		40,672	35,820
Profit for the year from discontinued operations		14,485	26,823
Earnings per share attributable to the equity holders of the Parent Company during the year (in won)	35		
Earnings per share for profit attributable to the ordinary equity holders of the company		7,612	14,197
Earnings per share for profit from continuing operations		2,443	13,903
Earnings per share for profit from discontinued operations		5,169	294
Earnings per share for profit attributable to the preferred equity holders of the company		7,662	14,247
Earnings per share for profit from continuing operations		2,459	13,952
Earnings per share for profit from discontinued operations		5,203	295

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

LG Electronics
Consolidated Statements of Comprehensive Income
Years ended December 31, 2010 and 2009

(in millions of Korean won)	Note	Year Ended December 31 2010	2009
Profit for the year		1,282,119	2,350,128
Other comprehensive expense:			
Currency translation differences		(32,311)	(172,498)
Available-for-sale financial assets		(1,262)	7,454
Cash flow hedges		(38)	382
Actuarial loss on defined benefit liability	18	(46,732)	(15,858)
Share of actuarial loss of associates	13	(3,692)	(11,077)
Other comprehensive expense from jointly controlled entities and associates	13	(20,200)	(22,452)
Other comprehensive expense for the year, net of tax		(104,235)	(214,049)
Total comprehensive income for the year		1,177,884	2,136,079
Comprehensive income for the year attributable to:			
Equity holders of the Parent Company		1,123,631	2,099,997
Non-controlling interest		54,253	36,082
Total comprehensive income for the year		1,177,884	2,136,079

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

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Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2010 and 2009

(in millions of Korean won)

		Attributable to equity holders of the Parent Company						
		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Other Components of Equity	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2009		3,017,088	7,005,588	9,070	(269,712)	9,762,034	600,620	10,362,654
Comprehensive income								
Profit for the year		-	2,287,485	-	-	2,287,485	62,643	2,350,128
Actuarial gain on defined benefit liability		-	(10,455)	-	-	(10,455)	(5,403)	(15,858)
Share of actuarial loss of associates	13	-	(11,077)	-	-	(11,077)	-	(11,077)
Other comprehensive expense of jointly controlled entities and associates	13	-	-	(22,452)	-	(22,452)	-	(22,452)
Cash flow hedges		-	-	382	-	382	-	382
Available-for-sale financial assets		-	-	7,106	-	7,106	348	7,454
Currency translation differences		-	-	(150,992)	-	(150,992)	(21,506)	(172,498)
Total comprehensive income		-	2,265,953	(165,956)	-	2,099,997	36,082	2,136,079
Transactions with equity holders of the Parent Company :								
Dividends		-	(57,232)	-	-	(57,232)	(19,496)	(76,728)
Change in ownership interest over subsidiaries		-	-	-	(1,080)	(1,080)	3,862	2,782
Others		-	-	-	459	459	-	459
Total transactions with equity holders of the Parent Company		-	(57,232)	-	(621)	(57,853)	(15,634)	(73,487)
Balance at December 31, 2009		3,017,088	9,214,309	(156,886)	(270,333)	11,804,178	621,068	12,425,246
Balance at January 1, 2010		3,017,088	9,214,309	(156,886)	(270,333)	11,804,178	621,068	12,425,246
Comprehensive income								
Profit for the year		-	1,226,962	-	-	1,226,962	55,157	1,282,119
Actuarial loss on defined benefit liability		-	(46,681)	-	-	(46,681)	(51)	(46,732)
Share of actuarial loss of associates	13	-	(3,692)	-	-	(3,692)	-	(3,692)
Other comprehensive expense of jointly controlled entities and associates	13	-	-	(20,200)	-	(20,200)	-	(20,200)
Cash flow hedges		-	-	(38)	-	(38)	-	(38)
Available-for-sale financial assets		-	-	(1,262)	-	(1,262)	-	(1,262)
Currency translation differences		-	-	(31,458)	-	(31,458)	(853)	(32,311)
Total comprehensive income (loss)		-	1,176,589	(52,958)	-	1,123,631	54,253	1,177,884
Transactions with equity holders of the Parent Company :								
Dividends		-	(282,725)	-	-	(282,725)	(24,900)	(307,625)
Change in ownership interest over subsidiaries		-	-	-	(957)	(957)	4,833	3,876
Changes in scope of subsidiaries		-	-	-	-	-	(439,757)	(439,757)
Others		-	-	-	13	13	-	13
Total transactions with equity holders of the Parent Company		-	(282,725)	-	(944)	(283,669)	(459,824)	(743,493)
Balance at December 31, 2010		3,017,088	10,108,173	(209,844)	(271,277)	12,644,140	215,497	12,859,637

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

LG Electronics
Consolidated Statements of Cash Flows
Years ended December 31, 2010 and 2009

(in millions of Korean won)	Note	Year Ended December 31 2010	 2009
Cash flows from operating activities			
Cash generated from operations	37	490,119	6,829,790
Interest received		67,972	84,079
Interest paid		(232,253)	(412,967)
Dividends received		76,301	151,144
Income tax paid		(393,622)	(502,497)
Net cash generated from operating activities		8,517	6,149,549
Cash flows from investing activities			
Decrease in financial deposits		195,835	26,071
Decrease in loans and other receivables		221,406	206,654
Proceeds from disposal of other financial assets		98,081	130,998
Proceeds from disposal of property, plant and equipment	11	321,739	258,188
Proceeds from disposal of intangible assets	12	2,618	10,097
Proceeds from disposal of and recovery of investments in jointly controlled entities and associates	13	210,336	-
Increase in cash and cash equivalents due to changes in scope of subsidiaries		798	821
Decrease in other assets		9,375	498
Increase in financial deposits		-	(173,000)
Increase in loans and other receivables		(183,362)	(201,654)
Acquisition of other financial assets		(144,137)	(278,137)
Acquisition of property, plant and equipment	11	(1,745,219)	(1,591,188)
Acquisition of intangible assets	12	(287,549)	(260,943)
Acquisition of jointly controlled entities and associates	13	(129,693)	(116,930)
Decrease in cash and cash equivalents due to changes in scope of subsidiaries		(239,632)	-
Increase in other assets		(399)	(4,580)
Net cash used in investing activities		(1,669,803)	(1,993,105)
Cash flows from financing activities			
Proceeds from borrowings		3,276,962	2,035,881
Issuance of ordinary shares		1,301	-
Repayments of borrowings		(1,749,208)	(6,171,387)
Dividends paid		(308,292)	(70,764)
Acquisition of treasury shares		-	(321)
Acquisition of non-controlling interest		-	(1,188)
Net cash provided by (used in) financing activities		1,220,763	(4,207,779)
Exchange losses on cash, cash equivalents		(39,102)	(84,913)
Net decrease in cash, cash equivalents		(479,625)	(136,248)
Cash and cash equivalents at the beginning of year		2,423,787	2,560,035
Cash and cash equivalents at the end of year		1,944,162	2,423,787

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

1. General Information

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

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

As of December 31, 2010, LG Corp. and its related parties own 34.8% of the Parent Company's total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Group is engaged in the manufacture and sale of electronic products including mobile phones, TV, air conditioners, refrigerators, washing machines, and personal computers. As of December 31, 2010, the Group operates five business segments and other supporting segments through the Parent Company and subsidiaries all over the world.

Consolidated subsidiaries as of December 31, 2010, are as follows:

Territory	Name
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
China	LG Electronics (China) Co. Ltd. (LGECH) Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR) LG Electronics HK Ltd.(LGEHK) LG Electonics (Hangzhou) Recording Media Co., Ltd.(LGEHN) LG Electronics Huizhou Ltd.(LGEHZ) LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS) LG Electronics Nanjing Display Co., Ltd.(LGEND) NanJing LG-Panda Appliances Co., Ltd. (LGEPN) Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD) LG Electronics Qinhuangdao Inc.(LGEQH) LG Electronics (China) Research and Development Centre Co., Ltd.(LGERD) Shanghai LG Electronics Co., Ltd.(LGESH) LG Electronics Shenyang Inc.(LGESY) LG Electronics Tianjin Appliances Co., Ltd. (LGETA) Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) Hi Logistics (China) Co., Ltd. LG Electronics (Shanghai) Research and Development Center. (LGECR) Tianjin Lijie cartridge heater Co.,Ltd.
Asia	LG Electronics Philippines Inc.(LGEPH) LG Electronics India Pvt. Ltd.(LGEIL) PT LG Electronics Indonesia (LGEIN) LG Electronics Malaysia SDN. BHD(LGEML) LG Soft India Private Limited.(LGSI) LG Electronics Singapore PTE LTD(LGESL) LG Electronics Vietnam Co., Ltd.(LGEVN) LG Electronics Thailand Co.Ltd.(LGETH)

	LG Electronics Taiwan Taipei Co., Ltd(LGETT) LG Electronics Australia Pty, Ltd.(LGEAP) LG Electronics Japan, Inc. (LGEJP) LG Electronics Japan,Lab. (LGEJL)
Europe	LG Electronics Austria GmbH(LGEAG) LG Electronics Benelux Sales B.V.(LGEBN) LG Electronics CZ, s.r.o.(LGECZ) LG Electronics Deutschland GmbH(LGEDG) LG Electronics European Holdings B.V.(LGEEH) 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. zo.o (LGEMA) LG Electronics Mobilecomm France(LGEMF) LG Electronics Magyar KFT(LGEMK) 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. LG Electronics Norway AS. (LGENO)
North America	LG Electronics Alabama Inc. (LGEAI) LG Electronics Canada, Inc. (LGECI) 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 Mexicalli, S.A. DE C.V.(LGEMX) LG Electronics Mexico S.A. DE C.V. (LGEMS) LG Electronics Reynosa S.A. DE C.V. (LGERS) LG Electronics U.S.A., Inc. (LGEUS) Zenith Electronics Corporation Triveni Digital Inc. Zenith Electronics Corporation of Pennsylvania Zenith IP LLC Servicios Integrales LG S.A DE C.V Servicios LG Monterrey Mexico S.A. de C.V. LG Receivable Funding LLC LG Electonics Miami Inc.(LGEMI)
South America	LG Electronics Argentina S.A.(LGEAR) LG Electronics da Amazonia Ltda.(LGEAZ) LG Electronics Colombia Ltda.(LGECB) LG Electronics Inc, Chile Ltda.(LGECL) 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. 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)

2. Significant Accounting Policies

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

Basis of Preparation

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

The consolidated financial statements of the Group were prepared in accordance with accounting principles generally accepted in the Republic of Korea (“K-GAAP”). The Group’s Korean IFRS transition date according to Korean IFRS 1101, *‘First-time Adoption of Korean IFRS’* is January 1, 2009, and reconciliations and descriptions of the effect of the transition from K-GAAP to Korean IFRS on the Group’s equity, its comprehensive income and cash flows are provided in Note 43.

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

The following new standards, new interpretations and amendments to standards and interpretations have been issued and announced but are not effective for the year beginning January 1, 2010 and have not been early adopted:

- Korean IFRS 2119: 'Extinguishing Financial Liabilities with Equity Instruments'
- Korean IFRS 1024 (amendment): 'Related Disclosures'
- Korean IFRS 1032 (amendment): 'Financial Instruments – Presentation'
- Korean IFRS 1101: (amendment): 'First-time Adoption of Korean IFRS'
- Korean IFRS 2114 (amendment): Korean IFRS 1019 – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction'
- Korean IFRS' annual improvements

Consolidation

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

(a) *Subsidiaries*

Subsidiaries are all entities over which the Parent Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are de-consolidated from the date that control ceases.

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

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

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

(b) *Associates*

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

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

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

(c) *Jointly controlled entities*

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

(d) *Transactions with non-controlling interests*

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

Segment Reporting

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

Foreign Currency Translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

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

(c) Group companies

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

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

(a) *Classification*

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

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

Financial assets and liabilities at fair value through profit or loss are financial instruments held for trading. Financial assets and liabilities are classified in this category if acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives that are not subject to hedge accounting and financial instruments having embedded derivatives are also included in this category.

ii) Loans and receivables

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

iii) Held-to-maturity financial assets

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

iv) Available-for-sale financial assets

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

v) Financial liabilities measured at amortised cost

The Group classifies non-derivative financial liabilities as financial liabilities measured at amortised cost except for financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition. In this case the transferred asset continues to be recognised and a financial liability is measured as the consideration received. Financial liabilities measured at amortised cost are included in non-current liabilities, except for maturities less than 12 months after the end of the reporting period, which are classified as current liabilities.

(b) *Recognition and Measurement*

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

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

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

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of ‘financial income’. Dividends on available-for-sale equity instruments are recognised in the income statement as part of ‘financial income’ when the Group’s right to receive payments is established.

(c) *Offsetting*

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

Impairment of Financial Assets

(a) Assets carried at amortised cost

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

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

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

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

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

(b) Assets classified as available-for-sale

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

Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss is recognised in 'other operating income and expense' or 'financial income and expenses' according to the nature of transactions.

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

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

Trade Receivables

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

Inventories

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

Property, Plant and Equipment

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

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

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

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

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

Borrowing Costs

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

Government Grants

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

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

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

Intangible Assets

(a) *Goodwill*

Goodwill represents the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree over the net identifiable assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

(b) *Industrial property rights*

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

(c) *Development costs*

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

(d) *Other intangible assets*

Other intangible assets such as software which meet the definition of an intangible asset are amortised using the straight-line method over their estimated useful lives of 5 - 25 years when the asset is available for use. Membership rights are regarded as intangible assets with indefinite useful life and not amortised because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. All membership rights are tested annually for impairment and stated at cost less accumulated impairment. Impairment losses are not reversed.

Research and Development Costs

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

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs which are stated as intangible assets are amortised using the straight-line method when the assets are available for use and are tested for impairment.

Investment Property

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

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

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

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

Impairment of Non-Financial Assets

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

Trade Payables

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

Borrowings

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

Current and Deferred Income Tax

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. It represents future tax consequences that will arise when recovering or settling the carrying amount of its assets and liabilities. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources required to settle the obligation is probable and can be reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognised as an interest expense.

Employee Benefits

(a) *Defined benefit liability*

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

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit liability is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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

(b) *Share-based payments*

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

(c) Other long-term employee benefits

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

(d) Termination benefits

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

Share Capital

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

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

Revenue Recognition

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

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

(a) *Sales of goods*

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

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

(b) *Sales of services*

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

(c) *Royalty income*

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

(d) *Interest income*

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

(e) *Dividend income*

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

Leases

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

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

Dividend Distribution

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

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

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

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

3. Critical Accounting Estimates and Assumptions

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

Estimated Impairment of Goodwill

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

Income Taxes

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

Fair Value of Financial Instruments

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

Provisions

The Group recognises provisions for product warranties and sales return as of the reporting date as described in Note 19. The amounts are estimated based on historical data.

Defined Benefit Liability

The present value of the defined benefit liability depends on various factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit liability. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions. Additional information is disclosed in Note 18.

4. Segment Information

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

Divisions	Products
Home Entertainment (HE)	Liquid Crystal Display(LCD) / Plasma Display Panel(PDP) TV, PDP Module, Audio, Video, Storage Device
Mobile Communications (MC)	Mobile communications, Personal computer systems, Enterprise communication
Home Appliance (HA)	Refrigerators, Washing machines, Microwave, Vacuum, Compressor, Motor
Air Conditioning (AC)	Air conditioners, Solar cells
Business Solutions (BS)	LCD Monitors, TVs for hotel, Telematics, Security device

The segment information for sales and operating income for the years ended December 31, 2010 and 2009, is as follows:

	2010		2009	
(in millions of Korean won)	Segment sales[2]	Segment operating income (loss)	Segment sales	Segment operating income
Home Entertainment (HE)	22,082,111	211,201	19,635,050	593,014
Mobile Communications (MC)	13,840,459	(708,832)	18,199,005	1,334,932
Home Appliance (HA)	10,672,648	537,662	9,540,816	478,101
Air Conditioning (AC)	4,820,276	59,683	4,296,145	176,624
Business Solutions (BS)	4,831,674	58,642	4,632,401	121,376
Sub total	56,247,168	158,356	56,303,417	2,704,047
Other segments[1] and inter-segment transactions[2]	(493,364)	18,113	(812,260)	(23,344)
Total	55,753,804	176,469	55,491,157	2,680,703

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

[2] Sales between segments are carried out at arm's length.

The segment information for assets and liabilities is as follows:

	December 31, 2010		December 31, 2009		January 1, 2009	
(in millions of Korean won)	Segment assets[1]	Segment liabilities[1]	Segment assets[1]	Segment liabilities[1]	Segment assets[1]	Segment liabilities[1]
Home Entertainment (HE)	12,237,016	9,592,179	11,670,034	8,688,280	9,397,522	6,671,066
Mobile Communications (MC)	8,152,587	5,320,723	9,277,686	5,550,254	7,382,925	4,525,084
Home Appliance (HA)	7,086,587	5,073,983	5,767,820	4,020,196	4,956,269	3,471,790
Air Conditioning (AC)	3,813,189	2,837,953	2,688,682	1,645,030	2,784,208	1,800,643
Business Solutions (BS)	2,776,882	2,260,837	2,327,113	1,882,506	1,924,049	1,549,873
Sub total	34,066,261	25,085,675	31,731,335	21,786,266	26,444,973	18,018,456
Other segments and inter-segment transactions	(1,747,762)	(5,626,813)	383,177	(2,097,000)	5,336,911	3,400,774
Total	32,318,499	19,458,862	32,114,512	19,689,266	31,781,884	21,419,230

[1] The amounts of assets and liabilities of each segment are before inter-segment elimination and common assets and liabilities are allocated based on the operations of the segments.

External sales by geographic areas for the years ended December 31, 2010 and 2009, and non-current assets by geographic areas are as follows:

	External sales		**Non-current assets[1]**		
(in millions of Korean won)	**2010**	**2009**	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Korea	8,285,162	8,162,082	5,475,146	6,893,486	6,579,588
North America	12,133,362	13,988,504	132,619	68,278	77,786
Europe	9,716,943	11,050,353	260,976	277,625	311,650
Central & South America	7,303,319	6,261,198	373,737	353,930	368,786
Asia & Africa	10,926,672	9,090,676	385,532	297,540	307,155
China	4,640,823	4,759,386	528,099	536,110	729,132
Commonwealth of Independent States	2,747,523	2,178,958	115,052	98,771	113,274
Total	55,753,804	55,491,157	7,271,161	8,525,740	8,487,371

[1] Non-current assets consist of property, plant and equipment, intangible assets, investment property.

There is no external customer attributing to more than 10% of total sales for the years ended December 31, 2010 and 2009.

5. Financial Instruments by Category

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

(in millions of Korean won)	**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	-	1,944,162	-	-	1,944,162
Financial deposits	-	190,479	-	-	190,479
Trade receivables	-	7,001,962	-	-	7,001,962
Loans and other receivables	-	1,068,608	-	-	1,068,608
Other financial assets	1,814	-	47,471	58,130	107,415
Total	1,814	10,205,211	47,471	58,130	10,312,626

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

Categorisations of financial instruments as of December 31, 2009, are as follows:

(in millions of Korean won)	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	-	2,423,787	-	-	2,423,787
Financial deposits	-	385,373	-	-	385,373
Trade receivables	-	7,637,131	-	-	7,637,131
Loans and other receivables	-	1,192,862	-	-	1,192,862
Other financial assets	246	-	41,959	61,170	103,375
Total	246	11,639,153	41,959	61,170	11,742,528

(in millions of Korean won)	Liabilities at fair value through the profit and loss	Liabilities carried at amortised cost	Total
Trade payables	-	5,315,853	5,315,853
Borrowings	-	6,908,598	6,908,598
Other payables	-	2,039,097	2,039,097
Other financial liabilities	142,155	-	142,155
Total	142,155	14,263,548	14,405,703

Categorisations of financial instruments as of January 1, 2009, are as follows:

(in millions of Korean won)	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	-	2,560,035	-	-	2,560,035
Financial deposits	-	240,240	-	-	240,240
Trade receivables	-	7,354,042	-	-	7,354,042
Loans and other receivables	-	1,324,836	-	-	1,324,836
Other financial assets	12,657	-	24,180	3,009	39,846
Total	12,657	11,479,153	24,180	3,009	11,518,999

(in millions of Korean won)	Liabilities at fair value through profit or loss	Liabilities carried at amortised cost	Total
Trade payables	-	4,021,262	4,021,262
Borrowings	-	11,122,271	11,122,271
Other payables	-	1,701,545	1,701,545
Other financial liabilities	189,937	-	189,937
Total	189,937	16,845,078	17,035,015

6. Cash and Cash Equivalents and Financial Deposits

Cash and cash equivalents in consolidated statement of financial position equal to cash in consolidated statement of cash flows.

(in millions of Korean won)	December 31, 2010	December 31, 2009	January 1, 2009
Cash on hand	17,792	321,889	139,747
Bank deposits	1,926,370	2,101,898	2,420,288
Total	1,944,162	2,423,787	2,560,035

The following amounts are restricted in connection with maintaining checking accounts, various short-term and long-term borrowings, and national policy projects funded by the Korean government.

(in millions of Korean won)	December 31, 2010	December 31, 2009	January 1, 2009
Restricted financial deposits	104,772	165,074	186,495

7. Trade Receivables, and Loans and Other Receivables

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

	December 31, 2010			December 31, 2009			January 1, 2009		
(in millions of Korean won)	Original amount	Less : allowance for doubtful accounts	Carrying amount	Original amount	Less : allowance for doubtful accounts	Carrying amount	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current									
Trade receivables	7,122,430	(120,468)	7,001,962	7,757,846	(120,715)	7,637,131	7,474,141	(120,099)	7,354,042
Loans and Other Receivables	589,054	(64,008)	525,046	780,120	(65,484)	714,636	940,759	(72,947)	867,812
Non-Current									
Loans and Other Receivables	544,068	(506)	543,562	478,655	(429)	478,226	457,374	(350)	457,024

The details of loans and other receivables are as follows:

(in millions of Korean won)	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Current			
Loans	19,938	62,169	61,907
Non-trade Receivables	353,568	482,849	548,328
Accrued Income	136,951	160,756	248,627
Deposits	14,589	8,862	8,950
Sub-Total	525,046	714,636	867,812
Non-Current			
Loans	131,717	113,306	78,787
Non-trade Receivables	42,540	1,583	13,841
Deposits	369,305	363,337	364,396
Sub-Total	543,562	478,226	457,024
Total	1,068,608	1,192,862	1,324,836

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

(in millions of Korean won)	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Loans	111,390	96,052	73,033
Non-trade Receivables	38,758	1,464	13,227
Deposits	366,126	345,704	347,543
Total	516,274	443,220	433,803

The fair values of non-current loans and other receivables are based on cash flows discounted using a discount rate of 6.12% reflecting credit risks (December 31, 2009: 6.33%, January 1, 2009: 7.81%). The carrying amount of current receivables is a reasonable approximation of fair value.

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

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

The ageing analysis of these trade receivables and loans and other receivables as of December 31, 2009, is as follows:

		Overdue					
(in millions of Korean won)	**Current**	**Up to 3 months**	**4 to 6 months**	**7 to 12 months**	**Over one year**	**Defaulted**	**Total**
Trade receivables	6,775,867	671,722	67,536	74,338	67,453	100,931	7,757,847
Loans and other receivables							
Current	680,345	49,247	5,938	7,777	31,307	5,506	780,120
Non-current	416,989	23,050	5,753	23,974	8,779	110	478,655

The ageing analysis of these trade receivables and loans and other receivables as of January 1, 2009, is as follows:

		Overdue					
(in millions of Korean won)	**Current**	**Up to 3 months**	**4 to 6 months**	**7 to 12 months**	**Over one year**	**Defaulted**	**Total**
Trade receivables	6,404,330	962,558	24,242	30,227	10,070	42,714	7,474,141
Loans and other receivables							
Current	806,103	126,532	3,051	3,805	1,268	-	940,759
Non-current	391,908	61,517	1,483	1,850	616	-	457,374

Overdue receivables are presented net of bad-debt allowance which is recognised based on ageing analysis and historical experience.

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

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

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

The movements in bad debt allowance for the years ended December 31, 2009, are as follows:

(in millions of Korean won)	**At January 1**	**Addition**	**Reversal**	**Write-off**	**Exchange differences**	**At December 31**
Trade receivables	120,099	38,428	(1,334)	(42,066)	5,588	120,715
Loans and other receivables						
Current	72,947	3,072	(2,891)	1,929	(9,573)	65,484
Non-current	350	141	(77)	25	(10)	429

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

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

8. Other Financial Assets and Liabilities

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

(in millions of Korean won)	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Other financial assets			
Derivatives	1,814	246	12,657
Available-for-sale	47,471	41,959	24,180
Held-to-maturity	58,130	61,170	3,009
Less: current	(1,814)	(902)	(12,705)
Total	105,601	102,473	27,141
Other financial liabilities			
Derivatives	42,806	142,375	190,641
Less: current	(5,314)	(62,153)	(61,225)
Total	37,492	80,222	129,416

Details of derivatives and liabilities are as follows:

	December 31, 2010		December 31, 2009		January 1, 2009	
(in millions of Korean won)	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Current						
Currency Forward	1,814	1,316	246	431	12,657	13,546
Currency Option	-	-	-	-	-	2,143
Currency Swap	-	-	-	61,722	-	45,536
Interest Swap	-	3,998	-	-	-	-
Sub-total	1,814	5,314	246	62,153	12,657	61,225
Non- current						
Currency Swap	-	-	-	-	-	49,580
Interest Swap	-	37,492	-	55,403	-	79,836
Others	-	-	-	24,819	-	-
Sub-total	-	37,492	-	80,222	-	129,416
Total	1,814	42,806	246	142,375	12,657	190,641

The details of major currency forward contracts are as follows:

December 31, 2010	**Expiration**	**Contracted currency rate**	**Selling amounts *(in millions)***	**Purchase amounts *(in millions)***
EUR/USD	2011-1-3	1.3308	30	40
USD/CNY	2011-2-12	6.6360	30	202

December 31, 2009	**Expiration**	**Contracted currency rate**	**Selling amounts *(in millions)***	**Purchase amounts *(in millions)***
USD/IDR	2010-1-28	9,505.4291	29	273,987
EUR/USD	2010-2-10	1.4397	9	13

January 1, 2009	**Expiration**	**Contracted currency rate**	**Selling amounts *(in millions)***	**Purchase amounts *(in millions)***
USD/KRW	2009-3-5	1,287	40	51,479
EUR/USD	2009-2-28	1.3851	116	161
RUB/USD	2009-2-9	30.4821	3,968	130

The details of currency option contracts are as follows:

January 1, 2009	Contracted options	Expiration	Contracted currency rate	Contracted amounts *(in millions)*
USD/KRW	Put option (long position)	2009-1-28	1,000	10
USD/KRW	Call option (short position)	2009-1-28	1,041.8	10

The details of currency swap contracts are as follows:

December 31, 2009	Expiration	Contracted currency rate	Selling amounts *(in millions)*	Purchase amounts *(in millions)*
EUR/USD	2010-6-17	1.2139	247	300

January 1, 2009	Expiration	Contracted currency rate	Selling amounts *(in millions)*	Purchase amounts *(in millions)*
USD/KRW	2009-5-8	963.53	150	144,530
EUR/USD	2010-6-17	1.2139	247	300

The details of interest swap contracts are as follows:

December 31, 2010	Expiration	Contracted amounts *(in millions)*	Interest rate (paid) (%)	Interest rate (received) (%)
USD/KRW	2012-5-15	500	5.615	3M Libor + 65 bp
KRW/KRW	2011-10-6	190,000	5.600	CD 3M
KRW/KRW	2011-10-17	20,000	5.1~6.5	CD+1.26

December 31, 2009	Expiration	Contracted amounts *(in millions)*	Interest rate (paid) (%)	Interest rate (received) (%)
USD/KRW	2012-5-15	500	5.615	3M Libor + 65 bp
KRW/KRW	2011-10-6	190,000	5.600	CD 3M
KRW/KRW	2011-10-17	20,000	5.1~6.5	CD+1.26

January 1, 2009	**Expiration**	**Contracted amounts *(in millions)***	**Interest rate (paid) (%)**	**Interest rate (received) (%)**
USD/KRW	2012-5-15	500	5.615	3M Libor + 65 bp
KRW/KRW	2011-10-6	190,000	5.600	CD 3M

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

(in millions of Korean won)	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Listed Equity Securities	13,508	13,035	6,371
Unlisted Equity Securities	28,077	27,063	16,515
Debt Securities	5,886	1,861	1,294
Total	47,471	41,959	24,180

The amounts recognised as other comprehensive loss is ₩1,371 million (2009: other comprehensive income ₩7,454 million) and the amounts reclassified from equity into the income statement is ₩109 million (2009: Nil). Also, impairment losses in the amount of ₩3,766 million (2009: ₩1,733 million) were recognised.

The unlisted securities mentioned above are measured at cost as their fair values cannot be measured reliably.

Held-to-maturity financial assets consists of :

(in millions of Korean won)	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Up to 1 year	-	630	-
1 to 5 year	58,130	60,540	3,009
Total	58,130	61,170	3,009

The amount recognised as interest income in relation to held-to-maturity financial assets is ₩4,563 million (2009: ₩711 million). No impairment losses were recognized in relation to held-to-maturity financial assets.

9. Inventories

Inventories consist of:

(in millions of Korean won)	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Merchandise and finished products	3,480,831	2,861,546	3,211,124
Work-in-process	237,413	209,745	215,256
Raw materials and supplies	1,917,378	1,624,374	1,596,122
Others	236,798	203,648	241,324
Total	5,872,420	4,899,313	5,263,826

The cost of inventories recognised as expense and included in 'Cost of Sales' amounted to ₩42,342,056 million (2009: ₩39,831,928 million) including 'Losses on Valuation of Inventories' of ₩92,351 million (2009: ₩41,737 million). No reversal of allowance for 'Losses on Valuation of Inventories' was recognised (2009: Nil).

10. Other Assets

(in millions of Korean won)	December 31, 2010	December 31, 2009	January 1, 2009
Current:			
Advances	162,035	172,784	138,902
Prepaid expenses	263,447	334,452	310,732
Prepaid value added tax	499,274	301,706	429,213
Prepaid income taxes	154,286	202,027	331,493
Others	57	335	174
Sub Total	1,079,099	1,011,304	1,210,514
Non-Current:			
Long-term prepaid expenses	503,316	558,763	293,983
Long-term advances	283,570	265,186	230,129
Other investment assets	14,381	13,726	9,219
Sub Total	801,267	837,675	533,331
Total	1,880,366	1,848,979	1,743,845

11. Property, Plant and Equipment

Carrying amounts of property, plant and equipment consist of:

(in millions of Korean won)	Land	Buildings	Structures	Machinery and equipment	Tools	Others	Construction-in-progress	Total
At December 31, 2010								
Cost	1,842,776	3,197,718	238,232	3,002,049	2,401,253	964,272	289,627	11,935,927
Accumulated Impairment	-	(2,376)	(395)	(28,398)	(3,387)	(131)	-	(34,687)
Accumulated depreciation	-	(642,390)	(85,943)	(2,111,735)	(1,926,874)	(633,814)	-	(5,400,756)
Net book amounts	1,842,776	2,552,952	151,894	861,916	470,992	330,327	289,627	6,500,484
At December 31, 2009								
Cost	1,970,895	3,711,911	299,606	4,312,514	2,177,644	1,111,442	308,184	13,892,196
Accumulated Impairment	-	(8,796)	(2,542)	(75,844)	(2,411)	(450)	-	(90,043)
Accumulated depreciation	-	(687,849)	(105,673)	(2,858,179)	(1,738,060)	(703,459)	-	(6,093,220)
Net book amounts	1,970,895	3,015,266	191,391	1,378,491	437,173	407,533	308,184	7,708,933
At January 1, 2009								
Cost	1,874,923	3,445,397	265,451	4,576,145	2,096,944	1,035,539	350,733	13,645,132
Accumulated Impairment	-	(10,632)	(1,465)	(39,959)	(1,645)	(398)	-	(54,099)
Accumulated depreciation	-	(602,841)	(87,727)	(2,846,688)	(1,579,551)	(698,910)	-	(5,815,717)
Net book amounts	1,874,923	2,831,924	176,259	1,689,498	515,748	336,231	350,733	7,775,316

Changes in property, plant and equipment are as follows:

(in millions of Korean won)	Land	Buildings	Structures	Machinery and equipment	Tools	Others	Construction -in-progress	Total
At January 1, 2010	1,970,895	3,015,266	191,391	1,378,491	437,173	407,533	308,184	7,708,933
Acquisitions	21,956	60,975	5,260	179,007	291,716	499,884	686,421	1,745,219
Transfer-in (out)	39,434	91,512	13,977	317,420	168,361	(290,911)	(325,776)	14,017
Disposals / reclassification to assets held for sale	(42,948)	(157,980)	(27,942)	(91,293)	(18,378)	(57,113)	(52,134)	(447,788)
Depreciation	-	(96,003)	(13,764)	(428,727)	(363,501)	(105,333)	-	(1,007,328)
Impairment / reversal	-	(58)	(3)	(155)	(926)	(149)	-	(1,291)
Changes in scope of subsidiaries	(146,009)	(349,241)	(17,813)	(492,022)	(40,760)	(118,027)	(328,830)	(1,492,702)
Exchange differences	(552)	(11,519)	788	(805)	(2,693)	(5,557)	1,762	(18,576)
At December 31, 2010	1,842,776	2,552,952	151,894	861,916	470,992	330,327	289,627	6,500,484

(in millions of Korean won)	Land	Buildings	Structures	Machinery and equipment	Tools	Others	Construction -in-progress	Total
At January 1, 2009	1,874,923	2,831,924	176,259	1,689,498	515,748	336,231	350,733	7,775,316
Acquisitions	31,264	89,946	43,032	122,218	259,159	530,114	515,455	1,591,188
Transfer-in (out)	109,832	301,636	3,442	225,939	78,976	(207,069)	(514,077)	(1,321)
Disposals / reclassification to assets held for sale	(41,966)	(13,334)	(2,687)	(66,067)	(28,864)	(122,251)	(41,698)	(316,867)
Depreciation	-	(115,393)	(22,901)	(536,426)	(377,954)	(123,500)	-	(1,176,174)
Impairment / reversal	-	(4,371)	(2,262)	(45,187)	(2,068)	(169)	-	(54,057)
Changes in scope of subsidiaries	-	(33,684)	-	(772)	(10)	(282)	-	(34,748)
Exchange differences	(3,158)	(41,458)	(3,492)	(10,712)	(7,814)	(5,541)	(2,229)	(74,404)
At December 31, 2009	1,970,895	3,015,266	191,391	1,378,491	437,173	407,533	308,184	7,708,933

Borrowing costs amounting to ₩1,442 million (2009: ₩658 million) are capitalised as acquisition costs and a capitalization rate of 6.22 % is applied.

Amounts of property, plant and equipment pledged as collateral for various borrowings from banks are ₩126,920 million (December 31, 2009: ₩692,571 million, January 1, 2009: ₩741,457 million).

At January 1, 2009, the transition date, certain land amounting to ₩613,987 million under K-GAAP is revalued at its fair value and recorded as its deemed cost under the exemption rule for first time adopters. Hence, the carrying value of land was increased by ₩1,084,732 million and the adjustments after considering deferred tax effects were recognised in retained earnings.

12. Intangible assets

Carrying amounts of intangible assets consist of:

(in millions of Korean won)	Goodwill	Industrial property rights	Development costs	Other intangible assets	Construction-in-progress	Total
At December 31, 2010						
Cost	38,873	403,356	850,129	382,058	46,068	1,720,484
Accumulated amortisation and impairment	-	(175,562)	(565,212)	(216,328)	-	(957,102)
Net book amounts	38,873	227,794	284,917	165,730	46,068	763,382
At December 31, 2009						
Cost	36,502	392,573	601,196	369,919	137,500	1,537,690
Accumulated amortisation and impairment	-	(157,038)	(393,229)	(183,595)	-	(733,862)
Net book amounts	36,502	235,535	207,967	186,324	137,500	803,828
At January 1, 2009						
Cost	42,632	378,929	509,905	369,426	38,780	1,339,672
Accumulated amortisation and impairment	-	(137,282)	(336,238)	(167,208)	-	(640,728)
Net book amounts	42,632	241,647	173,667	202,218	38,780	698,944

Changes in intangible assets are as follows:

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

(in millions of Korean won)	**Goodwill**	**Industrial property rights**	**Development costs**	**Other intangible assets**	**Construction-in-progress**	**Total**
At January 1, 2009	42,632	241,647	173,667	202,218	38,780	698,944
Acquisitions	-	12,385	41,256	50,171	157,131	260,943
Transfer-in (out)	(2,593)	41,447	68,435	(10,404)	(57,382)	39,503
Disposals / reclassification to assets held for sale	(3,576)	(24,923)	(781)	(1,151)	-	(30,431)
Amortization	-	(35,028)	(74,173)	(53,897)	-	(163,098)
Exchange differences	39	7	(437)	(613)	(1,029)	(2,033)
At December 31, 2009	36,502	235,535	207,967	186,324	137,500	803,828

Amortisation of intangible assets was presented as follows:

(in millions of Korean won)	**2010**	**2009**
Cost of sales	58,827	56,492
Selling and marketing expenses	6,267	7,135
Administrative expenses	90,299	65,467
Research and development expenses	124,701	31,786
Service Costs	2,341	2,218
Total	282,435	163,098

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

(in millions of Korean won)	Mobile Communications	Home Appliance	Home Entertainment	Others	Total
Parent	29,894	2,111	-	-	32,005
LGERS	-	-	1,906	-	1,906
LGEAP	-	-	-	2,234	2,234
LGEML	-	-	-	818	818
LGESL	-	-	-	918	918
Others	-	-	-	992	992
Total	29,894	2,111	1,906	4,962	38,873

(*)The Company took over membrane segment of LG HAUSYS, LTD. for water treatment business and recognised the excess of the consideration transferred over the net identifiable assets acquired amounting to ₩2,111 million as a goodwill.

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

Management determined budgeted EBIT margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. Growth rate and discount rate used for value-in-use calculations of Mobile Communications which majority of goodwill belongs to are 1.5% and 10.46%, respectively.

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

13. Investments in jointly controlled entities and associates

Carrying amounts of investments in jointly controlled entities and associates for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	2010	2009
At January 1	4,404,163	4,044,204
Acquisitions [1]	1,437,601	116,930
Income of jointly controlled entities and associates [2]	469,509	471,239
Other comprehensive income of jointly controlled entities and associates [3]	(20,200)	(22,452)
Share of actuarial loss of associates	(3,692)	(11,077)
Dividend / recovery of investment	(169,619)	(158,811)
Disposal	(87,227)	-
Impairment	-	(35,861)
Other equity movements : reclassification to subsidiaries	(22,390)	(9)
At December 31	6,008,145	4,404,163

[1] As mentioned in Note 42, the Group lost control over LG Innotek Co., Ltd., and the retained investment was classified as an associate and initially recognised at fair value. Details of the acquisition are as follows:

(in millions of Korean won)	
Fair value of retained investment	1,307,908
Additional investment in newly issued shares	129,693
Total acquisition	1,437,601

Fair value of retained investment is allocated as follows:

(in millions of Korean won)	
The Group’s share of the net fair value of the identifiable assets and liabilities	698,196
Goodwill included in investment	609,712
Fair value of retained investment	1,307,908

[2] “Income from jointly controlled entities and associates” in the income statements include the gain

and loss on the disposal amounting to ₩22,644 million, and ₩14,831 million.

[3] The comparative amounts include reclassification adjustments of other comprehensive income amounting to ₩4,573 million due to impairment.

Investments in jointly controlled entities and associates are as follows:

(in millions of Korean won)	**Countries of incorporation**	**Percentage of ownership (%) at December 31, 2010**	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
LG Display Co., Ltd.	Korea	37.90	4,152,474	3,801,048	3,468,493
LG Innotek Co., Ltd.	Korea	47.96	1,456,727	-	-
LG-Ericsson Co., Ltd	Korea	50.00	127,330	207,522	248,801
LG Holdings (HK) Ltd.	Hongkong	49.00	98,504	117,556	86,939
Hitachi-LG Data Storage Inc. (HLDS)	Japan	49.00	54,782	59,833	37,102
Global OLED Technology LLC	America	32.73	47,594	72,486	-
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	Turkey	50.00	40,857	42,863	42,251
LG Fund for Enterprises	Korea	50.00	15,256	14,537	10,958
EIC PROPERTIES PTE LTD	Singapore	38.20	11,732	7,728	7,881
Korea Information Certificate Authority Inc.	Korea	9.27	1,811	2,499	2,242
Electromagnetica Goldstar S.R.L	Romania	50.00	575	508	508
Mobile Technology of Human Inc.	Korea	21.01	503	2,000	-
LG Pasig	Philippines	40.00	-	-	-
SKT Vietnam Pte. Ltd	Vietnam	25.37	-	-	50,404
Hankuk Electric Glass Co.,Ltd.	Korea	-	-	67,322	84,006
LG-Shaker Co. Ltd.(LGESR)	Saudi Arabia	-	-	8,261	4,619
Total			6,008,145	4,404,163	4,044,204

The fair values of listed associates are as follows:

(in millions of Korean won)	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
LG Display Co., Ltd.	5,397,875	5,323,281	2,848,125
LG Innotek Co., Ltd.	1,293,526	-	-
Hankuk Electric Glass Co.,Ltd.	-	44,726	36,815

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	December 31, 2010		December 31, 2009		January 1, 2009	
(in millions of Korean won)	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
LG Display Co., Ltd.	9,012,322	4,859,848	7,463,949	3,662,901	6,612,195	3,143,702
LG Innotek Co., Ltd. [1]	2,786,204	1,329,477	-	-	-	-
LG-Ericsson Co., Ltd	273,329	145,999	430,632	223,110	640,482	391,681
LG Holdings (HK) Ltd.	191,749	93,245	212,840	95,284	159,034	72,095
Hitachi-LG Data Storage Inc. (HLDS)	235,982	181,200	288,102	228,269	155,901	118,799
Global OLED Technology LLC	48,255	661	72,486	-	-	-
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	129,504	88,647	100,771	57,908	131,559	89,308
Hankuk Electric Glass Co.,Ltd.	-	-	71,625	4,303	90,405	6,399
LG-Shaker Co. Ltd.(LGESR)	-	-	20,258	11,997	19,838	15,218
Others	61,210	15,926	66,594	15,517	89,914	19,385
Total	12,738,555	6,715,003	8,727,257	4,299,289	7,899,328	3,856,587

	2010		2009	
(in millions of Korean won)	**Net Sales**	**Income**	**Net Sales**	**Income**
LG Display Co., Ltd.	9,669,788	412,107	7,595,009	425,698
LG Innotek Co., Ltd.	1,623,398	36,044	-	-
LG-Ericsson Co., Ltd	369,858	21,935	420,264	51,956
LG Holdings (HK) Ltd.	15,741	3,964	17,212	(6,378)
Hitachi-LG Data Storage Inc. (HLDS)	1,221,947	(7,560)	1,369,754	26,000
Global OLED Technology LLC	1,758	(4,487)	-	3
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	195,207	357	169,959	3,669
Hankuk Electric Glass Co.,Ltd.	16,057	1,752	25,778	(20,753)
LG-Shaker Co. Ltd.(LGESR)	-	-	33,735	3,776
Others	3,845	(2,341)	5,616	(18,273)
Total	13,117,599	461,771	9,637,327	465,698

[1] Due to goodwill and the fair value adjustments on the identifiable assets and liabilities, ₩808,453 million and ₩55,795 million are respectively included in assets and liabilities of LG Innotek Co., Ltd.

The share of total comprehensive losses of associates amounting to ₩37,426 million (December 31, 2009: ₩29,028 million, January 1, 2009: ₩1,463 million) has not been recognized due to the excess of losses over the interest in associates.

14. Investment Property

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

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

Changes in carrying amounts of investment property for the year ended December 31, 2009, are as follows:

(in millions of Korean won)	Land	Buildings	Total
At January 1	6,120	6,991	13,111
Transfer-in	630	-	630
Disposals / reclassification to assets held for sale	-	(551)	(551)
Depreciation	-	(211)	(211)
At December 31	6,750	6,229	12,979

Fair value of investment property is as follows:

(in millions of Korean won)	December 31, 2010	December 31, 2009	January 1, 2009
Land	2,153	6,516	6,022
Buildings	4,936	5,959	5,689
Total	7,089	12,475	11,711

(*) The Group estimates the fair value of investment property based on the expected future cashflows.

Rental income amounting to ₩470 million (2009: ₩258 million) and operating expenses amounting to ₩230 million (2009: ₩259 million) are recognised in the income statement relating to investment property.

15. Borrowings

The carrying amounts of borrowings are as follows:

(in millions of Korean won)	December 31, 2010	December 31, 2009	January 1, 2009
Current			
Short-term borrowings	3,327,277	3,221,498	7,550,753
Current maturities of long-term borrowings	302,256	290,469	657,360
Current maturities of debentures	379,696	795,048	229,618
Sub-total	4,009,229	4,307,015	8,437,731
Non-current			
Long-term borrowings	1,478,910	940,107	1,006,247
Debentures	1,704,796	1,661,476	1,678,293
Sub-total	3,183,706	2,601,583	2,684,540
Total	7,192,935	6,908,598	11,122,271

Short-term borrowings consist of:

(in millions of Korean won)	Latest maturity date	Annual interest rate (%) at Dec 31, 2010	Carrying amount December 31, 2010	Carrying amount December 31, 2009	Carrying amount January 1, 2009
General loans					
HSBC and others	2011-12-15	1.24~12.4	1,191,907	1,720,103	5,385,764
Borrowings on negotiated trade bills					
Citi Bank and others	-	1.10~2.12	2,135,370	1,501,396	2,164,989
Total			3,327,277	3,221,499	7,550,753

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

(in millions of Korean won)	**Latest maturity date**	**Annual interest rate (%) at Dec 31, 2010**	**Total**	**Less: current**	**Non-current**
Local currency loans					
Kookmin Bank	2013-5-14	4.67	190,000	-	190,000
Kookmin Bank	2014-11-12	4.62	150,000	-	150,000
Shinhan Bank	2016-10-19	6M+1.28	190,000	-	190,000
The Korea Development Bank	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	2012-3-30	5.81	190,000	-	190,000
The Korea Development Bank	2011-10-6	3M CD + 0.88	190,000	190,000	-
The Korea Development Bank	2011-10-17	5.94	20,000	20,000	-
Korea Finance Corporation	2015-9-14	4.57	80,000	-	80,000
Korea Finance Corporation	2015-12-24	4.64	40,000	-	40,000
Foreign currency loans					
The Korea Development Bank	2012-6-26	3ML+0.4	227,780	-	227,780
SMBC Bank and others	2017-7-8	5.99~13.65	213,386	92,256	121,130
Total			1,781,166	302,256	1,478,910

Long-term borrowings as of December 31, 2009, consist of:

(in millions of Korean won)	**Latest maturity date**	**Annual interest rate (%) at Dec 31, 2009**	**Total**	**Less: current**	**Non-current**
Local currency loans					
The Korea Development Bank	2012-3-30	5.81	190,000	-	190,000
The Korea Development Bank	2011-10-6	3M CD + 0.88	190,000	-	190,000
The Korea Development Bank and others	2011-10-17	2.5~7.64	219,126	-	219,126
Foreign currency loans					
The Korea Development Bank	2012-6-26	3ML+0.4	233,520	-	233,520
EBRD Russia and others	2012-1-16	1.79~13.0	397,930	290,469	107,461
Total			1,230,576	290,469	940,107

Long-term borrowings as of January 1, 2009, consist of:

(in millions of Korean won)	Latest maturity date	Annual interest rate (%) at Jan 1, 2009	Total	Less: current	Non-current
Local currency loans					
The Korea Development Bank	2011-10-6	3M CD+0.88	190,000	-	190,000
The Korea Development Bank and others	2016-5-22	2.53~8.59	110,138	2,704	107,434
Foreign currency loans					
The Korea Development Bank	2012-6-26	3ML+0.4	251,500	-	251,500
Kookmin Bank	2009-9-11	6ML+0.8	125,750	125,750	-
EBRD Russia and others	2013~	3.1~5.9	986,219	528,906	457,313
Total			1,663,607	657,360	1,006,247

Debentures as of December 31, 2010, consist of:

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

Debentures as of December 31, 2009, consist of:

(in millions of Korean won)	Latest maturity date	Annual interest rate (%) at Dec 31, 2009	Total	Less: current	Non-current
Fixed rate notes in local currency					
Public, non-guaranteed bonds (49th)	2012-4-11	5.27	190,000	-	190,000
Public, non-guaranteed bonds (51st)	2012-2-17	5.99	190,000	-	190,000
Public, non-guaranteed bonds (52nd)	2011-5-28	4.30	190,000	-	190,000
Public, non-guaranteed bonds (53rd)	2011-8-6	4.70	190,000	-	190,000
Other non-guaranteed bonds	2013-10-6	5.18~8.3	325,000	95,000	230,000
Fixed rate notes in foreign currency					
Citibank , N.A.	2010-6-17	5.00	700,560	700,560	-
Floating rate notes in foreign currency					
Citibank , N.A.	2012-5-15	3ML+0.65	583,800	-	583,800
Non-guaranteed convertible bonds	2012-8-11	0.00	47,065	-	47,065
Non-guaranteed bonds with warrants	2012-8-11	0.00	49,699	-	49,699
Add: redemption premium			10,663	-	10,663
Less: discount on debentures			(20,263)	(512)	(19,751)
Total			2,456,524	795,048	1,661,476

Debentures as of January 1, 2009, consist of:

(in millions of Korean won)	Latest maturity date	Annual interest rate (%) at Jan 1, 2009	Total	Less: current	Non-current
Fixed rate notes in local currency					
Public, non-guaranteed bonds (47th)	2009-9-23	4.00	150,000	150,000	-
Public, non-guaranteed bonds (49th)	2012-4-11	5.27	190,000	-	190,000
Public, non-guaranteed bonds (35st)	2009-2-28	5.00	40,000	40,000	-
Public, non-guaranteed bonds (36th)	2009-4-20	5.18	30,000	30,000	-
Public, non-guaranteed bonds (40-1st)	2010-2-9	5.18	40,000	-	40,000
Public, non-guaranteed bonds (40-2th)	2012-2-9	5.26	40,000	-	40,000
Public, non-guaranteed bonds (41st)	2010-5-17	5.27	20,000	-	20,000
Public, non-guaranteed bonds (42-1th)	2009-6-22	5.56	10,000	10,000	-
Public, non-guaranteed bonds (42-2st)	2010-6-22	5.61	10,000	-	10,000
Fixed rate notes in foreign currency					
Citibank , N.A.	2010-6-17	5.00	754,500	-	754,500
Floating rate notes in foreign currency					
Citibank , N.A.	2012-5-15	3ML+0.65	628,750	-	628,750
Less: discount on debentures			(5,339)	(382)	(4,957)
Total			1,907,911	229,618	1,678,293

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

(in millions of Korean won)	December 31, 2010		December 31, 2009		January 1, 2009	
	Carrying amount	Fair value[1]	Carrying amount	Fair value[1]	Carrying amount	Fair value[1]
Long-term borrowings	1,478,910	1,510,156	940,107	953,368	1,006,247	905,692
Debentures	1,704,796	1,731,695	1,661,476	1,695,251	1,678,293	1,936,033
Total	3,183,706	3,241,851	2,601,583	2,648,619	2,684,540	2,841,725

[1] The fair values are based on the cash flows discounted using the borrowing rate of 5.00% (December 31, 2009: 5.68%, January 1, 2009: 5.76%).

Payment schedule[1] of borrowings as of December 31, 2010, is as follows:

(in millions of Korean won)	Total	Less than 1 year	Less than 2 years	Less than 5 years	Over 5 years
Short-term borrowings	3,327,277	3,327,277	-	-	-
Current maturities of long-term borrowings and debentures	682,256	682,256	-	-	-
Long-term borrowings	1,478,910	-	530,107	750,070	198,733
Debentures	1,709,450	-	949,450	760,000	-
Total	7,197,893	4,009,533	1,479,557	1,510,070	198,733

[1] The above cash flow is undiscounted amount.

16. Other Payables

(in millions of Korean won)	December 31, 2010	December 31, 2009	January 1, 2009
Current			
Non-trade Payables	1,780,808	2,008,985	1,681,309
Accrued Expenses	1,927,979	2,244,372	2,285,298
Deposits Received	21,505	16,113	12,620
Sub-total	3,730,292	4,269,470	3,979,227
Non-current			
Non-trade Payables	7,322	7,154	7,616
Deposits Received	4,275	6,845	-
Sub-total	11,597	13,999	7,616
Total	3,741,889	4,283,469	3,986,843

17. Deferred Income Tax

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

(in millions of Korean won)	December 31, 2010	December 31, 2009	January 1, 2009
Deferred tax assets			
Deferred tax asset to be recovered within 12 months	734,293	757,064	503,638
Deferred tax asset to be recovered after more than 12 months	1,139,270	614,563	647,428
Deferred tax assets before offsetting	1,873,563	1,371,627	1,151,066
Deferred tax liabilities:			
Deferred tax liability to be recovered within 12 months	33,589	56,709	29,026
Deferred tax liability to be recovered after more than 12 months	881,476	646,811	404,534
Deferred tax liabilities before offsetting	915,065	703,520	433,560
Deferred tax assets (net)	958,498	668,107	717,506

The movement in deferred income tax assets and liabilities during the years ended December 31, 2010 and 2009, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

		2010				
(in millions of Korean won)	At January 1	Charged/ (credited) to the income statement	Charged/(credited) to other comprehensive income	Change in scope of subsidiaries	Exchange differences	At December 31
Investments in subsidiaries and associates	(230,343)	(82,920)	(1,342)	-	-	(314,606)
Property, plant and equipment	(160,094)	14,795	-	(2,726)	-	(148,025)
Accrued expenses	343,180	49,272	-	(10,348)	(1)	382,104
Provisions	146,454	(5,644)	-	(455)	(730)	139,626
Others	309,945	(186,106)	11,671	(36,460)	(4,091)	94,959
Sub total	409,142	(210,603)	10,329	(49,989)	(4,822)	154,058
Tax credits carryforwards	52,240	373,763	-	(48,384)	-	377,620
Loss carryforwards	206,725	220,095	-	-	-	426,820
Deferred tax assets (liabilities)	668,107	383,255	10,329	(98,373)	(4,822)	958,498

	2009					
(in millions of Korean won)	**At January 1**	**Charged/ (credited) to the income statement**	**Charged/(credited) to other comprehensive income**	**Change in scope of subsidiaries**	**Exchange differences**	**At December 31**
Investments in subsidiaries and associates	(193,713)	(36,069)	998	-	(1,560)	(230,343)
Property, plant and equipment	(174,660)	16,934	-	-	(2,368)	(160,094)
Accrued expenses	256,695	87,623	-	-	(1,138)	343,180
Provisions	130,489	19,247	-	-	(3,282)	146,454
Others	297,894	(9,557)	4,183	-	17,423	309,945
Sub total	316,705	78,178	5,181	-	9,075	409,142
Tax credits carryforwards	104,084	(51,731)	-	-	(112)	52,240
Loss carryforwards	296,717	(67,215)	-	-	(22,777)	206,725
Deferred tax assets(liabilities)	717,506	(40,768)	5,181	-	(13,814)	668,107

At the reporting date, deferred tax liabilities amounting to ₩15,930 million (2009: ₩27,655 million) were recognised for the temporary differences from subsidiaries expected to be realised through dividend. However, deferred tax liabilities of ₩114,131 million (2009: ₩67,314 million) were not recognised for the temporary differences on the unremitted earnings of subsidiaries which are expected to be permanently reinvested.

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

	December 31, 2010			**December 31, 2009**			**January 1, 2009**		
(in millions of Korean won)	Before Tax	Tax effects	After Tax	Before Tax	Tax effects	After Tax	Before Tax	Tax effects	After Tax
Other comprehensive income:									
Available-for-sale financial assets	12,377	(2,777)	9,599	11,695	(939)	10,756	4,199	(897)	3,302
Actuarial gain (loss)	(68,337)	13,369	(54,968)	(20,188)	4,330	(15,858)	-	-	-
Derivatives	(263)	58	(205)	(215)	48	(167)	(704)	155	(549)
Currency translation differences	(194,096)	(345)	(194,440)	(173,498)	1,000	(172,498)	-	-	-
Total	(250,319)	10,305	(240,014)	(182,206)	4,439	(177,767)	3,495	(742)	2,753

Expirations of unrecognised tax loss and tax credit carry-forwards as of December 31, 2010, are as follows:

(in millions of Korean won)	**Tax loss**	**Tax credit**
Within 1 year	-	8,576
Within 2 years	-	28,493
Within 3 years	771	32,844
Over 3 years	426,049	307,707
Total	426,820	377,620

Realisation of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognised the deferred income tax asset since all the future tax benefits are determined to be realisable as of December 31, 2010 except for the deferred tax asset of ₩2,770 million relating to tax loss and tax credits carry-forwards as they are not certain that the difference will be reversed in the future.

18. Defined Benefit Liability

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

(in millions of Korean won)	December 31, 2010	December 31, 2009	January 1, 2009
Present value of funded obligations	848,689	738,938	703,453
Present value of unfunded obligations	20,154	16,569	41,486
Sub-total	868,843	755,507	744,939
Fair value of plan assets	(550,731)	(456,101)	(467,349)
Liabilities	318,112	299,406	277,590

The amounts recognised in the income statements for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	2010	2009
Current service cost	164,614	151,321
Interest cost	40,762	44,420
Expected return on plan assets	(28,793)	(16,964)
Past service cost	692	10,042
Curtailments	-	5,554
Total expense	177,275	194,373

Cumulative actuarial losses recognised in the statement of other comprehensive income as of December 31, 2010, are ₩54,968 million (2009: ₩15,858 million).

The line items in which expenses are included for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	**2009**
Cost of sales	86,233	96,103
Selling and marketing expenses	37,300	37,323
Administrative expenses	12,018	16,475
Research and development expenses	38,190	41,070
Service costs	3,534	3,402
Total expense	177,275	194,373

Changes in the defined benefit obligations for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	**2009**
At January 1	755,507	744,939
Current service cost	164,614	151,321
Transfer-in(out)	640	(825)
Interest expense	40,762	44,420
Benefits paid	(65,982)	(115,901)
Past service cost	690	10,042
Changes in scope of subsidiaries	(85,674)	-
Actuarial loss	58,297	26,770
Curtailments	-	5,554
Settlements	-	(139,555)
Others	(11)	28,742
At December 31	868,843	755,507

Changes in the fair value of plan assets for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	**2009**
At January 1	456,101	467,349
Expected return on plan assets	28,793	16,964
Employer contributions	109,769	97,794
Benefits paid	(19,172)	(60,617)
Changes in scope of subsidiaries	(23,694)	-
Actuarial gain(loss)	(1,824)	5,298
Settlements	-	(87,815)
Others	758	17,128
At December 31	550,731	456,101

The actual return on plan assets for the year ended December 31, 2010, is ₩26,969 million (2009: ₩22,262 million).

The principal actuarial assumptions [1] used are as follows:

(%)	December 31, 2010	December 31, 2009	January 1, 2009
Discount rate	5.5	6.2	6.9
Expected rate of return	4.3	6.1	3.8
Future salary increase	6.0	6.0	5.9

[1] Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Plan assets consist of:

(in millions of Korean won)	December 31, 2010	December 31, 2009	January 1, 2009
Debentures	-	1,931	-
Insurance contracts	-	859	-
Deposits	550,731	453,311	467,349
Total	550,731	456,101	467,349

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

(in millions of Korean won)	December 31, 2010	December 31, 2009	January 1, 2009
Present value of obligation	868,843	755,507	744,939
Fair value of plan assets	(550,731)	(456,101)	(467,349)
Deficit in the plan	318,112	299,406	277,590
Experience adjustments on plan liabilities	(9,696)	16,917	-
Experience adjustments on plan assets	(1,824)	5,298	-

19. Provisions

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

(in millions of Korean won)	Warranty	Sales returns	Restoration	Litigation	Total
At January 1, 2010	735,474	79,385	4,665	491,316	1,310,840
Addition	1,507,519	39,522	1,809	73,000	1,621,850
Reversal	(4,528)	(14,968)	-	(57,178)	(76,674)
Utilisation	(1,479,809)	(20,779)	(595)	(13,104)	(1,514,287)
Exchange differences	(15,074)	(1,246)	(26)	1,190	(15,156)
Changes in scope of subsidiaries	(730)	-	-	-	(730)
At December 31, 2010	742,852	81,914	5,853	495,224	1,325,843
Current	742,852	81,914	-	-	824,766
Non-current	-	-	5,853	495,224	501,077

Changes in provisions during the year ended December 31, 2009, are as follows:

(in millions of Korean won)	**Warranty**	**Sales returns**	**Restoration**	**Litigation**	**Total**
At January 1, 2009	641,860	75	1,283	157,544	800,762
Addition	1,753,128	147,577	3,886	386,790	2,291,381
Reversal	(12,791)	-	-	-	(12,791)
Utilisation	(1,628,413)	(64,171)	(491)	(65,147)	(1,758,222)
Exchange differences	(18,310)	(4,096)	(13)	12,129	(10,290)
At December 31, 2009	735,474	79,385	4,665	491,316	1,310,840
Current	735,474	79,385	-	-	814,859
Non-current	-	-	4,665	491,316	495,981

20. Other Liabilities

Other liabilities consist of:

(in millions of Korean won)	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Current			
Advances from customers	454,951	672,718	391,205
Unearned income	49,991	62,577	69,859
Withholding	393,989	480,899	267,040
Dividends payable	553	8,007	3,734
Others	1,717	30,886	3,186
Sub-total	901,201	1,255,087	735,024
Non-current			
Unearned income	-	956	-
Others	2,772	2,770	28,672
Sub-total	2,772	3,726	28,672
Total	903,973	1,258,813	763,696

21. Paid-in Capital

As of December 31, 2010 and 2009, and January 1, 2009, the number of shares authorised is 600 million shares.

		December 31, 2010		**December 31, 2009**	**January 1, 2009**
	Par value per share	**Number of shares issued**	**Amount (in millions)**	**Amount (in millions)**	**Amount (in millions)**
Common stock	5,000	144,647,814	723,239	723,239	723,239
Preferred stock[1]	5,000	17,185,992	85,930	85,930	85,930
Total		161,833,806	809,169	809,169	809,169

[1] The preferred shareholders have no voting rights and are entitled to preferred dividends at a rate of one percentage point over that of common stock. This preferred dividend rate is not applicable to

stock dividends. In addition, the preferred shareholders have same rights on the remaining assets with ordinary shareholders. Repayment and convert are not applicable to preferred shares.

Details of share premium consist of:

(in millions of Korean won)	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Share premium	2,207,919	2,207,919	2,207,919

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

22. Retained Earnings

Details of retained earnings consist of:

(in millions of Korean won)	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Legal reserve[1]	138,822	110,549	104,826
Discretionary reserve[2]	5,643,697	3,949,343	3,280,276
Unappropriated retained earnings	4,325,654	5,154,417	3,620,486
Total	10,108,173	9,214,309	7,005,588

[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] Discretionary reserve for research and manpower development is subject to dividend according to the special tax treatment control law.

Changes in unappropriated retained earnings are as follows:

(in millions of Korean won)	**2010**	**2009**
At January 1	9,214,309	7,005,588
Profit (loss) for the year	1,226,962	2,287,485
Actuarial losses of the Parent	(46,681)	(10,455)
Actuarial losses of the subsidiaries	(3,692)	(11,077)
Dividend	(282,725)	(57,232)
At December 31	10,108,173	9,214,309

23. Other Components of Equity

Details of other components of equity consist of:

(in millions of Korean won)	December 31, 2010	December 31, 2009	January 1, 2009
Treasury shares[1]	(44,893)	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183	2,183
Capital transactions within the Group[2]	(238,458)	(237,514)	(236,893)
At December 31	(271,277)	(270,333)	(269,712)

1 The Parent Company has treasury shares consisting of 763,161 shares (2009: 763,157 shares) of ordinary shares and 4,687 shares (2009: 4,684 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.

2 The amounts include gain (loss) from transactions with non-controlling interests and other reserves of subsidiaries.

24. Share-Based Payments

The Group operates cash-settled, share-based compensation plans (stock appreciation rights) which were granted to its executives and employees on March 23, 2005, and are exercisable between March 23, 2008 and March 22, 2012. Exercise price per share is determined to be ₩71,130, which is lower by 30% than weighted average stock price of ₩101,507 at the reporting date.

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

	Weighted average stock price (in won)[1]		Number of options	
	2010	**2009**	**2010**	**2009**
Beginning	115,514	77,311	305,500	307,500
Exercised[2]	114,144	127,897	30,000	2,000
Ending	101,507	115,514	275,500	305,500

1 The weighted average stock price is determined by an average of three share prices: average share price of last two months, last one month and last one week from each date of exercise.

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

The fair value of stock appreciation rights determined using the Black-Scholes valuation model was ₩8,946 million (2009: ₩16,824 million). The significant inputs into the model were the weighted average share price of ₩101,507 (2009: ₩115,514), exercise price shown above, volatility of 26.15% (2009: 45.63%), dividend yield of 0.95% (2009: 0.89%), an expected option life of 1.25 years (2009: 2.25 years) and an annual risk-free interest rate of 3.04% (2009: 4.37%).

25. Net Sales

Details of net sales for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	2010	2009
Net sales		
Sales of goods	54,959,303	54,869,674
Sales of services	463,659	322,289
Royalty income	330,842	299,194
Total	55,753,804	55,491,157

26. Expenses by Nature

Expenses that are recorded by nature as cost of sales, general operating expenses and other operating expenses in the income statements for the years ended December 31, 2010 and 2009, consist of:

(in millions of Korean won)	2010	2009
Changes in inventories	(1,314,928)	299,927
Purchase of raw materials and merchandise	41,772,922	37,940,054
Employee benefit expenses	3,850,505	4,066,563
Depreciation, amortisation	1,289,763	1,339,272
Advertising expenses	1,339,913	1,529,961
Sales promotional expenses	977,855	904,390
Transportation expenses	1,851,727	1,508,369
Commission expenses	2,427,726	2,163,430
Other expenses	5,391,844	5,475,855
Total	57,587,327	55,227,821

27. Employee Benefit Expense

(in millions of Korean won)	2010	2009
Wages and salaries	3,002,543	3,211,064
Welfare expense	644,462	613,338
Stock options	(6,581)	12,419
Defined contribution plans	5,623	7,660
Defined benefit plans	177,275	194,373
Other post-employment benefits	19,239	21,417
Termination expense	6,176	3,309
Others	1,768	2,983
Total	3,850,505	4,066,563

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

Details of general operating expenses for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	2010	2009
Wages and salaries	2,094,648	1,910,572
Severance benefits	93,217	95,327
Welfare expense	464,346	396,723
Freight expense	1,814,903	1,464,732
Rental expense	376,564	348,065
Commission expense	1,898,465	1,748,757
Depreciation	186,749	192,978
Amortization	223,608	106,606
Taxes and dues	114,599	99,963
Advertising expense	1,339,913	1,529,961
Promotional expense	977,855	904,390
Direct R&D costs	320,658	272,181
Direct service costs	1,255,769	1,408,567
Other	780,467	711,557
Total	11,941,761	11,190,379

29. Research and Development Expenditure

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

(in millions of Korean won)	2010	2009
Uncapitalised research and development expenditure	2,332,140	2,024,218
Amortised development costs	201,263	74,173
Total	2,553,403	2,098,391

30. Other Operating Income

Other operating income for the years ended December 31, 2010 and 2009, consists of:

(in millions of Korean won)	2010	2009
Rental income	32,597	21,562
Foreign exchange gain	1,795,440	2,198,516
Gain on settlement of derivatives	13,233	79,162
Gain on disposal of property, plant and equipment	16,031	15,184
Others	152,691	102,943
Total	2,009,992	2,417,367

31. Other Operating Expenses

(in millions of Korean won)	2010	2009
Foreign exchange loss	1,765,157	2,093,008
Losses on settlement of derivatives	15,684	91,186
Losses on disposal of property, plant and equipment	32,136	72,003
Others	108,676	440,632
Total	1,921,653	2,696,829

32. Financial Income

(in millions of Korean won)	2010	2009
Interest income	78,853	85,734
Dividend income	320	296
Foreign exchange gain	642,204	1,135,223
Gain on settlement of derivatives	98,102	60,741
Others	268	9,037
Total	819,747	1,291,031

33. Financial Expenses

(in millions of Korean won)	2010	2009
Interest expense	233,056	378,695
Foreign exchange loss	684,019	1,052,613
Loss on settlement of derivatives	50,343	72,765
Loss on negotiated trade bills	38,390	16,699
Others	33,204	21,658
Total	1,039,012	1,542,430

34. Income Tax

Details of income tax expense are as follows:

(in millions of Korean won)	2010	2009
Current income taxes		
Current tax on profits for the year	348,309	549,273
Adjustments in respect of prior years	35,087	(1,361)
Total current tax	383,396	547,912
Deferred tax		
Changes in temporary differences	(383,255)	40,768
Income tax expense	141	588,680

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

	2010		2009	
(in millions of Korean won)	Change in tax expense	Tax rate	Change in tax expense	Tax rate
Profit before income tax	434,526		2,864,682	
Tax expense based on weighted average applicable tax rate [1]	146,175	33.6%	742,388	25.9%
Tax adjustments:				
Income not subject to tax	(32,277)	-7.4%	(53,319)	-1.9%
Expenses not deductible for tax purposes	21,457	4.9%	50,008	1.7%
Utilisation of previously unrecognised tax losses and credits	(204,239)	-47.0%	(183,668)	-6.4%
Adjustments in respect of prior years	35,087	8.1%	(1,361)	0.0%
Changes in unrecognised deferred tax assets	(935)	-0.2%	13,915	0.5%
Change in tax rates	30,402	7.0%	13,010	0.5%
Others	4,471	1.0%	7,707	0.3%
Income tax	141	0.0%	588,680	20.5%

[1] The weighted average applicable tax rate was 33.6% (2009: 25.9%). The increase is caused by changes in the profitability of the Group's subsidiaries in the respective countries.

35. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of shares in issue excluding shares purchased by the Parent Company and held as treasury shares (Note 23). Preferred shares have a right to participate in the profits of the Parent Company. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares.

As of the reporting date, the Parent Company has no potential ordinary shares.

(in millions of Korean won)	**2010**	**2009**
Profit attributable to ordinary shares [1]	1,095,312	2,042,705
Profit from continuing operations attributable to ordinary shares	351,469	2,000,464
Profit from discontinued operations attributable to ordinary shares	743,843	42,241
Weighted average number of ordinary shares outstanding (unit: shares) [2]	143,884,655	143,884,657
Basic earnings per ordinary share (in won)	7,612	14,197
Earnings per ordinary share from continuing operations	2,443	13,903
Earnings per ordinary share from discontinued operations	5,169	294

(in millions of Korean won)	**2010**	**2009**
Profit attributable to preferred shares [1]	131,650	244,780
Profit from continuing operations attributable to preferred shares	42,244	239,718
Profit from discontinued operations attributable to preferred shares	89,406	5,062
Weighted average number of preferred shares outstanding (unit: shares) [2]	17,181,306	17,181,309
Basic earnings per preferred share (in won)	7,662	14,247
Earnings per preferred share from continuing operations	2,459	13,952
Earnings per preferred share from discontinued operations	5,203	295

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

(in millions of Korean won)	2010	2009
Profit from continuing operations	393,713	2,240,182
Ordinary shares dividends	9,234	246,591
Preferred shares dividends	1,378	30,287
Undistributed earnings from continuing operations	383,101	1,963,304
Undistributed earnings from continuing operations available for ordinary shares	342,235	1,753,873
Undistributed earnings from continuing operations available for preferred shares	40,866	209,431
Profit from continuing operations attributable to ordinary shares	351,469	2,000,464
Profit from continuing operations attributable to preferred shares	42,244	239,718
Profit from discontinued operations	833,249	47,303
Ordinary shares dividends	19,543	5,207
Preferred shares dividends	2,917	640
Undistributed earnings from discontinued operations	810,789	41,456
Undistributed earnings from discontinued operations available for ordinary shares	724,300	37,034
Undistributed earnings from discontinued operations available for preferred shares	86,489	4,422
Profit from discontinued operations attributable to ordinary shares	743,843	42,241
Profit from discontinued operations attributable to preferred shares	89,406	5,062
Profit attributable to ordinary shares	1,095,312	2,042,705
Profit attributable to preferred shares	131,650	244,780

[2] Weighted average numbers of shares are calculated as follows:

	2010	2009
Ordinary shares outstanding	144,647,814	144,647,814
Ordinary treasury shares	(763,161)	(763,157)
Ordinary shares	143,884,653	143,884,657
Weighted average number of ordinary shares outstanding	143,884,655	143,884,657
Preferred shares outstanding	17,185,992	17,185,992
Preferred treasury shares	(4,687)	(4,684)
Preferred shares	17,181,305	17,181,308
Weighted average number of preferred shares outstanding	17,181,306	17,181,309

36. Dividends

The numbers of shares entitled to dividends are as follows:

(Unit: shares)	2010	2009
Ordinary shares	143,884,653	143,884,657
Preferred shares	17,181,305	17,181,308

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

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

Details of the Parent Company's dividends declared as of December 31, 2009 are as follows:

(in millions of Korean won)	Calculation	Amounts
Ordinary shares	143,884,657 X 5,000 X 35% =	251,798
Preferred shares	17,181,308 X 5,000 X 36% =	30,927
Total		282,725

The Parent Company's dividend payout ratios for the years ended December 31, 2010 and 2009, are computed as follows:

(in millions of Korean won)	2010	2009
Total dividends (A)	33,072	282,725
Profit (loss) for the year (B)	(635,874)	1,146,804
Dividend payout ratio ((A)/(B))	-[1]	25%

[1] Dividend payout ratio is not calculated for the current year due to net loss of the Parent Company.

The Parent Company's dividend yield ratios for the years ended December 31, 2010 and 2009, are computed as follows:

	2010		2009	
(in Korean won)	Common shares	Preferred shares	Common shares	Preferred shares
Dividend per share (A)	200	250	1,750	1,800
Market price at the end of reporting period (B)	118,000	43,850	121,500	50,000
Dividend yield ratio ((A)/(B))	0.17%	0.57%	1.44%	3.60%

37. Cash Generated from Operations

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

(in millions of Korean won)	2010	2009
Profit (loss) for the year	1,282,119	2,350,128
Adjustments :		
Interest expense, net	164,480	329,316
Loss on foreign currency translation, net	(72,228)	(90,518)
Gain (Loss) on derivatives, net	(31,624)	44,873
Depreciation, amortisation	1,289,763	1,339,272
Loss on disposal of property, plant and equipment, intangible assets, net	46,779	84,373
Provisions	1,545,176	2,278,590
Income tax expense (benefit)	(3,917)	607,772
Income from jointly controlled entities and associates	(477,322)	(435,374)
Post-tax gain on the measurement to fair value of discontinued operations	(815,260)	-
Provisions for severance benefits	177,275	194,373
Others	61,633	130,907
	1,884,735	4,483,584
Changes in operating assets and liabilities		
Decrease (Increase) in trade receivables	89,200	(742,449)
Decrease in loans and other receivables	19,525	134,608
Decrease (Increase) in inventories	(1,314,928)	299,927
Increase in other assets	(240,513)	(310,124)
Increase in trade payables	712,289	1,699,107
Increase in other payables	23,074	381,542
Decrease in provisions	(1,514,287)	(1,758,222)
Increase (decrease) in other liabilities	(295,156)	497,332
Payment of defined benefit liability	(46,810)	(107,024)
Transfer in (out) of defined benefit liability, net	640	(825)
Payment of plan assets, net	(109,769)	(97,794)
	(2,676,735)	(3,922)
Cash Generated from Operations	490,119	6,829,790

Significant transactions not affecting cash flows for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**	**2009**
Reclassification of construction-in-progress of property, plant and equipment	325,776	514,077
Reclassification of construction-in-progress of intangible assets	247,465	57,382
Reclassification of current maturities of borrowings	681,952	1,085,517

38. Contingencies

At the reporting date, borrowings are secured on property, plant and equipment including land, buildings and machinery and intangible assets including land use rights for the book value of ₩190,071 million.

As of December 31, 2010, the Parent Company has overdraft facility agreements with various banks including Shinhan Bank, with a limit of ₩250,500 million (2009: ₩240,500 million). Its overseas subsidiaries, including LG Electronics India Private Limited, have overdraft facility agreements with a limit of ₩926,808 million (2009: ₩898,205 million) with various banks including Standard Chartered New Delhi Bank. The Group's domestic subsidiaries including Hi Plaza Inc. have overdraft facility agreements with various banks with a limit of ₩2,000 million (2009: ₩47,179 million).

As of December 31, 2010, the Parent Company has sales agreements for export trade receivables with Shinhan Bank and other 32 various banks amounting to ₩6,372,146 million (2009: ₩7,114,885 million), and for domestic trade receivables with Hana Bank and other 2 banks amounting to ₩375,680 million. The Parent Company has corporate electronic settlement services contracts for collection of trade receivables with two banks of up to ₩130,000 million (2009: ₩110,000 million).

The subsidiaries, LG Electronics UK., Ltd., LG Electronics Deutschland. GmbH, LG Electronics Espana S.A., LG Electronics France S.A.R.L., LG Electronics Benelux Sales B.V., LG Electronics Italia S.P.A and LG Electronics Portugal S.A., transfer their account receivables to Societe Generale Bank on a revolving basis, for up to US$ 932 million (2009: US$ 934 million).

LG Electronics U.S.A., Inc. and LG Electronics MobileComm U.S.A. Inc., subsidiaries of the Parent Company, transfer their accounts receivable to JP Morgan Chase Bank and Sumitomo Bank on a revolving basis, for up to US$ 350 million (2009: US$ 400 million).

As of December 31, 2010, the Parent Company has corporate electronic settlement services contracts with various banks of up to ₩965,450 million (2009: ₩965,450 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

As of December 31, 2010, the subsidiaries have other trade financing agreements and loan commitments in addition to the above commitments.

As of December 31, 2010, the Parent Company is provided with a performance guarantee of ₩85,605 million (2009: ₩91,902 million) from Seoul Guarantee Insurance relating to the sales contracts.

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

At the end of the reporting period, the Parent Company and certain foreign subsidiaries are under investigation by the European Commission with respect to possible anti-competitive activities among CRT (Cathode Ray Tube) manufacturers. The Group recognized a reasonably estimated 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 Group. In addition, the Parent Company and certain foreign subsidiaries are currently under investigation with respect to the same activities by the Korean Fair Trade Commission and other competition authorities.

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

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

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

39. Commitments

(a) *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:

(in millions of Korean won)	**December 31, 2010**	**December 31, 2009**
Property, plant and equipment	66,285	12,789
Intangible assets	1,424	32,162
Total	67,709	44,951

(b) *Operating lease commitments – the Group as lessee*

The future aggregate minimum lease payments under non-cancellable operating leases as of December 31, 2010, are as follows:

(in millions of Korean won)	**No later than 1 year**	**Later than 1 year and no later than 5 years**	**Over 5 years**	**Total lease payments**
Buildings and offices	72,612	132,056	24,162	228,830
Vehicles	22,501	13,995	-	36,496
Equipment	35,343	54,178	-	89,521
Total	130,456	200,229	24,162	354,847

(c) *Trademark licenses commitments*

As of December 31, 2010, the Group has various agreements as follows:

Purpose	**Related products**	**Provided by**	**Used by**
Use of license	Mobile	QUALCOMM Incorporated and others	LG Electronics Inc.
Provision of license	Home appliance	LG Electronics Inc.	Panasonic Corporation and others

40. Related Party Transactions

Significant transactions for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	**2010**		**2009**	
	Sales	**Purchases**	**Sales**	**Purchases**
LG Corp.	990	132,004	714	131,868
Jointly controlled entities and associates	1,069,149	7,259,274	1,319,221	5,331,795
Other related parties	114,203	1,360,631	116,297	1,242,098
Total	1,184,342	8,751,909	1,436,232	6,705,761

The balances of significant transactions are as follows:

	December 31, 2010		December 31, 2009		January 1, 2009	
(in millions of Korean won)	**Receivables**	**Payables**	**Receivables**	**Payables**	**Receivables**	**Payables**
LG Corp.	4,245	692	16,074	10,426	15,434	15,022
Jointly controlled entities and associates	228,021	889,871	236,542	832,217	272,339	511,706
Other related parties	92,850	204,171	98,483	234,447	96,335	171,235
Total	325,116	1,094,734	351,099	1,077,090	384,108	697,963

Key management compensation costs of the Group for the years ended December 31, 2010 and 2009, consist of:

(in millions of Korean won)	**2010**	**2009**
Wages and salaries	12,969	17,582
Pension costs	2,894	5,181
Other post-employment benefits	3,042	2,347
Share-based compensation	(1,422)	5,647
Total	17,483	30,757

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

The Group has not recognised bad debt expenses nor allowance for trade receivables against the related parties for the years ended December 31, 2010 and 2009.

41. Risk Management

Financial Risk Management

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

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

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

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

(a) *Market risk*

i) Foreign exchange risk

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

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

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

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

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

As of December 31, 2010 and December 31, 2009, if the foreign exchange rate of the Korean won fluctuated by 10% while other variables were fixed, the effects on income before tax would be as follows:

	December 31, 2010		**December 31, 2009**	
(in millions of Korean won)	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
USD/KRW	(415,020)	415,020	(413,377)	413,377
EUR/KRW	29,550	(29,550)	24,008	(24,008)

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

ii) Interest rate risk

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

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

As of December 31, 2010, the Group is in a net borrowing situation and is partially exposed to a risk of increase in interest rates. However, the Group minimises risks from changes in interest rate fluctuations by matching variable interest bearing short-term borrowings with variable interest bearing financial deposits adequately.

As of December 31, 2010, 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:

	December 31, 2010		**December 31, 2009**	
(in millions of Korean won)	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
Interest expense	35,855	(35,855)	32,865	(32,865)
Interest income	19,664	(19,664)	23,146	(23,146)
Gain (loss) on valuation of derivatives (IRS[1])	7,114	(7,114)	7,885	(7,885)

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

(b) *Credit risk*

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

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

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

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

As of December 31, 2010, trade receivable balance of the Group is ₩7,001,962 million (December 31, 2009: ₩7,637,131 million; January 1, 2009: ₩7,354,042) and its risk is managed appropriately with insurer's credit limit of ₩28,733,704 million (December 31, 2009: ₩19,544,456 million; January 1, 2009: ₩19,597,120 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 five RTCs to manage liquidity risk in overseas subsidiaries efficiently.

In addition, the Group copes with potential financial distress by maintaining adequate amount of cash and committed credit facilities. The balance of cash and cash equivalents, and current-financial deposits at December 31, 2010, is ₩2,029,162 million (December 31, 2009: ₩2,646,787 million, January 1, 2009: ₩2,610,035 million). The Group maintains total committed credit lines of ₩600,000 million (December 31, 2009: ₩600,000 million, January 1, 2009: ₩600,000 million) in Woori Bank , Kookmin Bank, and Shinhan Bank in Korea at December 31, 2010.

As of December 31, 2010, the cash and cash equivalents balance of the Group is about 51% (December 31, 2009: 61%, January 1, 2009: 31%) of current borrowings with due date in 12 months. If committed credit lines are included, the balance covers about 66% (December 31, 2009: 75%, January 1, 2009: 38%) of short-term borrowings.

In addition, the Group is able to source funds any time in domestic and international financial markets because it has good investment credit grades from Standard & Poors and Moody's of BBB Stable and Baa2 Stable (December 31, 2009: BBB Stable and Baa3 Stable; January 1, 2009: BBB Stable and Baa3 Positive), respectively.

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

Capital Risk Management

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

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

(in millions of Korean won, except for ratios)	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Liability (A)	19,458,862	19,689,266	21,419,230
Equity (B)	12,859,637	12,425,246	10,362,654
Cash and cash equivalents and current financial deposits (C)	2,029,162	2,646,787	2,610,035
Borrowings (D)	7,192,935	6,908,598	11,122,271
Liability-to-equity ratio (A/B)	151%	158%	207%
Net Borrowings ratio (D-C)/B	40%	34%	82%

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).

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

	December 31, 2009			
(In millions of Korean won)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Derivatives for trading	-	246	-	246
Available-for-sale financial assets				
- Listed securities	13,035	-	-	13,035
Total	13,035	246	-	13,281
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	142,155	-	142,155
Derivatives for hedge	-	220	-	220
Share-based payments	-	16,824	-	16,824
Total	-	159,199	-	159,199

	January 1, 2009			
(In millions of Korean won)	Level 1	Level 2		Total
Assets				
Financial assets at fair value through profit or loss				
- Derivatives for trading	-	12,657	-	12,657
Available-for-sale financial assets				
- Listed securities	6,371	-	-	6,371
Total	6,371	12,657	-	19,028
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	189,937	-	189,937
Derivatives for hedge	-	704	-	704
Share-based payments	-	10,299	-	10,299
Total	-	200,940	-	200,940

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

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

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

42. Discontinued Operations

On April 22, 2010, due to a decrease in its ownership interest caused by the exercise of conversion right and warrants, the Group lost control over LG Innotek Co., Ltd. Therefore, LG Innotek Co., Ltd. ceases to be a subsidiary but as the significant influence by the Group is retained, the remaining interest is accounted for in accordance with Korean IFRS 1028, "*Investment in associates*". The financial performance of LG Innotek Co., Ltd. prior to its classification as an associate were presented as discontinued operations in these financial statements. Comparative financial performance was re-presented for consistency as required by Korean IFRS 1105, "*Non-current Assets Held for Sale and Discontinued Operations"*. In addition to financial performance, the gain recognised on the measurement to fair value and the related income tax expenses are recognised under discontinued operations.

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

i) Financial performance and cash flow information

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

(in millions of Korean won)	**2010**	**2009**
Sales	482,457	1,728,436
Operating income	48,275	152,861
Profit before income tax	27,564	93,217
Income tax expense (benefit)	(4,910)	19,091
Profit after income tax of discontinued operations	32,474	74,126
Gain on the measurement to fair value	839,152	-
Income tax expense	23,892	-
Gain on the measurement to fair value after income tax	815,260	-
Post-tax profit from discontinued operations	847,734	74,126
Equity holders of the Parent Company	833,249	47,303
Non-controlling Interest	14,485	26,823

(in millions of Korean won)	**2010**	**2009**
Net cash inflow (outflow) from operating activities	(30,636)	159,880
Net cash outflow from investing activities	(195,120)	(232,880)
Net cash inflow from financing activities	163,086	218,953
Exchange losses	(1,271)	2,330
Net cash flow from discontinued operations	(63,941)	148,283

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

(in millions of Korean won)	**2010**
Fair value of the discontinued operations	1,307,908
Carrying amount of the discontinued operations[1]	468,756
Pre-tax gain on the measurement	839,152
Income tax expense on the gain	23,892
Post-tax gain on the measurement	815,260

[1] Carrying amounts of assets and liabilities of the discontinued operations were as follows:

(in millions of Korean won)	**2010**
Assets	
Current assets	1,443,469
Non-current assets	1,743,044
Total	3,186,513
Liabilities	
Current liabilities	1,474,152
Non-current liabilities	795,002
Total	2,269,154
Non-controlling interest and accumulated other comprehensive income	448,603
Carrying amount of the discontinued operations	468,756

43. Transition to Korean IFRS

Basis of Transition to Korean IFRS

(a) *The first adoption of Korean IFRS*

The financial statements for the year ending December 31, 2010, will be the first annual financial statements compliant with Korean IFRS. These financial statements have been prepared as described in Note 2.

The Group's transition date to Korean IFRS is January 1, 2009, and adoption date is January 1, 2010.

In preparing these consolidated financial statements in accordance with Korean IFRS 1101, the Group has applied the mandatory exceptions and certain optional exemptions allowed by Korean IFRS.

(b) *Exemptions elected by the Group*

The Group has elected to apply the following optional exemptions from full retrospective application.

i) Business combination

The Group has not retrospectively applied Korean IFRS 1103 to the business combinations that took place prior to the transition date of January 1, 2009.

ii) Deemed cost

The Group has elected to measure certain land at fair value as of January 1, 2009, the date of transition to Korean IFRS and use that fair value as its deemed cost at that date.

iii) Cumulative translation differences

The Group has elected to set the accumulated cumulative translation at January 1, 2009, to zero in accordance with Korean IFRS 1101.

iv) Decommissioning liabilities included in the cost of property, plant and equipment

Subject to Korean IFRS Interpretations 2101, 'Changes in Existing Decommissioning, Restoration and Similar Liabilities', regarding changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates, the Group does not comply with these requirements for changes in such liabilities that occurred before the date of transition to Korean IFRS. The amounts to be included as costs of decommissioning assets are measured by discounting the liability over the intervening period and the accumulated depreciation on that amount is calculated at the date of transition to Korean IFRS.

v) Borrowing costs

In respect of capitalising borrowing costs incurred in the construction of a qualifying asset, the Group capitalises interest on all qualifying assets for which the commencement date for capitalisation is after the transition date.

(c) *Reconciliations between Korean IFRS and K-GAAP*

The following reconciliations provide a quantification of the effect of the transition to Korean IFRS.

i) Effects on Total Assets, Liabilities and Equity

Effects on the consolidated total assets, liabilities and equity as of January 1, 2009, the date of Korean IFRS transition, are as follows:

(in millions of Korean won)	K-GAAP	Change in scope of consolidation[1]	Sold trade receivables[2]	Defined benefit liability[3]	Revaluation of land[4]	Associates[5]	Deferred tax[7]	Others	K-IFRS
Assets									
Cash and cash equivalents	3,929,286	(1,369,251)	-	-	-	-	-	-	2,560,035
Financial deposits	2,105,000	(2,055,000)	-	-	-	-	-	-	50,000
Trade receivables	6,105,202	(1,296,069)	2,544,703	-	-	-	-	206	7,354,042
Loans and other receivables	1,518,037	(116,048)	(534,447)	-	-	-	-	270	867,812
Other financial assets	12,779	(74)	-	-	-	-	-	-	12,705
Inventories	6,448,628	(1,184,802)	-	-	-	-	-	-	5,263,826
Other current assets	2,155,205	(402,450)	15,815	-	-	-	(576,023)	17,967	1,210,514
Current assets	22,274,137	(6,423,694)	2,026,071	-	-	-	(576,023)	18,443	17,318,934
Financial deposits	190,438	(35)	-	-	-	-	-	(163)	190,240
Loans and other receivables	663,113	(73,354)	-	-	-	-	-	(132,735)	457,024
Other financial assets	212,623	(196,490)	-	-	-	-	-	11,008	27,141
Property, plant and equipment	16,253,027	(9,504,345)	-	-	1,085,137	-	-	(58,503)	7,775,316
Intangible assets	774,049	(188,135)	-	-	-	-	-	113,030	698,944
Deferred income tax assets	850,643	(476,996)	-	-	-	-	349,992	-	723,639
Investments in jointly controlled entities and associates	521,569	3,532,305	-	-	-	(30,388)	-	20,718	4,044,204

(in millions of Korean won)	K-GAAP	Change in scope of consolidation[1]	Sold trade receivables[2]	Defined benefit liability[3]	Revaluation of land[4]	Associates[5]	Deferred tax[7]	Others	K-IFRS
Investment property	-	-	-	-	-	-	-	13,111	13,111
Other non-current assets	632,699	(115,810)	-	-	-	-	-	16,442	533,331
Non-current assets	20,098,161	(7,022,860)	-	-	1,085,137	(30,388)	349,992	(17,092)	14,462,950
Total assets	42,372,298	(13,446,554)	2,026,071	-	1,085,137	(30,388)	(226,031)	1,351	31,781,884
Liabilities									
Trade payables	4,455,702	(440,391)	-	-	-	-	-	5,951	4,021,262
Borrowings	7,406,069	(1,198,380)	2,230,042	-	-	-	-	-	8,437,731
Other payables	6,281,243	(2,263,764)	(10,405)	26,757	-	-	-	(54,604)	3,979,227
Other financial liabilities	77,273	(16,048)	-	-	-	-	-	-	61,225
Current income tax liabilities	583,236	(297,475)	-	-	-	-	-	(35,729)	250,032
Provisions	687,228	(53,762)	-	-	-	-	-	8,469	641,935
Other current liabilities	909,746	53,533	(209,381)	-	-	-	(804)	(18,070)	735,024
Current liabilities	20,400,497	(4,216,287)	2,010,256	26,757	-	-	(804)	(93,983)	18,126,436
Borrowings	5,455,268	(2,770,728)	-	-	-	-	-	-	2,684,540
Other payables	521,236	(513,620)	-	-	-	-	-	-	7,616
Other financial liabilities	132,012	(2,596)	-	-	-	-	-	-	129,416
Deferred income tax liabilities	634,742	32	-	-	-	-	(628,641)	-	6,133
Defined benefit liability	369,205	(73,407)	-	(18,208)	-	-	-	-	277,590
Provisions	10,097	(9,012)	-	-	-	-	-	157,742	158,827
Other non-current liabilities	56,669	29,571	-	-	-	-	-	(57,568)	28,672
Non-current liabilities	7,179,229	(3,339,760)	-	(18,208)	-	-	(628,641)	100,174	3,292,794
Total liabilities	27,579,726	(7,556,047)	2,010,256	8,549	-	-	(629,445)	6,191	21,419,230

(in millions of Korean won)	K-GAAP	Change in scope of consolidation[1]	Sold trade receivables[2]	Defined benefit liability[3]	Revaluation of land[4]	Associates[5]	Deferred tax[7]	Others	K-IFRS
Equity attributable to owners of the Parent Company	8,319,458	(22,565)	15,815	(8,549)	1,085,137	(30,388)	403,414	(288)	9,762,034
Non-Controlling interest	6,473,114	(5,867,942)	-	-	-	-	-	(4,552)	600,620
Total Equity	14,792,572	(5,890,507)	15,815	(8,549)	1,085,137	(30,388)	403,414	(4,840)	10,362,654
Total liabilities and equity	42,372,298	(13,446,554)	2,026,071	-	1,085,137	(30,388)	(226,031)	1,351	31,781,884

Effects on the consolidated total assets, liabilities and equity as of December 31, 2009, are as follows:

(in millions of Korean won)	K-GAAP	Change in scope of consolidation[1]	Sold trade receivables[2]	Defined benefit liability[3]	Revaluation of land[4]	Associates[5]	Goodwill[6]	Convertible right and warrant	Development cost	Deferred tax[7]	Others	K-IFRS
Assets												
Cash and cash equivalents	3,325,944	(902,157)	-	-	-	-	-	-	-	-	-	2,423,787
Financial deposits	2,723,000	(2,500,000)	-	-	-	-	-	-	-	-	-	223,000
Trade receivables	7,744,479	(1,936,479)	1,828,941	-	-	-	-	-	-	-	190	7,637,131
Loans and other receivables	1,194,645	(62,643)	(421,332)	-	-	-	-	-	-	-	3,966	714,636
Other financial assets	3,638	(2,736)	-	-	-	-	-	-	-	-	-	902
Inventories	6,614,937	(1,715,555)	-	-	-	-	-	-	-	-	(69)	4,899,313
Other current assets	2,205,397	(381,220)	1,523	-	-	-	-	-	-	(826,743)	12,347	1,011,304
Current assets	23,812,040	(7,500,790)	1,409,132	-	-	-	-	-	-	(826,743)	16,434	16,910,073
Financial deposits	162,280	93	-	-	-	-	-	-	-	-	-	162,373
Loans and other receivables	660,573	(68,864)	-	-	-	-	-	-	-	-	(113,483)	478,226
Other financial assets	250,145	(166,793)	-	-	-	-	-	-	-	-	19,121	102,473
Property, plant and equipment	16,555,764	(9,853,602)	-	-	1,085,137	-	-	-	-	-	(78,366)	7,708,933
Intangible assets	959,248	(393,755)	-	-	-	-	20,124	-	100,952	-	117,259	803,828
Deferred income tax assets	939,816	(720,160)	-	-	-	-	-	-	-	474,133	-	693,789
Investments in jointly controlled entities and associates	494,318	3,950,877	-	-	-	(21,024)	-	-	-	-	(20,008)	4,404,163
Investment property	-	-	-	-	-	-	-	-	-	-	12,979	12,979
Other non-current assets	922,615	(135,457)	-	-	-	-	-	-	-	-	50,517	837,675
Non-current assets	20,944,759	(7,387,661)	-	-	1,085,137	(21,024)	20,124	-	100,952	474,133	(11,981)	15,204,439
Total assets	44,756,799	(14,888,451)	1,409,132	-	1,085,137	(21,024)	20,124	-	100,952	(352,610)	4,453	32,114,512

(in millions of Korean won)	K-GAAP	Change in scope of consolidation[1]	Sold trade receivables[2]	Defined benefit liability[3]	Revaluation of land[4]	Associates[5]	Goodwill[6]	Convertible right and warrant	Development cost	Deferred tax[7]	Others	K-IFRS
Liabilities												
Trade payables	6,348,827	(1,032,974)	-	-	-	-	-	-	-	-	-	5,315,853
Borrowings	4,670,347	(1,881,516)	1,518,184	-	-	-	-	-	-	-	-	4,307,015
Other payables	6,398,789	(2,113,999)	-	29,008	-	-	-	-	-	-	(44,328)	4,269,470
Other financial liabilities	65,914	(3,761)	-	-	-	-	-	-	-	-	-	62,153
Current income tax liabilities	334,230	(151,408)	-	-	-	-	-	-	-	-	(38,592)	144,230
Provisions	874,124	(59,265)	-	-	-	-	-	-	-	-	-	814,859
Other current liabilities	1,281,585	105,393	(110,575)	-	-	-	-	-	-	(2,787)	(18,529)	1,255,087
Current liabilities	19,973,816	(5,137,530)	1,407,609	29,008	-	-	-	-	-	(2,787)	(101,449)	16,168,667
Borrowings	4,859,685	(2,258,102)	-	-	-	-	-	-	-	-	-	2,601,583
Other payables	403,530	(396,376)	-	-	-	-	-	-	-	-	6,845	13,999
Other financial liabilities	55,404	-	-	-	-	-	-	24,818	-	-	-	80,222
Deferred income tax liabilities	896,742	3,332	-	-	-	-	-	-	-	(874,392)	-	25,682
Defined benefit liability	333,493	(62,558)	-	28,471	-	-	-	-	-	-	-	299,406
Provisions	336,663	(5,611)	-	-	-	-	-	-	-	-	164,929	495,981
Other non-current liabilities	663,501	(602,484)	-	-	-	-	-	-	-	-	(57,291)	3,726
Non-current liabilities	7,549,018	(3,321,799)	-	28,471	-	-	-	24,818	-	(874,392)	114,483	3,520,599
Total liabilities	27,522,834	(8,459,329)	1,407,609	57,479	-	-	-	24,818	-	(877,179)	13,034	19,689,266
Equity												
Equity attributable to owners of the Parent Company	10,133,161	61,016	1,523	(57,479)	1,085,137	(21,024)	20,124	(24,818)	100,952	524,569	(18,983)	11,804,178
Non-Controlling interest	7,100,804	(6,490,138)	-	-	-	-	-	-	-	-	10,402	621,068
Total Equity	17,233,965	(6,429,122)	1,523	(57,479)	1,085,137	(21,024)	20,124	(24,818)	100,952	524,569	(8,581)	12,425,246
Total liabilities and equity	44,756,799	(14,888,451)	1,409,132	-	1,085,137	(21,024)	20,124	-	100,952	(352,610)	4,453	32,114,512

ii) Effects on Consolidated Profit and Comprehensive Income

Effects on the consolidated profit and comprehensive income for the year ended December 31, 2009, are as follows:

(in millions of Korean won)	K-GAAP	Change in scope of consolidation[1]	Sold trade receivables[2]	Defined benefit liability[3]	Associates[4]	Goodwill[5]	Convertible right and warrant	Development cost	Deferred tax[7]	Others	Discontinued operation	K-IFRS
Continuing operations												
Net sales	72,952,346	(15,731,778)	-	-	-	-	-	-	-	(975)	(1,728,436)	55,491,157
Cost of sales	55,997,877	(13,386,166)	-	3,869	-	-	-	(21,076)	-	823	(1,254,714)	41,340,613
Gross profit	16,954,469	(2,345,612)	-	(3,869)	-	-	-	21,076	-	(1,798)	(473,722)	14,150,544
Selling and marketing expenses	7,498,302	(667,418)	-	1,250	-	(2,091)	-	292	-	(9,109)	(80,952)	6,740,274
Administrative expenses	1,623,241	(262,152)	1	(639)	-	(20,833)	-	(1,292)	-	21,195	(62,257)	1,297,264
Research and development expenses	1,626,236	(162,484)	-	635	-	(739)	-	(78,636)	-	154	(115,338)	1,269,828
Service costs	2,003,281	(113,727)	-	550	-	-	-	-	-	1,526	(8,617)	1,883,013
Other operating income	2,050,856	(43,971)	312,550	-	-	-	-	-	-	197,576	(99,644)	2,417,367
Other operating expenses	2,679,901	(331,864)	288,903	-	-	3,518	-	(240)	-	209,952	(153,341)	2,696,829
Operating income	3,574,364	(851,938)	23,646	(5,665)	-	20,145	-	100,952	-	(27,940)	(152,861)	2,680,703
Financial income	2,741,656	(1,620,889)	412,354	(22,339)	-	-	-	-	-	(183,764)	(35,987)	1,291,031
Financial expenses	2,908,158	(1,529,583)	450,151	-	-	-	20,825	-	-	(175,649)	(131,472)	1,542,430
Income from jointly controlled entities and associates	32,903	372,295	-	-	31,728	-	-	-	-	34,293	(35,841)	435,378
Profit before income tax	3,440,765	(570,949)	(14,151)	(28,004)	31,728	20,145	(20,825)	100,952	-	(1,762)	(93,217)	2,864,682
Income tax expense	649,951	101,939	(34)	-	-	-	-	-	(146,382)	2,297	(19,091)	588,680
Profit from continuing operations	2,790,814	(672,888)	(14,117)	(28,004)	31,728	20,145	(20,825)	100,952	146,382	(4,059)	(74,126)	2,276,002
Discontinued operations												
Profit from discontinued operations	-	-	-	-	-	-	-	-	-	-	74,126	74,126
Profit for the year	2,790,814	(672,888)	(14,117)	(28,004)	31,728	20,145	(20,825)	100,952	146,382	(4,059)	-	2,350,128
Other comprehensive income	241,781	(28,983)	-	15,856	(14,605)	-	-	-	-	-	-	214,049
Total comprehensive income for the year	2,549,033	(643,905)	(14,117)	(43,860)	46,333	20,145	(20,825)	100,952	146,382	(4,059)	-	2,136,079

[1] The scope of consolidation as of January 1, 2010, has changed as follows:

The following entities are excluded from the consolidation because the Parent Company does not have control over them. Under K-GAAP, entities are consolidated when the Parent Company has more than 30% of shares and is the largest shareholder.

LG Display Co., Ltd. And its 12 subsidiaries, LG Fund for Enterprises, EIC PROPERTIES PTE, LTD.(LGE-EIC), Beijing LG Building Development Company(LG BUILDING), LG HOLDINGS (HK) LIMITED, Arcelik-LG Klima Sanayive Ticaret A.S. (LGEAT), Global OLED Technology LLC

The following entities which were excluded from the consolidation as their total assets were less than ₩10 billion under the K-GAAP are newly included under K-IFRS.

System Air-con Engineering, Ltd., LG Electronics(China) Research and Development Center Co. (LGERD), LG Electronics Middle East Co., Ltd. (LGEME), LG Electronics RUS-Marketing, LLC.(LGERM), LG Innotek (Taiwan) Ltd. (LGITTW, formerly LG Micron(Taiwan) Ltd.), Hi Logistics China, Triveni, LG Electronics Venezuela S.A.(LGEVZ), LG Electronics Dubai FZE(LGEDF), C & S America Solution, LG Electronics Guatemala S.A., LG lnnotek USA, Inc. (LGITUS), KTB Investment Fund.

[2] The trade receivables which are transferred and sold, but cannot be derecognised under Korean IFRS are treated as borrowings with collateral.

[3] Defined benefit liability and other long-term employee benefit obligations are calculated by using an actuarial method. Actuarial loss on defined benefit liability is recognised in other comprehensive income and actuarial loss on other long-term employee benefit obligations is recognised in the income statement.

[4] Certain land is revalued at its fair value and recorded as its deemed cost under the exemption rule for first time adopters.

[5] The effects on the changes in associates' financial statements according to new accounting policies

[6] Goodwill amortisation is reversed.

[7] Deferred tax effects from the above adjustments and deferred tax recognition by reflecting the manner of reversals of each temporary difference from investments in subsidiaries, jointly controlled entities and associates.

The principal Korean IFRS transition effects presented by the Group in the statements of cash flows for the year ended December 31, 2009, were as follows:

According to Korean IFRS, cash flows of the related income (expenses) and assets (liabilities) are adjusted to separately disclose the cash flows from interest received, interest paid and cash payments of income taxes that were not presented separately under K-GAAP. Also the effects of the change in exchange rate on cash and cash equivalents held or due in a foreign currency are presented separately from cash flows from operating, investing and financing activities.

Cash flows from operating and financing activities are adjusted respectively because some transactions are treated as borrowings with collateralised trade receivables, which were treated as a sale under K-GAAP. Also, other Korean IFRS transition effects are reflected on cash flows if they have any effect on cash flows.

44. Approval of Financial Statements

The consolidated financial statements for the year ended December 31, 2010 were approved by the Board of Directors on January 25, 2011.