

LG Electronics
Interim Consolidated Financial Statements
September 30, 2010 and 2009

LG Electronics
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Auditors' Review Report

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

We have reviewed the accompanying interim consolidated statement of financial position of LG Electronics Inc. and its subsidiaries (collectively the "Group") as of September 30, 2010, and the related consolidated income statements and statements of comprehensive income for the three-month and nine-month periods ended September 30, 2010, and the statements of changes in shareholders' equity and cash flows for the nine-month period ended September 30, 2010, expressed in Korean won. These interim consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these interim consolidated financial statements based on our review. We have not reviewed the financial statements of certain consolidated subsidiaries, whose financial statements reflect 35% of the Group's consolidated total assets as of September 30, 2010, and 53% of the Group's consolidated total sales for the nine-month period then ended. These financial statements were reviewed by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for the consolidated subsidiaries, is based solely on the reports of the other auditors. We have not reviewed the interim consolidated income statements and statements of comprehensive income for the three-month and nine-month periods ended September 30, 2009, and the statements of changes in shareholders' equity and cash flows for the nine-month period ended September 30, 2009, presented herein for comparative purposes.

We conducted our review in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review and the reports of the other auditors, nothing has come to our attention that causes us to believe that the interim consolidated financial statements referred to above are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

Samil PricewaterhouseCoopers

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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. These interim consolidated financial statements have been prepared in accordance with Korean IFRS issued and effective or issued and early adopted at the reporting date.

As explained in Note 24, 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.

A handwritten signature in cursive script that reads "Samil PricewaterhouseCoopers". The signature is written in black ink and is positioned in the middle-left area of the page.

Seoul, Korea
November 19, 2010

This review report is effective as of November 19, 2010, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics
Interim Consolidated Statements of Financial Position
September 30, 2010 and December 31, 2009

<i>(in millions of Korean won)</i>	Note	September 30, 2010	December 31, 2009
Assets			
Current assets			
Cash and cash equivalents		1,785,321	2,423,787
Financial deposits		140,000	223,000
Trade receivables	5	7,476,762	7,637,131
Loans and other receivables		593,609	714,636
Other financial assets		712	902
Inventories		7,024,519	4,899,313
Other current assets		1,173,950	1,011,304
		<u>18,194,873</u>	<u>16,910,073</u>
Non-current assets			
Financial deposits		148,987	162,373
Loans and other receivables		501,229	478,226
Other financial assets		106,113	102,473
Property, plant and equipment	6	6,325,944	7,708,933
Intangible assets	6	772,650	803,828
Deferred income tax assets		813,828	693,789
Investments in jointly controlled entities and associates	7	6,157,570	4,404,163
Investment property		8,435	12,979
Other non-current assets		791,989	837,675
		<u>15,626,745</u>	<u>15,204,439</u>
Total assets		<u>33,821,618</u>	<u>32,114,512</u>
Liabilities			
Current liabilities			
Trade payables		6,173,500	5,315,853
Borrowings	8	5,077,463	4,307,015
Other payables		3,899,821	4,269,470
Other financial liabilities		4,559	62,153
Current income tax liabilities		142,706	144,230
Provisions	9	789,141	814,859
Other current liabilities		1,077,621	1,255,087
		<u>17,164,811</u>	<u>16,168,667</u>
Non-current liabilities			
Borrowings	8	2,645,544	2,601,583
Other payables		16,691	13,999
Other financial liabilities		58,070	80,222
Deferred income tax liabilities		10,677	25,682
Defined benefit liability	10	350,627	299,406
Provisions	9	488,836	495,981
Other non-current liabilities		2,818	3,726
		<u>3,573,263</u>	<u>3,520,599</u>
Total liabilities		<u>20,738,074</u>	<u>19,689,266</u>
Equity attributable to owners of the Parent Company			
Paid-in capital			
Capital stock		809,169	809,169
Share premium		2,207,919	2,207,919
Retained earnings	11	10,348,131	9,214,309
Accumulated other comprehensive loss		(213,055)	(156,886)
Other components of equity	12	(278,094)	(270,333)
		<u>12,874,070</u>	<u>11,804,178</u>
Non-controlling interest		<u>209,474</u>	<u>621,068</u>
Total equity		<u>13,083,544</u>	<u>12,425,246</u>
Total liabilities and equity		<u>33,821,618</u>	<u>32,114,512</u>

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

LG Electronics
Interim Consolidated Income Statements
Three-Month and Nine-Month Periods Ended September 30, 2010 and 2009

(in millions of Korean won, except per share amounts)	Note	Period Ended September 30			
		2010		2009	
		Three-Month	Nine-Month	Three-Month	Nine-Month
				(Unreviewed)	
Continuing operations					
Net sales	13, 22	13,429,059	41,056,098	13,716,462	41,052,323
Cost of sales	14, 22	<u>10,626,211</u>	<u>31,673,468</u>	<u>10,005,792</u>	<u>30,140,907</u>
Gross profit		2,802,848	9,382,630	3,710,670	10,911,416
Selling and marketing expenses	14, 15	1,878,737	5,626,003	1,784,512	5,167,219
Administrative expenses	14, 15	365,194	1,046,949	325,337	934,945
Research and development expenses	14, 15	392,586	1,109,019	301,166	929,619
Service expenses	14, 15	479,828	1,282,902	441,717	1,402,893
Other operating income	16	485,972	1,584,623	422,914	2,109,193
Other operating expenses	14, 17	<u>357,658</u>	<u>1,480,225</u>	<u>429,897</u>	<u>2,019,056</u>
Operating income (loss)		(185,183)	422,155	850,955	2,566,877
Financial income		161,697	649,372	220,091	1,069,421
Financial expenses		116,376	814,779	144,113	1,326,383
Income from jointly controlled entities and associates	7	<u>123,170</u>	<u>551,569</u>	<u>230,142</u>	<u>214,259</u>
Profit (loss) before income tax		(16,692)	808,317	1,157,075	2,524,174
Income tax expense		<u>(24,262)</u>	<u>117,486</u>	<u>280,219</u>	<u>625,557</u>
Profit from continuing operations		7,570	690,831	876,856	1,898,617
Discontinued operations					
Profit from discontinued operations	24	<u>-</u>	<u>847,734</u>	<u>34,468</u>	<u>89,607</u>
Profit for the period		<u>7,570</u>	<u>1,538,565</u>	<u>911,324</u>	<u>1,988,224</u>
Profit for the period attributable to:					
Equity holders of the Parent Company		(5,963)	1,486,745	887,925	1,915,178
Profit (loss) for the period from continuing operations		(5,963)	653,496	870,236	1,862,505
Profit for the period from discontinued operations		-	833,249	17,689	52,673
Non-controlling interest		13,533	51,820	23,399	73,046
Profit for the period from continuing operations		13,533	37,335	6,620	36,112
Profit for the period from discontinued operations		-	14,485	16,779	36,934
Earnings per share attributable to the equity holders of the Parent Company during the period (in won)	18				
Earnings (loss) per share for profit attributable to the ordinary equity holders of the company		(39)	9,226	5,512	11,887
Earnings (loss) per share for profit from continuing operations		(39)	4,053	5,402	11,560
Earnings per share for profit from discontinued operations		-	5,173	110	327

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

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Interim Consolidated Statements of Comprehensive Income

Three-Month and Nine-Month Periods Ended September 30, 2010 and 2009

<i>(in millions of Korean won)</i>	Note	Period Ended September 30			
		2010		2009	
		Three-Month	Nine-Month	Three-Month	Nine-Month
				(Unreviewed)	
Profit for the period		7,570	1,538,565	911,324	1,988,224
Other comprehensive loss					
Currency translation differences		(91,867)	(36,829)	(221,169)	(82,107)
Available-for-sale financial assets		(1,593)	(1,402)	623	5,626
Cash flow hedges		13	(110)	65	349
Actuarial gain (loss) on defined benefit liability	10	(58,897)	(60,051)	1,535	3,544
Share of actuarial loss of associates		(10,174)	(10,198)	-	-
Other comprehensive loss from jointly controlled entities and associates		(11,521)	(20,589)	(27,414)	(21,821)
Other comprehensive loss for the period, net of tax		(174,039)	(129,179)	(246,360)	(94,409)
Total comprehensive income (loss) for the period		(166,469)	1,409,386	664,964	1,893,815
Comprehensive income (loss) for the period attributable to:					
Equity holders of the Parent Company		(170,933)	1,360,378	659,715	1,835,194
Non-controlling interest		4,464	49,008	5,249	58,621
Total comprehensive income (loss) for the period		(166,469)	1,409,386	664,964	1,893,815

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

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Interim Consolidated Statements of Changes in Shareholders' Equity

Nine-Month Periods Ended September 30, 2010 and 2009

(in millions of Korean won)

	Note	Attributable to equity holders of the Parent Company					Non-controlling Interest	Total Equity
		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Other Components of Equity	Total		
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 period		-	1,915,178	-	-	1,915,178	73,046	1,988,224
Actuarial gain on defined benefit liability		-	3,462	-	-	3,462	82	3,544
Other comprehensive loss of jointly controlled entities and associates	7	-	-	(21,821)	-	(21,821)	-	(21,821)
Cash flow hedges		-	-	349	-	349	-	349
Available-for-sale financial assets		-	-	5,273	-	5,273	353	5,626
Currency translation differences		-	-	(67,247)	-	(67,247)	(14,860)	(82,107)
Total comprehensive income (loss)		-	1,918,640	(83,446)	-	1,835,194	58,621	1,893,815
Transactions with equity holders of the Parent Company :								
Dividends		-	(57,232)	-	-	(57,232)	(19,496)	(76,728)
Change in ownership interest over subsidiaries		-	-	-	(1,076)	(1,076)	3,843	2,767
Others		-	-	-	(78)	(78)	-	(78)
Total transactions with equity holders of the Parent Company		-	(57,232)	-	(1,154)	(58,386)	(15,653)	(74,039)
Balance at September 30, 2009 (Unreviewed)		3,017,088	8,866,996	(74,376)	(270,866)	11,538,842	643,588	12,182,430
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 period		-	1,486,745	-	-	1,486,745	51,820	1,538,565
Actuarial loss on defined benefit liability		-	(60,000)	-	-	(60,000)	(51)	(60,051)
Share of actuarial loss of associates		-	(10,198)	-	-	(10,198)	-	(10,198)
Other comprehensive loss of jointly controlled entities and associates	7	-	-	(20,589)	-	(20,589)	-	(20,589)
Cash flow hedges		-	-	(110)	-	(110)	-	(110)
Available-for-sale financial assets		-	-	(1,402)	-	(1,402)	-	(1,402)
Currency translation differences		-	-	(34,068)	-	(34,068)	(2,761)	(36,829)
Total comprehensive income (loss)		-	1,416,547	(56,169)	-	1,360,378	49,008	1,409,386
Transactions with equity holders of the Parent Company :								
Dividends		-	(282,725)	-	-	(282,725)	(24,376)	(307,101)
Change in ownership interest over subsidiaries		-	-	-	(957)	(957)	3,531	2,574
Changes in scope of subsidiaries	24	-	-	-	-	-	(439,757)	(439,757)
Others		-	-	-	(6,804)	(6,804)	-	(6,804)
Total transactions with equity holders of the Parent Company		-	(282,725)	-	(7,761)	(290,486)	(460,602)	(751,088)
Balance at September 30, 2010		3,017,088	10,348,131	(213,055)	(278,094)	12,874,070	209,474	13,083,544

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

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Interim Consolidated Statements of Cash Flows
Nine-Month Periods Ended September 30, 2010 and 2009

<i>(in millions of Korean won)</i>	Note	Nine-Month Period Ended September 30	
		2010	2009 (Unreviewed)
Cash flows from operating activities			
Cash generated from operations	19	(697,374)	5,891,878
Interest received		52,667	49,294
Interest paid		(181,035)	(305,685)
Dividends received		76,301	104,251
Income tax paid		(332,049)	(421,192)
Net cash generated from (used in) operating activities		<u>(1,081,490)</u>	<u>5,318,546</u>
Cash flows from investing activities			
Decrease in financial deposits		96,572	98,804
Decrease in loans and other receivables		169,267	164,081
Proceeds from disposal of other financial assets		82,258	106,942
Proceeds from disposal of property, plant and equipment	6	124,124	268,437
Proceeds from disposal of intangible assets	6	1,637	12,374
Proceeds from disposal of and recovery of investments in jointly controlled entities and associates	7	121,529	-
Increase in cash and cash equivalents due to changes in scope of subsidiaries		798	-
Decrease in other assets		4,963	4,165
Increase in loans and other receivables		(100,262)	(144,327)
Acquisition of other financial assets		(107,178)	(179,985)
Acquisition of jointly controlled entities and associates	7	(129,693)	(42,447)
Acquisition of property, plant and equipment	6	(1,114,022)	(988,005)
Acquisition of intangible assets	6	(209,435)	(143,794)
Decrease in cash and cash equivalents due to changes in scope of subsidiaries		(239,632)	-
Increase in other assets		(1,446)	(3,549)
Net cash used in investing activities		<u>(1,300,520)</u>	<u>(847,304)</u>
Cash flows from financing activities			
Proceeds from borrowings		4,063,070	1,699,609
Repayments of borrowings		(1,984,784)	(5,814,241)
Dividends paid		(306,129)	(67,446)
Acquisition of treasury shares		-	(321)
Acquisition of non-controlling interest		-	(1,188)
Net cash provided by (used in) financing activities		<u>1,772,157</u>	<u>(4,183,587)</u>
Exchange losses on cash and cash equivalents		<u>(28,613)</u>	<u>(16,566)</u>
Net decrease in cash and cash equivalents		<u>(638,466)</u>	<u>271,089</u>
Cash and cash equivalents at the beginning of period		<u>2,423,787</u>	<u>2,560,035</u>
Cash and cash equivalents at the end of period		<u>1,785,321</u>	<u>2,831,124</u>

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

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Notes to the Interim Consolidated Financial Statements

September 30, 2010 and 2009, and December 31, 2009

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

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 September 30, 2010, the Group operates five business segments and other supporting segments through the Parent Company and subsidiaries all over the world (Note 4).

As of September 30, 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.

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 periods 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 25.

The interim consolidated financial statements for the nine-month period ended September 30, 2010, have been prepared in accordance Korean IFRS 1034, '*Interim Financial Reporting*' and are subject to Korean IFRS 1101, '*First-time Adoption of Korean IFRS*'. These interim consolidated financial statements have been prepared in accordance with the Korean IFRS standards and interpretations issued and effective or issued and early adopted at the reporting date. The Korean IFRS standards and interpretations that will be applicable at

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December 31, 2010, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim consolidated financial statements.

The preparation of financial statements in accordance with Korean IFRS 1034 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the 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 period 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: '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

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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

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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.

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(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 (unless this average is not a reasonable approximation of the effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); 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 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.

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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 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 investments

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 maturities are less than 12 months or management intends to dispose of it within 12 months after 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

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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.

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

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- 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 Group first assesses whether objective evidence of impairment exists.

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.

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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). It excludes borrowing costs. 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 except for certain land which was measured at fair value as deemed cost. 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:

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Buildings	20 - 40 years
Structures	20 - 40 years
Machinery	5 - 10 years
Vehicles	5 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.

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(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

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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.

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Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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 period 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 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

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

Interim period income tax expense is accrued, to the extent practicable, using a separate estimated average annual effective income tax rate determined for each taxing jurisdiction and applied individually to the interim period pre-tax income of each jurisdiction.

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.

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.

A warranty reserve 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 litigation and other in the financial statement.

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

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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 period.

(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

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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 9).

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(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 are 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.

Dividend Distribution

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

Non-current Assets (or disposal groups) Held for Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as 'assets and liabilities 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

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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 9. The amounts are estimated based on historical data.

Defined Benefit Liability

The present value of the defined benefit liability depends on a number of factors that are

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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 10.

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 nine-month periods ended September 30, 2010 and 2009, is as follows:

<i>(in millions of Korean won)</i>	2010		2009 (Unreviewed)	
	Segment sales	Segment operating income (loss)	Segment sales	Segment operating income
Home Entertainment (HE)	15,876,796	333,024	13,707,475	494,053
Mobile Communications (MC)	10,264,748	(434,770)	14,007,787	1,341,180
Home Appliance (HA)	7,853,383	459,710	7,061,794	465,930
Air Conditioning (AC)	3,907,553	49,947	3,689,868	204,323
Business Solutions (BS)	3,617,124	11,582	3,315,131	79,494
Other segments ¹ and inter-segment transactions	(463,506)	2,662	(729,732)	(18,103)
Total	41,056,098	422,155	41,052,323	2,566,877

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

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The segment information for assets and liabilities is as follows:

<i>(in millions of Korean won)</i>	September 30, 2010		December 31, 2009	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Home Entertainment (HE)	13,290,312	10,314,696	11,670,034	8,688,280
Mobile Communications (MC)	8,359,310	5,233,184	9,277,686	5,550,254
Home Appliance (HA)	7,340,235	5,379,978	5,767,820	4,020,196
Air Conditioning (AC)	3,628,475	2,641,942	2,688,682	1,645,030
Business Solutions (BS)	2,707,963	2,364,139	2,327,113	1,882,506
Other segments and inter-segment transactions ¹	(1,504,677)	(5,195,865)	383,177	(2,097,000)
Total	33,821,618	20,738,074	32,114,512	19,689,266

¹ Assets and liabilities of each segment are reported as the amounts to chief operating decision-maker before inter-segment elimination. Also, certain assets and liabilities of the each segment are not offset for the segment reporting purpose.

External sales by geographic areas for the nine-month periods ended September 30, 2010 and 2009 and non-current assets by geographic areas are as follows:

<i>(in millions of Korean won)</i>	External sales		Non-current assets¹	
	2010	2009 (Unreviewed)	September 30, 2010	December 31, 2009
Korea	6,270,684	6,343,619	5,476,920	6,893,486
North America	8,704,320	10,653,651	73,846	68,278
Europe	7,071,128	7,683,689	261,844	277,625
Central & South America	5,315,832	4,466,004	341,945	353,930
Asia	8,302,468	6,942,652	338,909	297,540
China	3,613,657	3,620,157	507,098	536,110
Commonwealth of Independent States	1,778,009	1,342,551	106,467	98,771
Total	41,056,098	41,052,323	7,107,029	8,525,740

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 nine-month periods ended September 30, 2010 and 2009.

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5. Trade Receivables

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

<i>(in millions of Korean won)</i>	September 30, 2010	December 31, 2009
Trade receivables	7,583,302	7,757,847
Less : allowance for doubtful accounts	(106,540)	(120,716)
Net book amount	7,476,762	7,637,131

The ageing of these trade receivables is as follows:

<i>(in millions of Korean won)</i>	September 30, 2010	December 31, 2009
Current	6,585,874	6,772,136
Up to 3 months	679,972	671,722
4 to 6 months	85,237	67,536
7 to 12 months	7,955	74,338
Over one year	64,292	67,453
Impaired	159,972	104,662
Total	7,583,302	7,757,847

6. Property, Plant and Equipment and Intangible Assets

Changes in carrying amounts of property, plant and equipment for the nine-month periods ended September 30, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009 (Unreviewed)
At January 1	7,708,933	7,775,316
Acquisitions	1,114,022	988,005
Transfer-in (out)	16,414	(221)
Disposals / reclassification to assets held for sale	(232,901)	(301,555)
Depreciation	(766,451)	(874,048)
Impairment / reversal	(449)	(41,929)
Changes in scope of subsidiaries	(1,492,701)	-
Exchange differences	(20,923)	(72,876)
At September 30	6,325,944	7,472,692

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Changes in carrying amounts of intangible assets for the nine-month periods ended September 30, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009 (Unreviewed)
At January 1	803,828	698,944
Acquisitions	209,435	143,794
Transfer-in	59,706	41,338
Disposals / reclassification to assets held for sale	(8,083)	(8,683)
Amortisation	(203,553)	(102,696)
Impairment / reversal	(264)	1
Changes in scope of subsidiaries	(88,234)	-
Exchange differences	(185)	126
At September 30	772,650	772,824

7. Investments in Jointly Controlled Entities and Associates

Carrying amounts of investments in jointly controlled entities and associates for the nine-month periods ended September 30, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009 (Unreviewed)
At January 1	4,404,163	4,044,204
Acquisition ¹	1,437,601	42,447
Share of profit ²	563,973	250,100
Share of other comprehensive loss ³	(20,589)	(21,821)
Share of actuarial loss	(10,198)	-
Dividend / Recovery of investment	(169,619)	(109,346)
Disposal	(18,959)	-
Impairment	-	(35,861)
Classification to subsidiaries	(28,802)	-
At September 30	6,157,570	4,169,723

¹ As mentioned in Note 25, 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:

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

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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	<u>609,712</u>
Fair value of retained investment	<u>1,307,908</u>

² "Income from jointly controlled entities and associates" in the income statements include the loss on the disposal amounting to ₩ 12,404 million.

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

8. Borrowings

The carrying amounts of borrowings are as follows:

<i>(in millions of Korean won)</i>	September 30, 2010	December 31, 2009
Current		
Short-term borrowings	4,620,208	3,221,498
Current maturities of long-term borrowings	77,709	290,469
Current maturities of debentures	<u>379,546</u>	<u>795,048</u>
Sub-total	<u>5,077,463</u>	<u>4,307,015</u>
Non-current		
Long-term borrowings	1,128,801	940,107
Debentures	<u>1,516,743</u>	<u>1,661,476</u>
Sub-total	<u>2,645,544</u>	<u>2,601,583</u>
Total	<u>7,723,007</u>	<u>6,908,598</u>

Short-term borrowings consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at Sep 30, 2010	Carrying amount	
			September 30, 2010	December 31, 2009
Foreign currency loans				
Citibank and others	2011. 8. 15	1.23~13.0	1,195,114	716,319
Borrowings on negotiated trade bills				
Societe Generale and others	-	1.45~1.77	<u>3,425,094</u>	<u>2,505,179</u>
Total			<u>4,620,208</u>	<u>3,221,498</u>

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Long-term borrowings as of September 30, 2010, consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at Sep 30, 2010	Total	Less: current	Non-current
Local currency loans					
Korea Finance Corporation	2015. 9. 14	4.57	80,000	-	80,000
Kookmin Bank	2013. 5. 14	4.67	190,000	-	190,000
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
Foreign currency loans					
The Korea Development Bank	2012. 6. 26	3ML+0.4	228,400	-	228,400
EBRD Russia and others	2017. 7. 8	1.22~9.8	308,110	77,709	230,401
Total			1,206,510	77,709	1,128,801

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

<i>(in millions of Korean won)</i>	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	1.5~5.97	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

Debentures as of September 30, 2010, consist of:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate (%) at Sep 30, 2010	Total	Less: current	Non-current
Fixed rate notes in local currency					
Public, non-guaranteed bonds (49 th)	2012. 4.11	5.27	190,000	-	190,000
Public, non-guaranteed bonds (51 st)	2012. 2.17	5.99	190,000	-	190,000
Public, non-guaranteed bonds (52 nd)	2011. 5.28	4.30	190,000	190,000	-
Public, non-guaranteed bonds (53 rd)	2011. 8.6	4.70	190,000	190,000	-
Public, non-guaranteed bonds (54 th)	2013. 4.22	4.20	190,000	-	190,000
Public, non-guaranteed bonds (55 th)	2013. 6.16	4.60	190,000	-	190,000
Public, non-guaranteed bonds (56 th)	2015. 9.9	4.63	190,000	-	190,000
Floating rate notes in foreign currency					
Citibank, N.A	2012. 5.15	3ML+0.65	571,000	-	571,000
Less: discount on debentures			(4,711)	(454)	(4,257)
Total			1,896,289	379,546	1,516,743

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Debentures as of December 31, 2009, consist of:

<i>(in millions of Korean won)</i>	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 (49 th)	2012.4.11	5.27	190,000	-	190,000
Public, non-guaranteed bonds (51 st)	2012.2.17	5.99	190,000	-	190,000
Public, non-guaranteed bonds (52 nd)	2011.5.28	4.30	190,000	-	190,000
Public, non-guaranteed bonds (53 rd)	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	0.0	47,065	-	47,065
Non-guaranteed bonds with warrants	2012.8.11	0.0	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

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

<i>(in millions of Korean won)</i>	September 30, 2010		December 31, 2009	
	Carrying amount	Fair value ¹	Carrying amount	Fair value ¹
Long-term borrowings	1,128,801	1,141,337	940,107	953,368
Debentures	1,516,743	1,550,553	1,661,476	1,695,251
Total	2,645,544	2,691,890	2,601,583	2,648,619

¹ The fair values are based on the normal cash flows discounted using the borrowing rate of 6.11% (2009: 5.68%).

Payment schedule¹ of borrowings as of September 30, 2010, is as follows:

<i>(in millions of Korean won)</i>	Total	Less than			Over
		1 year	2 years	5 years	5 years
Short-term borrowings	4,620,208	4,620,208	-	-	-
Current maturities of long-term borrowings and debentures	457,709	457,709	-	-	-
Long-term borrowings	1,128,801	-	850,956	273,843	4,002
Debentures	1,521,000	-	951,000	570,000	-
Total	7,727,718	5,077,917	1,801,956	843,843	4,002

¹ The above cash flow is undiscounted amount.

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9. Provisions

Changes in provisions during the nine-month period ended September 30, 2010, are as follows:

<i>(in millions of Korean won)</i>	Warranty	Sales return	Restoration	Litigation and other	Total
At January 1, 2010	735,474	79,385	4,665	491,316	1,310,840
Addition	1,132,034	32,144	548	115,098	1,279,824
Reversal	(23,139)	(14,455)	-	-	(37,594)
Utilisation	(1,119,572)	(18,325)	(149)	(123,441)	(1,261,487)
Exchange differences	(12,551)	(1,124)	(17)	816	(12,876)
Changes in scope of subsidiaries	(730)	-	-	-	(730)
At September 30, 2010	711,516	77,625	5,047	483,789	1,277,977
Current	711,516	77,625	-	-	789,141
Non-current	-	-	5,047	483,789	488,836

Changes in provisions during the nine-month period ended September 30, 2009, are as follows:

<i>(in millions of Korean won)</i>	Warranty	Sales return	Restoration	Litigation and others	Total
At January 1, 2009	641,860	75	1,283	157,544	800,762
Addition	1,167,365	98,314	3,920	30,359	1,299,958
Reversal	(31,738)	-	-	-	(31,738)
Utilisation	(1,057,643)	(40,975)	(97)	(40,904)	(1,139,619)
Exchange differences	(7,946)	(2,900)	(6)	17,640	6,788
At September 30, 2009	711,898	54,514	5,100	164,639	936,151
Current	709,016	54,514	-	-	763,530
Non-current	2,882	-	5,100	164,639	172,621

10. Defined Benefit Liability

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

<i>(in millions of Korean won)</i>	September 30, 2010	December 31, 2009
Present value of funded obligations	828,179	738,938
Fair value of plan assets	(493,471)	(456,101)
Sub-total	334,708	282,837
Present value of unfunded obligations	15,919	16,569
Liabilities	350,627	299,406

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The amounts recognised in the income statements for the three-month and the nine-month periods ended September 30, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009 (Unreviewed)	
	Three-month	Nine-month	Three-month	Nine-month
Current service cost	37,997	122,398	38,697	109,735
Interest cost	9,914	30,855	10,966	34,337
Expected return on plan assets	(7,125)	(21,668)	(4,054)	(13,100)
Past service cost	6	(91)	6	18
Curtailments	-	-	-	6,170
Total expense	40,792	131,494	45,615	137,160

Cumulative actuarial losses recognised in the statement of other comprehensive income as of September 30, 2010, are ₩ 68,287 million (2009: ₩ 15,858 million).

The line items in which expenses are included for the three-month and the nine-month periods ended September 30, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009 (Unreviewed)	
	Three-month	Nine-month	Three-month	Nine-month
Cost of sales	19,760	64,180	23,470	67,230
General operating expenses ¹	21,032	67,314	22,145	69,930
Total	40,792	131,494	45,615	137,160

¹ Selling and marketing expenses, administrative expenses, research and development expenses, and service costs.

Changes in the defined benefit obligations for the nine-month periods ended September 30, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009 (Unreviewed)
At January 1	755,507	744,939
Current service cost	122,398	109,735
Transfer- out	(4,013)	(1,545)
Interest expense	30,855	34,337
Benefits paid	(50,567)	(44,364)
Changes in scope of subsidiaries	(85,674)	-
Actuarial loss	75,661	-
Curtailments	-	6,170
Settlements	-	(139,555)
Others	(69)	(199)
At September 30	844,098	709,518

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Changes in the fair value of plan assets for the nine-month periods ended September 30, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009 (Unreviewed)
At January 1	456,101	467,349
Expected return on plan assets	21,668	13,100
Employer contributions	75,943	127,170
Benefits paid	(36,839)	(40,532)
Changes in scope of subsidiaries	(23,694)	-
Settlements	-	(139,555)
Others	292	3,858
At September 30	493,471	431,390

The actual return on plan assets for the nine-month period ended September 30, 2010, was ₩ 21,196 million (2009: ₩ 17,115 million).

The principal actuarial assumptions used were as follows:

(%)	September 30, 2010	December 31, 2009
Discount rate	5.3	6.2
Expected rate of return	6.2	6.1
Future salary increase	6.1	6.0

Plan assets consist of:

<i>(in millions of Korean won)</i>	September 30, 2010	December 31, 2009
Debentures	2,404	1,931
Insurance contracts	1,089	859
Deposits	489,978	453,311
Total	493,471	456,101

11. Retained Earnings

Details of retained earnings consist of:

<i>(in millions of Korean won)</i>	September 30, 2010	December 31, 2009
Legal reserve	138,822	110,549
Discretionary reserve	5,643,697	3,949,343
Unappropriated retained earnings	4,565,612	5,154,417
Total	10,348,131	9,214,309

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12. Other Components of Equity

Details of other components of equity consist of:

<i>(in millions of Korean won)</i>	September 30, 2010	December 31, 2009
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Capital transactions within the Group ²	(245,275)	(237,514)
Total	(278,094)	(270,333)

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 end of 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.

13. Net Sales

Details of net sales for the three-month and nine-month periods ended September 30, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
	Three-month	Nine-month	(Unreviewed)	
	Three-month	Nine-month	Three-month	Nine-month
Net sales				
Sales of goods	13,243,957	40,490,017	13,571,453	40,577,234
Sales of services	108,125	303,840	88,418	250,763
Royalty income	76,977	262,241	56,591	224,326
Total	13,429,059	41,056,098	13,716,462	41,052,323

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14. 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 three-month and nine-month periods ended September 30, 2010 and 2009, consist of:

<i>(in millions of Korean won)</i>	2010		2009 (Unreviewed)	
	Three-month	Nine-month	Three-month	Nine-month
Changes in inventories	(710,294)	(2,458,564)	(737,726)	(511,615)
Purchase of raw materials and merchandise	10,746,986	31,671,431	9,762,868	28,352,875
Employee benefit expenses	1,055,017	3,020,199	935,131	2,754,295
Advertising expenses	354,402	1,328,240	535,566	1,455,095
Sales promotional expenses	245,407	658,370	211,344	509,112
Transportation expenses	483,062	1,380,981	386,064	1,156,693
Commission expense	616,447	1,716,493	488,300	1,499,940
Depreciation, amortisation	333,185	970,717	300,763	1,018,672
Other expenses	976,002	3,930,699	1,406,111	4,359,572
Total	14,100,214	42,218,566	13,288,421	40,594,639

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

Details of general operating expenses for the three-month and nine-month periods ended September 30, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009 (Unreviewed)	
	Three-month	Nine-month	Three-month	Nine-month
Salaries	569,576	1,627,464	492,078	1,444,039
Severance benefits	22,448	68,929	21,460	66,881
Employee benefits	120,635	333,789	101,632	289,959
Freight expense	474,127	1,355,916	375,294	1,126,139
Rental expense	95,369	270,705	85,349	265,632
Commission expense	478,261	1,345,054	391,237	1,208,892
Depreciation	46,956	138,878	47,118	146,320
Amortization	63,764	159,134	26,074	73,743
Taxes and dues	33,911	80,228	26,152	67,952
Advertising expense	354,402	1,328,240	535,566	1,455,095
Promotional expense	245,407	658,370	211,343	509,112
Research and development	68,829	217,403	51,689	201,198
Service expenses	344,642	909,028	319,953	1,051,369
Other	198,018	571,735	167,787	528,345
Total	3,116,345	9,064,873	2,852,732	8,434,676

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16. Other Operating Income

Other operating income for the three-month and nine-month periods ended September 30, 2010 and 2009, consists of:

<i>(in millions of Korean won)</i>	2010		2009 (Unreviewed)	
	Three-month	Nine-month	Three-month	Nine-month
Rental income	8,600	22,120	5,213	17,987
Foreign exchange gain	435,607	1,440,778	382,884	1,947,442
Gain on settlement of derivatives	2,352	9,618	2,962	68,864
Gain on disposal of property, plant and equipment	1,093	10,017	4,427	13,394
Reversal of allowance for doubtful accounts	1,788	9,322	143	220
Others	36,532	92,768	27,285	61,286
Total	485,972	1,584,623	422,914	2,109,193

17. Other Operating Expenses

Other operating expenses for the three-month and nine-month periods ended September 30, 2010 and 2009, consists of:

<i>(in millions of Korean won)</i>	2010		2009 (Unreviewed)	
	Three-month	Nine-month	Three-month	Nine-month
Foreign exchange loss	335,710	1,409,591	395,301	1,798,803
Loss on settlement of derivatives	7,004	9,647	3,352	80,878
Loss on disposal of property, plant and equipment	6,531	13,061	12,229	43,063
Others	8,413	47,926	19,015	96,312
Total	357,658	1,480,225	429,897	2,019,056

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18. 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 ordinary shares in issue excluding ordinary shares purchased by the Parent Company and held as treasury shares (Note 12). As of the reporting date, the Parent Company has no potential ordinary shares.

	2010		2009 (Unreviewed)	
	Three-month	Six-month	Three-month	Six-month
Profit attributable to ordinary shares ¹	(5,519)	1,327,575	793,016	1,710,306
Profit from continuing operations attributable to ordinary shares	(5,519)	583,211	777,214	1,663,252
Profit from discontinued operations attributable to ordinary shares	-	744,364	15,802	47,054
Weighted average number of ordinary shares outstanding	143,884,653	143,884,655	143,884,657	143,884,657
Basic earnings(loss) per share	(39)	9,226	5,512	11,887
Earnings(loss) per share from continuing operations	(39)	4,053	5,402	11,560
Earnings per share from discontinued operations	-	5,173	110	327

¹ Profit attributable to ordinary shares are as follows:

(in millions of Korean won)	2010		2009 (Unreviewed)	
	Three-month	Six-month	Three-month	Six-month
Profit from continuing operations	(5,963)	653,496	870,236	1,862,505
Preferred shares dividends	(7,732)	(23,195)	(1,718)	(5,154)
Additional profit from continuing operations available for dividends allocated to preferred shares	8,176	(47,090)	(91,304)	(194,099)
Profit from continuing operations attributable to ordinary shares	(5,519)	583,211	777,214	1,663,252
Profit from discontinued operations	-	833,249	17,689	52,673
Additional profit from discontinued operations available for dividends allocated to preferred shares	-	(88,885)	(1,887)	(5,619)
Profit from discontinued operations attributable to ordinary shares	-	744,364	15,802	47,054
Profit attributable to ordinary shares	(5,519)	1,327,575	793,016	1,710,306

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19. Cash Generated from Operations

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

<i>(in millions of Korean won)</i>	2010	2009 (Unreviewed)
Profit for the period	1,538,565	1,988,224
Adjustments :		
Interest expense	123,047	264,732
Loss on foreign currency translation, net	(84,259)	(96,029)
Gain (Loss) on derivatives, net	(28,863)	52,426
Depreciation, amortisation	970,004	976,744
Loss on disposal of property, plant and equipment, intangible assets, net	7,297	31,690
Provisions	1,242,230	1,268,220
Income tax expense	113,427	642,023
Income (Loss) from jointly controlled entities and associates	(551,569)	(214,256)
Post-tax gain on the measurement to fair value of discontinued operations	(815,260)	-
Provisions for severance benefits	131,494	137,160
Others	39,123	94,057
	<u>1,146,671</u>	<u>3,156,767</u>
Changes in operating assets and liabilities		
Increase in trade receivables	(534,285)	(1,176,323)
Decrease (Increase) in loans and other receivables	(54,062)	9,104
Increase in inventories	(2,458,564)	(511,615)
Decrease (Increase) in other assets	(249,198)	119,670
Increase in trade payables	1,214,355	2,756,719
Increase in other payables	192,487	686,200
Decrease in provisions	(1,261,487)	(1,139,619)
Increase (decrease) in other liabilities	(138,172)	135,298
Payment of defined benefit liability	(13,728)	(3,832)
Transfer out of defined benefit liability, net	(4,013)	(1,545)
Payment of plan assets, net	(75,943)	(127,170)
	<u>(3,382,610)</u>	<u>746,887</u>
Cash Generated from (used in) Operations	<u>(697,374)</u>	<u>5,891,878</u>

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Significant transactions not affecting cash flows for the nine-month periods ended September 30, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009 <i>(Unreviewed)</i>
Reclassification of construction-in-progress	399,838	448,162
Reclassification of current maturities of borrowings	503,228	883,050

20. Contingencies

At the reporting date, borrowings are secured on property, plant and equipment including land, buildings and machinery and intangible assets including land use right for the book value of ₩ 171,546 million.

As of September 30, 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 limit of ₩ 746,528 million (2009: ₩ 898,205 million) with various banks including Standard Chartered New Delhi Bank. Its domestic subsidiaries including Hi Plaza Inc. have overdraft facility agreements with various banks with limit of ₩ 2,000 million (2009: ₩ 47,179 million).

As of September 30, 2010, the Parent Company has sales agreements for export trade receivables with various banks amounting to ₩ 6,361,130 million (2009: ₩ 7,114,885 million). The Parent Company has corporate electronic settlement services contracts for collection of trade receivables with two banks of up to ₩ 110,000 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\$ 813 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 September 30, 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 September 30, 2010, the subsidiaries have other trade financing agreements and loan commitments in addition to the above commitments.

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As of September 30, 2010, the Parent Company is provided with a performance guarantee of ₩ 85,026 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 contingent liabilities. 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.

Other than those above, there are a number of other legal actions that remain pending at the end of the reporting period.

21. Commitments

(a) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	September 30, 2010	December 31, 2009
Property, plant and equipment	65,821	12,789
Intangible assets	4,333	32,162
Total	70,154	44,951

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

The future aggregate minimum lease payments under non-cancellable operating leases as of September 30, 2010, are as follows:

<i>(in millions of Korean won)</i>	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total lease payments
Buildings and offices	68,405	122,057	9,059	199,521
Vehicles	14,555	11,612	-	26,167
Equipment	34,531	40,673	12,237	87,441
Total	117,491	174,342	21,296	313,129

(c) *Trademark licenses commitments*

As of September 30, 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

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22. Related Party Transactions

Consolidated subsidiaries as of September 30, 2010, are as follows:

Territory	Name
Domestic subsidiaries	Hiplaza CO., LTD, Hi Business Logistics, Innovation Investment Fund, System Air-con Engineering Incorporation, KTB Technology Fund, HITELESERVICE CO.,LTD.
China	LG Electronics (China) Co. Ltd. (LGECH) Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR) LG Electronics HK Ltd.(LGEHK) LG Electronics (Hangzhou) Recording Media Co., Ltd.(LGEHN) LG Electronics Huizhou Ltd.(LGEHZ) LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS) LG Electronics Nanjing Display Co., Ltd.(LGEND) NanJing LG-Panda Appliances Co., Ltd. (LGEPN) Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD) LG Electronics Qinhuangdao Inc.(LGEQH) LG Electronics (China) Research and Development Centre Co., Ltd.(LGERD) Shanghai LG Electronics Co., Ltd.(LGESH) LG Electronics Shenyang Inc.(LGESY) LG Electronics Tianjin Appliances Co., Ltd. (LGETA) Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) Hi Logistics (China) Co., Ltd. LG Electronics (Shanghai) Research and Development Center. (LGECR)
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.(LGSJ) LG Electronics Singapore PTE LTD(LGESL) LG Electronics Vietnam Co., Ltd.(LGEVN) LG Electronics Thailand Co.Ltd.(LGETH) LG Electronics Taiwan Taipei Co., Ltd(LGETT) LG Electronics Australia Pty, Ltd.(LGEAP) LG Electronics Japan, Inc. (LGEJP) LG Electronics Japan,Lab. (LGEJL)
Europe	LG Electronics Austria GmbH(LGEAG) LG Electronics Benelux Sales B.V.(LGEBN) LG Electronics CZ, s.r.o.(LGE CZ) LG Electronics Deutschland GmbH(LGEDG) LG Electronics European Holdings B.V.(LGE EH) LG Electronics Espana S.A.(LGEES) LG Electronics France S.A.R.L(LGEFS) LG Electronics Hellas S.A.R.L(LGEHS) LG Electronics Italia S.p.A(LGEIS) LG Electronics JIT Europe B.V.(LGEJE) LG Electronics Latvia, LLC(LGELV) LG Electronics Mawa Sp. zo.o (LGEMA) LG Electronics Mobilecomm France(LGEMF) LG Electronics Magyar KFT(LGEMK) LG Electronics Norway AS. (LGENO) LG Electronics Polska Sp. z o.o (LGEPL) LG Electronics Portugal S.A.(LGEPT) LG Electronics Romania S.R.L.(LGERO) LG Electronics European Shared Service Center B.V.(LGESC) LG Electronics European Logistics & Services B.V.(LGELS)

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	LG Electronics Nordic AB(LGESW) LG Electronics United Kingdom Ltd.(LGEUK) LG Electronics Wroclaw Sp z o.o(LGEWR) HI Logistics Europe B.V.
North America	LG Electronics Alabama Inc. (LGEAI) LG Electronics Canada, Inc. (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 Mexicali, 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
South America	LG Electronics Argentina S.A.(LGEAR) LG Electronics da Amazonia Ltda.(LGEAZ) LG Electronics Colombia Ltda.(LGECL) LG Electronics Inc, Chike 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
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)

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Significant transactions for the nine-month periods ended September 30, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009 (Unreviewed)	
	Sales	Purchases	Sales	Purchases
LG Corp.	915	101,361	599	99,914
Jointly controlled entities and associates	699,210	5,684,113	894,626	3,806,927
Other related parties	87,422	987,860	85,753	885,570
Total	787,547	6,773,334	980,978	4,792,411

The balances of significant transactions are as follows:

<i>(in millions of Korean won)</i>	September 30, 2010		December 31, 2009	
	Receivables	Payables	Receivables	Payables
LG Corp.	5,835	-	16,074	10,426
Jointly controlled entities and associates	212,888	1,221,162	236,542	832,217
Other related parties	92,445	158,808	98,483	234,447
Total	311,168	1,379,970	351,099	1,077,090

The Group provides no guarantees as of the reporting date.

The Group has not recognised bad debt expenses nor allowance for trade receivables against the related parties for the nine-month periods ended September 30, 2010 and 2009.

23. 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

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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 an 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, 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 September 30, 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:

<i>(in millions of Korean won)</i>	September 30, 2010		December 31, 2009	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(396,114)	396,114	(413,377)	413,377
EUR/KRW	(5,461)	5,461	24,008	(24,008)

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The above sensitivity analysis is done with foreign currency denominated assets and liabilities which are not in each entities' 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 September 30, 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 September 30, 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:

<i>(in millions of Korean won)</i>	September 30, 2010		December 31, 2009	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest expense	47,580	(47,580)	32,865	(32,865)
Interest income	18,997	(18,997)	23,146	(23,146)
Gain (loss) on valuation of derivatives (IRS ¹)	7,441	(7,441)	7,885	(7,885)

¹ Interest rate swap mainly creates 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.

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

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

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

As of September 30, 2010, trade receivable balance of the Group is ₩ 7,476,762 million (2009: ₩ 7,637,131 million) and its risk is managed appropriately with insurer's credit limit of ₩ 27,491,153 million (2009: ₩ 19,544,456 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 allocated 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 September 30, 2010, is ₩ 1,925,321 million (2009: ₩ 2,646,787 million). The Group maintains total committed credit lines of ₩ 600,000 million (2009: ₩ 600,000 million) in Woori Bank and Kookmin Bank in Korea at September 30, 2010.

As of September 30, 2010, the cash and cash equivalents balance of the Group is about 38% (2009: 61%) of current borrowings with due date in 12 months. If committed credit lines are included, the balance covers about 50% (2009: 75%) 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 (2009: BBB Stable and Baa3 Stable), respectively.

Cash flow information on maturity of borrowings is presented in Note 8.

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Capital Risk Management

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

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

<i>(in millions of Korean won, except for ratios)</i>	September 30, 2010	December 31, 2009
Liability (A)	20,738,074	19,689,266
Equity (B)	13,083,544	12,425,246
Cash and cash equivalents and current financial deposits (C)	1,925,321	2,646,787
Borrowings (D)	7,723,007	6,908,598
Liability-to-equity ratio (A/B)	159%	158%
Net Borrowings ratio (D-C)/B	44%	34%

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).

	September 30, 2010			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	-	655	-	655
Available-for-sale financial assets	13,326	-	18,519	31,845
Total	13,326	655	18,519	32,500
Financial liabilities at fair value through profit or loss	-	62,273	-	62,273
Derivatives for hedging	-	356	-	356
Share-based payments	-	8,973	-	8,973
Total	-	71,602	-	71,602

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	December 31, 2009			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	246	-	246
Available-for-sale financial assets	13,023	-	28,936	41,959
Total	13,023	246	28,936	42,205
Financial liabilities at fair value through profit or loss	-	142,155	-	142,155
Derivatives for hedge	-	220	-	220
Share-based payments	-	13,559	-	13,559
Total	-	155,934	-	155,934

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.

24. 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

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to fair value and the related income tax expense 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 2010 financial performance and cash flow information presented are for the period to the date of the deconsolidation.

<i>(in millions of Korean won)</i>	2010	2009 <i>(Unreviewed)</i>
Sales	482,457	1,289,939
Operating income	48,275	156,261
Profit before income tax	27,564	106,073
Income tax expense(benefit)	(4,910)	16,466
Profit after income tax of discontinued operations	32,474	89,607
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	89,607
Equity holders of the Parent Company	833,249	52,673
Non-controlling Interest	14,485	36,934

<i>(in millions of Korean won)</i>	2010	2009
Net cash inflow (outflow) from operating activities	(30,636)	212,104
Net cash outflow from investing activities	(195,120)	(301,585)
Net cash inflow from financing activities	163,086	49,855
Exchange losses	(1,271)	(3,086)
Net cash flow from discontinued operations	(63,941)	(42,712)

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

<i>(in millions of Korean won)</i>	
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

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

(in millions of Korean won)

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

25. 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 interim 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 interim 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.

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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 capitalizing borrowing costs incurred in the construction of a qualifying asset, the Group capitalizes interest on all qualifying assets for which the commencement date for capitalization 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:

<i>(in millions of Korean won)</i>	Total assets (Unreviewed)	Total liabilities (Unreviewed)	Total equity (Unreviewed)
Reported amount under K-GAAP	<u>42,327,298</u>	<u>27,579,726</u>	<u>14,792,572</u>
Adjustments			
Changes in scope of consolidation ¹	(13,446,554)	(7,556,047)	(5,890,507)
Sold trade receivables ²	2,026,071	2,010,256	15,815
Defined benefit liability ³	-	8,549	(8,549)
Revaluation of land ⁴	1,085,137	-	1,085,137
Equity method Investments ⁵	(30,388)	-	(30,388)
Deferred tax ⁸	(226,031)	(629,445)	403,414
Others	1,351	6,191	(4,840)
Total	<u>(10,590,414)</u>	<u>(6,160,496)</u>	<u>(4,429,918)</u>
Adjusted amount under Korean IFRS	<u>31,781,884</u>	<u>21,419,230</u>	<u>10,362,654</u>

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Notes to the Interim Consolidated Financial Statements September 30, 2010 and 2009, and December 31, 2009

Effects on the consolidated total assets, liabilities and equity as of September 30, 2009, are as follows:

<i>(in millions of Korean won)</i>	Total assets (Unreviewed)	Total liabilities (Unreviewed)	Total equity (Unreviewed)
Reported amount under K-GAAP	44,875,203	28,194,653	16,680,550
Adjustments			
Changes in scope of consolidation ¹	(14,124,433)	(7,953,115)	(6,171,318)
Sold trade receivables ²	920,726	917,893	2,833
Defined benefit liability ³	-	13,318	(13,318)
Revaluation of land ⁴	1,085,137	-	1,085,137
Equity method Investments ⁵	25,101	-	25,101
Goodwill ⁶	17,982	-	17,982
Development costs	62,418	-	62,418
Deferred tax ⁸	(278,596)	(804,448)	525,852
Others	(157)	32,650	(32,807)
Total	(12,291,822)	(7,793,702)	(4,498,120)
Adjusted amount under Korean IFRS	32,583,381	20,400,951	12,182,430

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

<i>(in millions of Korean won)</i>	Total assets (Unreviewed)	Total liabilities (Unreviewed)	Total equity (Unreviewed)
Reported amount under K-GAAP	44,756,799	27,522,834	17,233,965
Adjustments			
Changes in scope of consolidation ¹	(14,888,451)	(8,459,329)	(6,429,122)
Sold trade receivables ²	1,409,132	1,407,609	1,523
Defined benefit liability ³	-	57,479	(57,479)
Revaluation of land ⁴	1,085,137	-	1,085,137
Equity method Investments ⁵	(21,024)	-	(21,024)
Goodwill ⁶	20,124	-	20,124
Convertible right and warrant ⁷	-	24,818	(24,818)
Development costs	100,952	-	100,952
Deferred tax ⁸	(352,610)	(877,179)	524,569
Others	4,453	13,034	(8,581)
Total	(12,642,287)	(7,833,568)	(4,808,719)
Adjusted amount under Korean IFRS	32,114,512	19,689,266	12,425,246

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Notes to the Interim Consolidated Financial Statements
September 30, 2010 and 2009, and December 31, 2009

ii) Effects on Consolidated Profit and Comprehensive Income

Effects on the consolidated profit and comprehensive income for the nine-month period ended September 30, 2009, are as follows:

<i>(in millions of Korean won)</i>	Profit		Comprehensive income	
	<i>(Unreviewed)</i>		<i>(Unreviewed)</i>	
Reported amount under K-GAAP	1,203,121	2,148,234	1,007,599	2,001,057
Adjustments				
Changes in scope of consolidation ¹	(375,497)	(369,283)	(393,725)	(382,124)
Sold receivables ²	(2,231)	(12,478)	(2,231)	(12,478)
Defined benefit liability ³	(4,156)	(9,263)	(2,621)	(5,719)
Equity method investments ⁵	8,333	17,703	(25,811)	79,769
Goodwill ⁶	6,038	18,016	6,038	18,016
Development costs	34,732	62,418	34,732	62,418
Deferred tax ⁸	53,244	148,272	53,244	148,272
Others	(12,261)	(15,395)	(12,261)	(15,396)
Total	(291,798)	(160,010)	(342,635)	(107,242)
Adjusted amount under Korean IFRS	911,323	1,988,224	664,964	1,893,815

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

<i>(in millions of Korean won)</i>	Profit		Comprehensive income	
	<i>(Unreviewed)</i>		<i>(Unreviewed)</i>	
Reported amount under K-GAAP	2,790,814		2,549,033	
Adjustments				
Changes in scope of consolidation ¹	(672,888)		(641,353)	
Sold receivables ²	(14,117)		(14,117)	
Defined benefit liability ³	(28,004)		(48,192)	
Equity method investments ⁵	31,728		79,176	
Goodwill ⁶	20,145		20,145	
Convertible right and warrant ⁷	(20,825)		(20,825)	
Capitalization of development costs	100,952		100,952	
Deferred tax ⁸	146,382		146,382	
Others	(4,059)		(4,059)	
Total	(440,686)		(381,891)	
Adjusted amount under Korean IFRS	2,350,128		2,167,142	

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.

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Notes to the Interim Consolidated Financial Statements

September 30, 2010 and 2009, and December 31, 2009

LG Display Co., Ltd. and 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.

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. (LGITW, 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 Innotek 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 Reclassification of convertible right and warrant from equity to liabilities and fair value measurement.
- ⁸ 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:

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 selling transaction under K-GAAP. Also, other Korean IFRS transition effects are reflected on cash flows if they have an effect on cash flow.