LG Electronics
Consolidated Financial Statements
December 31, 2012 and 2011

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Report of Independent Auditors

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

We have audited the accompanying consolidated statements of financial position of LG Electronics Inc. and its subsidiaries (collectively the "Group") as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, whose financial statements represent 33% of the Group's consolidated total assets as of December 31, 2012 and 2011, respectively, and 59% and 57% of the Group's consolidated total sales for the years then ended, respectively. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2012 and 2011, and their financial performance and cash flows for the years then ended, in conformity with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

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

Samil PricewaterhouseCoopers

Seoul, Korea
March 6, 2013

This report is effective as of March 6, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics
Consolidated Statements of Financial Position
December 31, 2012 and 2011

(in millions of Korean won)	**Note**	**2012**	**2011**
Assets			
Current assets			
Cash and cash equivalents	5,6,42	1,832,190	2,345,465
Financial deposits	5,6,42	54,000	150,000
Trade receivables	5,7	6,519,157	6,752,559
Loans and other receivables	5,7	474,672	494,239
Other financial assets	5,8	54,109	1,677
Inventories	9	4,599,422	4,947,160
Current income tax assets		223,513	197,968
Other current assets	10	777,246	890,388
Assets classified as held for sale		19,980	3,670
		14,554,289	15,783,126
Non-current assets			
Financial deposits	5,6	103,176	129,439
Loans and other receivables	5,7	587,359	610,709
Other financial assets	5,8	63,086	139,282
Property, plant and equipment	11	7,517,611	7,290,413
Intangible assets	12	1,077,440	1,035,797
Deferred income tax assets	17	1,289,278	1,246,071
Investments in associates and joint ventures	13	5,477,070	5,603,199
Investment property	14	7,218	7,239
Other non-current assets	10	780,859	813,182
		16,903,097	16,875,331
Total assets		31,457,386	32,658,457
Liabilities			
Current liabilities			
Trade payables	5	5,194,830	5,486,871
Borrowings	5,15,42	2,044,991	3,178,212
Other payables	5,16	4,023,964	3,780,158
Other financial liabilities	5,8	321	13,860
Current income tax liabilities		105,988	81,643
Provisions	19	639,091	724,516
Other current liabilities	20	804,933	949,262
Liabilities related to assets held for sale		1,794	-
		12,815,912	14,214,522
Non-current liabilities			
Borrowings	5,15,42	4,425,663	4,257,406
Other payables	5,16	19,114	20,490
Other financial liabilities	5,8	16,621	378
Deferred income tax liabilities	17	10,330	15,237
Defined benefit liability	18	529,359	423,306
Provisions	19	932,871	575,632
Other non-current liabilities	20	3,299	3,238
		5,937,257	5,295,687
Total liabilities		18,753,169	19,510,209
Equity attributable to owners of the Parent Company			
Paid-in capital:	21		
Capital stock		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	22	9,407,667	9,499,534
Accumulated other comprehensive loss	23	(674,221)	(326,584)
Other components of equity	24	(271,382)	(271,339)
		12,454,412	12,893,959
Non-controlling interest		249,805	254,289
Total equity		12,704,217	13,148,248
Total liabilities and equity		31,457,386	32,658,457

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

LG Electronics
Consolidated Statements of Income
Years ended December 31, 2012 and 2011

(in millions of Korean won, except per share amounts)	Note	2012	2011
Net sales	26	50,959,978	54,256,585
Cost of sales	27	38,652,915	42,057,595
Gross profit		12,307,063	12,198,990
Selling and marketing expenses	27,29	6,785,477	7,158,784
Administrative expenses	27,29	1,229,288	1,366,823
Research and development expenses	27,29	1,831,211	1,698,917
Service costs	27,29	1,325,106	1,595,453
Operating income	2	1,135,981	379,013
Financial income	31	441,380	571,693
Financial expenses	32	735,719	909,804
Gain(loss) from equity method	13	46,189	(329,472)
Other non-operating income	33	1,256,378	1,582,432
Other non-operating expenses	34	1,620,142	1,693,175
Profit(loss) before income tax		524,067	(399,313)
Income tax expense	35	433,246	33,492
Profit(loss) for the year		90,821	(432,805)
Profit(loss) for the year attributable to:			
Equity holders of the Parent Company		66,774	(469,624)
Non-controlling interest		24,047	36,819
Earnings(loss) per share attributable to the equity holders of the Parent Company during the year (in won):	36		
Earnings(loss) per share for profit attributable to the common equity holders of the Parent Company		366	(2,880)
Earnings(loss) per share for profit attributable to the preferred equity holders of the Parent Company		416	(2,563)

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

LG Electronics
Consolidated Statements of Comprehensive Income
Years ended December 31, 2012 and 2011

(in millions of Korean won)	**Note**	**2012**	**2011**
Profit(loss) for the year		90,821	(432,805)
Other comprehensive income(loss), net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit liability	18	(90,797)	(94,056)
Share of actuarial loss of associates	13	(31,018)	(11,887)
Items that will be reclassified subsequently to profit or loss:			
Other comprehensive income(loss) from associates and joint ventures	13	(50,790)	22,259
Cash flow hedges	8	4,184	(4,717)
Available-for-sale financial assets	8	(601)	(3,474)
Currency translation differences		(315,746)	(117,633)
Other comprehensive loss for the year, net of tax		(484,768)	(209,508)
Total comprehensive loss for the year, net of tax		(393,947)	(642,313)
Comprehensive income(loss) for the year, net of tax, attributable to:			
Equity holders of the Parent Company		(402,622)	(692,307)
Non-controlling interest		8,675	49,994
Total comprehensive loss for the year, net of tax		(393,947)	(642,313)

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

LG Electronics
Consolidated Statements of Changes in Equity
Years ended December 31, 2012 and 2011

		Attributable to equity holders of the Parent Company						
(in millions of Korean won)	**Note**	**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income(loss)**	**Other Components of Equity**	**Total**	**Non-controlling Interest**	**Total Equity**
Balance at January 1, 2011		3,017,088	10,108,173	(209,844)	(271,277)	12,644,140	215,497	12,859,637
Comprehensive income(loss):								
Profit(loss) for the year		-	(469,624)	-	-	(469,624)	36,819	(432,805)
Actuarial loss on defined benefit liability	18	-	(94,056)	-	-	(94,056)	-	(94,056)
Share of actuarial loss of associates	13	-	(11,887)	-	-	(11,887)	-	(11,887)
Other comprehensive income of associates and joint ventures	13	-	-	22,259	-	22,259	-	22,259
Cash flow hedges	8	-	-	(4,717)	-	(4,717)	-	(4,717)
Available-for-sale financial assets	8	-	-	(3,474)	-	(3,474)	-	(3,474)
Currency translation differences		-	-	(130,808)	-	(130,808)	13,175	(117,633)
Total comprehensive income(loss)		-	(575,567)	(116,740)	-	(692,307)	49,994	(642,313)
Transactions with equity holders of the Parent Company:								
Dividends		-	(33,072)	-	-	(33,072)	(11,381)	(44,453)
Issuance of common shares	21	975,260	-	-	-	975,260	-	975,260
Change in ownership interest over subsidiaries		-	-	-	(62)	(62)	179	117
Total transactions with equity holders of the Parent Company		975,260	(33,072)	-	(62)	942,126	(11,202)	930,924
Balance at December 31, 2011		3,992,348	9,499,534	(326,584)	(271,339)	12,893,959	254,289	13,148,248
Balance at January 1, 2012		3,992,348	9,499,534	(326,584)	(271,339)	12,893,959	254,289	13,148,248
Comprehensive income(loss):								
Profit for the year		-	66,774	-	-	66,774	24,047	90,821
Actuarial loss on defined benefit liability	18	-	(90,741)	-	-	(90,741)	(56)	(90,797)
Share of actuarial loss of associates	13	-	(31,018)	-	-	(31,018)	-	(31,018)
Other comprehensive income of associates and joint ventures	13	-	-	(50,790)	-	(50,790)	-	(50,790)
Cash flow hedges	8	-	-	4,184	-	4,184	-	4,184
Available-for-sale financial assets	8	-	-	(671)	-	(671)	70	(601)
Currency translation differences		-	-	(300,360)	-	(300,360)	(15,386)	(315,746)
Total comprehensive income(loss)		-	(54,985)	(347,637)	-	(402,622)	8,675	(393,947)
Transactions with equity holders of the Parent Company:								
Dividends	37	-	(36,872)	-	-	(36,872)	(21,961)	(58,833)
Issuance of common shares of subsidiaries		-	-	-	-	-	8,820	8,820
Others		-	(10)	-	(43)	(53)	(18)	(71)
Total transactions with equity holders of the Parent Company		-	(36,882)	-	(43)	(36,925)	(13,159)	(50,084)
Balance at December 31, 2012		3,992,348	9,407,667	(674,221)	(271,382)	12,454,412	249,805	12,704,217

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

LG Electronics
Consolidated Statements of Cash Flows
Years ended December 31, 2012 and 2011

(in millions of Korean won)	**Note**	**2012**	**2011**
Cash flows from operating activities			
Cash generated from operations	38	2,459,395	2,240,468
Interest received		71,491	74,412
Interest paid		(322,383)	(310,460)
Dividends received		36,640	84,859
Income tax paid		(493,705)	(359,212)
Net cash generated from operating activities		1,751,438	1,730,067
Cash flows from investing activities			
Decrease in financial deposits		116,697	-
Decrease in loans and other receivables		206,853	148,705
Proceeds from disposal of other financial assets		49,300	38,303
Proceeds from disposal of property, plant and equipment		74,556	77,780
Proceeds from disposal of intangible assets		2,977	15,954
Proceeds from disposal of and recovery of investments in associates and joint ventures		216,412	866
Decrease in other assets		1,033	4,155
Increase in financial deposits		-	(77,352)
Increase in loans and other receivables		(191,542)	(212,227)
Acquisition of other financial assets		(52,553)	(91,989)
Acquisition of property, plant and equipment	11	(1,404,107)	(1,830,008)
Acquisition of intangible assets	12	(343,050)	(319,850)
Acquisition of investments in associates and joint ventures	13	(26,098)	(998)
Decrease in cash and cash equivalents due to changes in scope of subsidiaries	43	-	(205,254)
Increase in other assets		(188)	-
Net cash used in investing activities		(1,349,710)	(2,451,915)
Cash flows from financing activities			
Proceeds from borrowings		1,912,079	3,020,490
Issuance of common shares	21	8,820	975,461
Repayments of borrowings		(2,718,206)	(2,792,295)
Dividends paid		(59,065)	(43,143)
Net cash provided by(used in) financing activities		(856,372)	1,160,513
Exchange losses on cash and cash equivalents		(58,631)	(37,362)
Net increase(decrease) in cash and cash equivalents		(513,275)	401,303
Cash and cash equivalents at the beginning of year	6	2,345,465	1,944,162
Cash and cash equivalents at the end of year	6	1,832,190	2,345,465

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

1. General Information

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

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

As of December 31, 2012, LG Corp. owns 33.7% of the Parent Company's total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Group is engaged in the manufacture and sale of electronic products including mobile phones, TV, air conditioners, refrigerators, washing machines and personal computers. As of December 31, 2012, the Group operates four business segments and other supporting segments through the Parent Company and subsidiaries all over the world.

Consolidated subsidiaries as of December 31, 2012, are as follows:

Territory	Country	Subsidiaries	Percentage of ownership	Closing Month	Major Business
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100%	December	Sales
	Korea	Hi Business Logistics Co., Ltd.	100%	December	Logistics
	Korea	Hi Entech Co., Ltd.	100%	December	Water engineering
	Korea	LG Hitachi Water Solution Co., Ltd.	51%	December	Water treatment
	Korea	ACE R&A Co., Ltd.	100%	December	Production and Sales
	Korea	Hi M Solutek	100%	December	Maintenance
	Korea	Hi Teleservice Co., Ltd.	100%	December	Marketing
	Korea	LGE Alliance Fund	96%	December	Investment
	Korea	Innovation investment Fund	83%	December	Investment
	Korea	KTB Technology Fund	100%	December	Investment
China	China	Hi Logistics (China) Co., Ltd.	100%	December	Logistics
	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70%	December	Production
	China	LG Electronics (China) Co., Ltd.(LGECH)	100%	December	Sales
	China	LG Electronics (China) Research and Development Centre Co., Ltd.(LGERD)	100%	December	R&D
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70%	December	Production
	China	LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS)	100%	December	Production
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100%	December	R&D
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100%	December	Production and Sales
	China	LG Electronics HK Ltd.(LGEHK)	100%	December	Sales
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80%	December	Production

Territory	Country	Subsidiaries	Percentage of ownership	Closing Month	Major Business
	China	LG Electronics Nanjing Display Co., Ltd.(LGEND)	70%	December	Production
	China	LG Electronics Qinhuangdao Inc.(LGEQH)	100%	December	Production
	China	LG Electronics Shenyang Inc.(LGESY)	79%	December	Production
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80%	December	Production
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70%	December	Production
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70%	December	Production
	China	Shanghai LG Electronics Co., Ltd.(LGESH)	70%	December	Production
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100%	December	Production
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	67%	December	Production
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100%	December	Sales
	India	LG Electronics India Pvt. Ltd.(LGEIL)[2]	100%	March	Production and Sales
	Japan	LG Electronics Japan Lab. Inc(LGEJL)	100%	December	R&D
	Japan	LG Electronics Japan, Inc.(LGEJP)	100%	December	Sales
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100%	December	Sales
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100%	December	Sales
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100%	December	Sales
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100%	December	Sales
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100%	December	Production and Sales
	Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100%	December	Production and Sales
	India	LG Soft India Private Limited.(LGSI)[2]	100%	March	R&D
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100%	December	Production and Sales
	India	Hi Logistics India Private Limited[2]	100%	March	Logistics

Territory	Country	Subsidiaries	Percentage of ownership	Closing Month	Major Business
	Malaysia	HI LOGISTICS MALAYSIA SDN BHD	100%	December	Logistics
Europe	Netherlands	Hi Logistics Europe B.V.	100%	December	Logistics
	Austria	LG Electronics Austria GmbH(LGEAG)	100%	December	Sales
	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100%	December	Sales
	Czech Republic	LG Electronics CZ, s.r.o.(LGECZ)	100%	December	Sales
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100%	December	Sales
	Spain	LG Electronics Espana S.A.(LGEES)	100%	December	Sales
	Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100%	December	European Holding
	Netherlands	LG Electronics European Shared Service Center B.V.(LGESC)	100%	December	Services
	France	LG Electronics France S.A.S.(LGEFS)	100%	December	Sales
	Greece	LG Electronics Hellas S.A.(LGEHS)	100%	December	Sales
	Italy	LG Electronics Italia S.p.A(LGEIS)	100%	December	Sales
	Latvia	LG Electronics Latvia, LLC(LGELV)	100%	December	Sales
	Hungary	LG Electronics Magyar KFT(LGEMK)	100%	December	Sales
	Poland	LG Electronics Mlawa Sp. z o.o(LGEMA)	100%	December	Production
	France	LG Electronics Mobilecomm France(LGEMF)	100%	December	R&D
	Sweden	LG Electronics Nordic AB(LGESW)	100%	December	Sales
	Norway	LG Electronics Norway AS(LGENO)	100%	December	Sales
	Poland	LG Electronics Polska Sp. z o.o(LGEPL)	100%	December	Sales
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100%	December	Sales
	Romania	LG Electronics Romania S.R.L.(LGERO)	100%	December	Sales
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100%	December	Sales

Territory	Country	Subsidiaries	Percentage of ownership	Closing Month	Major Business
	Poland	LG Electronics Wroclaw Sp.z o.o(LGEWR)	100%	December	Production
North America	USA	LG Electronics Miami Inc.(LGEMI)	100%	December	Sales
	USA	LG Electronics Alabama Inc.(LGEAI)	100%	December	Services
	Canada	LG Electronics Canada, Inc.(LGECI)	100%	December	Sales
	Mexico	LG Electronics Mexicalli, S.A. DE C.V.(LGEMX)	100%	December	Production
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100%	December	Sales
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100%	December	R&D
	USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100%	December	Sales
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100%	December	Production
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERS)	100%	December	Production
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100%	December	Sales
	USA	LG Receivable Funding LLC	100%	December	Other
	Mexico	Servicios Integrales LG S.A DE C.V	100%	December	Services
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100%	December	Other
	USA	Triveni Digital Inc.	89%	December	R&D
	USA	Zenith Electronics Corporation of Pennsylvania	100%	December	Other
	USA	Zenith Electronics Corporation(Zenith)	100%	December	R&D
South America	Brazil	LG Armagem Geral Ltda.	100%	December	Services
	Argentina	LG Electronics Argentina S.A.(LGEAR)	100%	December	Sales
	Colombia	LG Electronics Colombia Ltda.(LGECB)	100%	December	Sales
	Brazil	LG Electronics do Brasil Ltda.(LGEBR) (formerly LGESP)	100%	December	Production and Sales
	Honduras	LG Electronics Honduras S.de R.L.[1]	20%	December	Sales

Territory	Country	Subsidiaries	Percentage of ownership	Closing Month	Major Business
	Chile	LG Electronics Inc. Chile Ltda.(LGECL)	100%	December	Sales
	Panama	LG Electronics Panama, S.A.(LGEPS)	100%	December	Sales
	Peru	LG Electronics Peru S.A.(LGEPR)	100%	December	Sales
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100%	December	Sales
	Brazil	SOCIO VIP Ltda.	100%	December	Services
	Panama	C&S America Solutions	100%	December	Services
	Panama	LG Consulting corp.	100%	December	Services
	Panama	LG Electronics Guatemala S.A.	100%	December	Sales
Middle East and Africa	Nigeria	Easytec Global Services Innovation Limited	100%	December	Services
	Angola	LG Electronics Angola Limitada(LGEAO)	100%	December	Sales & Services
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100%	December	Sales
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100%	December	Sales
	Algeria	LG Electronics Algeria SARL(LGEAS)	70%	December	Sales
	UAE	LG Electronics Dubai FZE(LGEDF)	100%	December	Sales
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100%	December	Production and Sales
	UAE	LG Electronics Gulf FZE(LGEGF)	100%	December	Sales
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100%	December	Services
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100%	December	Sales
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100%	December	Other
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100%	December	Sales
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100%	December	Sales
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100%	December	Production and Sales

Territory	Country	Subsidiaries	Percentage of ownership	Closing Month	Major Business
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100%	December	Sales
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR)[1]	49%	December	Production
	Kenya	LG Electronics Service Kenya Limited(LGESK)	100%	December	Services
	Saudi Arabia	LG Electronics Saudi Arabia Limited	100%	December	Services
Other	Russia	LG Alina Electronics(LGERI)	95%	December	Services
	Kazakhstan	LG Electronics Almaty Kazakhstan(LGEAK)	100%	December	Production and Sales
	Russia	LG Electronics RUS, LLC(LGERA)	100%	December	Production and Sales
	Russia	LG Electronics RUS-Marketing, LLC(LGERM)	100%	December	Services
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100%	December	Sales

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

[2] The financial statements as of December 31, 2012, were used in the preparation of consolidated financial statements although the fiscal year ends on March 31, 2013.

Financial information of major subsidiaries as of and for the years ended December 31, 2012 and 2011, is as follows (Before elimination of intercompany transactions):

	2012					
(in millions of Korean won)	**Assets**	**Liabilities**	**Equity**	**Sales**	**Net Income (loss)**	**Total Comprehensive Income(loss)**
LG Electronics U.S.A., Inc.(LGEUS)	1,882,404	1,604,377	278,027	6,325,208	20,915	20,958
LG Electronics do Brasil Ltda.(LGEBR) (formerly LGESP)	1,330,108	971,404	358,704	2,903,464	60,709	56,550
LG Electronics European Shared Service Center B.V.(LGESC)	1,095,692	1,071,664	24,028	169,424	3,219	3,112
LG Electronics RUS, LLC(LGERA)	1,063,036	643,253	419,783	2,788,072	167,646	168,044
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	647,211	362,324	284,887	1,354,652	30,120	27,240
LG Electronics (China) Co. Ltd.(LGECH)	636,428	616,983	19,445	1,117,127	(6,083)	(5,568)
LG Electronics India Pvt. Ltd.(LGEIL)	564,329	218,670	345,659	2,418,867	114,458	112,081
LG Electronics Mlawa Sp. z o.o(LGEMA)	563,481	276,155	287,326	1,501,397	8,003	9,034
P.T. LG Electronics Indonesia(LGEIN)	545,659	334,843	210,816	2,072,207	37,233	29,898
LG Electronics Reynosa S.A. DE C.V.(LGERS)	526,829	281,719	245,110	2,883,813	46,195	37,507
LG Electronics Wroclaw Sp.z.o.o(LGEWR)	518,020	365,612	152,408	1,715,662	18,234	20,536
LG Electronics Mexico S.A. DE C.V. (LGEMS)	456,972	391,074	65,898	1,132,451	(47,468)	(45,980)
LG Electronics Nanjing Display Co., Ltd.(LGEND)	423,710	279,980	143,730	1,067,297	5,439	1,935
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	418,758	341,217	77,541	1,552,961	19,043	18,392
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	411,997	340,570	71,427	3,616,910	5,456	4,056
Hiplaza Co., Ltd.	398,974	254,400	144,574	1,305,268	1,894	946
LG Electronics Thailand Co., Ltd.(LGETH)	350,146	215,993	134,153	1,089,885	11,908	11,742
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	343,246	216,188	127,058	631,255	3,784	3,772
LG Electronics Huizhou Ltd.(LGEHZ)	333,125	236,968	96,157	1,435,575	18,550	16,403
LG Electronics Gulf FZE(LGEGF)	278,012	271,427	6,585	1,024,256	4,005	3,830

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

Subsidiaries newly included in the consolidation are:

Subsidiaries	**Reasons**
LG Hitachi Water Solution Co., Ltd.	Newly established
LG Electronics Service Kenya Limited(LGESK)	Newly established
LG Electronics Saudi Arabia Limited	Newly established
Hi Logistics India Private Limited	Newly established
HI LOGISTICS MALAYSIA SDN BHD	Newly established

Subsidiaries excluded from the consolidation are:

Subsidiaries	**Reasons**
LG Electronics da Amazonia Ltda.(LGEAZ)	Merged with LGESP
LG Electronics European Logistics & Services B.V.(LGELS)	Merged with LGESC
Goldstar Panama S.A.	Liquidated
LG Electronics JIT Europe B.V.(LGEJE)	Liquidated

2. Significant Accounting Policies

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

Certain reclassifications have been made to the December 31, 2011 consolidated financial statements to conform to the December 31, 2012 financial statement presentation. These reclassifications have no effect on net loss or net asset amount for the prior year.

Basis of Preparation

The Group's consolidated financial statements for the annual period beginning on January 1, 2010, have been prepared in accordance with 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 Group's consolidated financial statements are prepared in accordance with Korean IFRS. The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended Korean IFRS as of 1 January 2012:

- Korean IFRS 1012(Amendment) 'Income Taxes'

According to the amendments to Korean IFRS 1012 'Income Taxes', if a deferred tax liability or asset arises from investment property that is measured using the fair value model, the measurement of the investment property shall reflect the tax consequences of recovering the carrying amount of the non-depreciable asset through sale. The application of this amendment would not have an impact on its consolidated financial statements.

- Korean IFRS 1107(Amendment) ‘Financial instruments: Disclosures’

According to the amendments to Korean IFRS 1107 ‘Financial instruments: Disclosures’, the Group shall disclose the nature, carrying amounts, risks and rewards of transferred financial assets at each reporting date for each class of transferred financial assets that are not derecognized in their entirety. Also, the Group shall disclose additional information that enables users of its consolidated financial statements to evaluate the nature and extent of risks arising from transferred financial assets. Due to the adoption of this amendment, additional disclosures were necessary and have been presented.

- Korean IFRS 1001(Amendment) ‘Presentation of financial statements’: Presentation of other comprehensive income(loss)

Korean IFRS 1001, 'Presentation of Financial Statements', is amended for ‘other comprehensive income(loss)’ items to be grouped into those that (a) will not be reclassified subsequently to profit or loss, and (b) will be reclassified to profit or loss when specific conditions are met. The Group early adopted the amendment during the reporting period.

- Korean IFRS 1001(Amendment) ‘Presentation of financial statements’: Disclosure of operating income

The Group changed its accounting policy to present the operating income after deducting cost of sales, selling and administrative expenses, research and development expenses and service costs from net sales, in accordance with the amendment of Korean IFRS 1001, ‘Presentation of Financial Statements’.

The Group applies the accounting policy retroactively in accordance with the amended standards and the comparative consolidated statement of income is restated by reflecting adjustments resulting from the retrospective application. As a result of the changes in the accounting policy, other income and expenses which include foreign exchange differences and gain or loss on disposal of property, plant and equipment and others, classified as operating income under the previous standard, were excluded from operating income.

Selling and administrative expenses and others (₩31,519 million), other operating income (₩1,150,362 million) and other operating expenses (₩1,595,380 million) for 2012 and selling and administrative expenses and others (₩35,792 million), other operating income (₩1,622,901 million) and other operating expenses (₩1,685,859 million) for 2011 classified as operating income under the previous standard were excluded from operating income.

Consequently, operating income for the years ended December 31, 2012 and 2011, would have been higher by ₩476,537 million and by ₩98,750 million, respectively, when compared to the operating income prior to the adoption of amended standards for respective years. However, there is no impact on net income or earnings per share for the years ended December 31, 2012 and 2011.

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

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

- Amendments to Korean IFRS 1019, 'Employee Benefits'

According to the amendments to Korean IFRS 1019, 'Employee Benefits', the use of a 'corridor' approach is no longer permitted, and therefore all actuarial gains and losses incurred are immediately recognized in other comprehensive income. All past service costs incurred from changes in pension plan are immediately recognized, and expected returns on interest costs and plan assets that used to be separately calculated are changed to calculating net interest expense(income) by applying discount rate used in measuring defined benefit obligation in net defined benefit liabilities(assets). The Group expects that the application of the amendments results in increase of disclosures related to employee benefits.

- Enactment of Korean IFRS 1110, 'Consolidated Financial Statements'

Korean IFRS 1110, 'Consolidated Financial Statements', explains specific principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the Parent Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This amendment will be effective for the financial year beginning on or after January 1, 2013, and the Group is reviewing the impact of the application of this enactment.

- Enactment of Korean IFRS 1111, 'Joint Arrangements'

Korean IFRS 1111, 'Joint Arrangements', aims to reflect the substance of joint arrangements by focusing on the contractual rights and obligations that each party to the arrangement has rather than its legal form. Joint arrangements are classified as either joint operations or joint ventures. A joint operation is when joint operators have rights to the assets and obligations for the liabilities, and account for the assets, liabilities, revenues and expenses, while parties to the joint venture have rights to the net assets of the arrangement and account for their interest in the joint venture using the equity method. This amendment will be effective for the financial year beginning on or after January 1, 2013, and the Group expects that the enactment of Korean IFRS 1111 would not have a material impact on its consolidated financial statements.

- Enactment of Korean IFRS 1112, 'Disclosures of Interests in Other Entities'

Korean IFRS 1112, 'Disclosures of Interests in Other Entities', provides the disclosure requirements for all forms of interests in other entities, including a subsidiary, a joint arrangement, an associate, a consolidated structured entity and an unconsolidated structured entity. This enactment will be effective for the financial year beginning on or after January 1, 2013, and the Group expects that the application of the amendments results in increase of disclosures related to interests in other entities.

- Enactment of Korean IFRS 1113, 'Fair Value Measurement'

Korean IFRS 1113, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Korean IFRS. Korean IFRS 1113 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within the Korean IFRSs. The Group expects that the application of this enactment would not have a material impact on its consolidated financial statements.

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.

Intercompany transactions, balances and unrealized gains and losses on transactions among Group companies are eliminated. Unrealized losses are also eliminated after recognizing impairment of transferred assets.

The Parent Company presents non-controlling interests in its consolidated financial statements within equity, separately from the equity of the owners of the Parent Company. The Group's profit or loss and each component of other comprehensive income are allocated to the Parent Company and non-controlling interests on the basis of ownership interests.

When control ceases, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in the consolidated statements of income.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. If subsidiaries have different year-end dates other than 31 December, subsidiaries' financial statements as of 31 December were used for the consolidation.

(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 recognized 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 recognized in the consolidated statements of income, and its share of post-acquisition movements in reserves is recognized 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized 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 recognized in the consolidated statements of income.

(c) Joint Ventures

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 joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss.

(d) Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with owners of the Group. The difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposal of non-controlling interests are also recognized in other components of equity.

(e) Business Combinations

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 transferred in a business combination includes fair values of the assets and liabilities from arrangements for contingent payments. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group measures non-controlling interests in the acquiree that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, on a case by case basis, at the proportionate share of the acquiree's identifiable net assets or fair value. All other components of non-controlling interests are measured at fair values, unless another measurement basis is required by IFRSs. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred.

In case of business combination achieved in stages, previously held equity interest in the acquiree is re-measured to fair value and a gain or loss is recognized in the consolidated statements of income.

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 acquire over the net identifiable assets at the date of acquisition 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 recognized directly in the consolidated statements of income.

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 recognized in the consolidated statements of income, except qualifying cash flow hedges which are recognized 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 consolidated statements of income. All other foreign exchange gains and losses are reported in 'other non-operating income and expenses' in the consolidated statements of income.

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

(c) Group companies

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

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits at banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short-term borrowings on the consolidated statements of financial position.

Financial Instruments

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 amortized 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.

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

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

(b) Loans and receivables

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

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and are classified as 'other financial assets' in the consolidated statements of financial position. If the Group were to sell more 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.

(d) Available-for-sale financial assets

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

(e) Financial liabilities measured at amortized cost

The Group classifies all non-derivative financial liabilities as financial liabilities measured at amortized 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 recognized and a financial liability is measured as the consideration received. Financial liabilities measured at amortized 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.

Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognized at fair value, and transaction costs are expensed in the consolidated statements of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortized 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 consolidated statements of income within 'other non-operating income and expenses' in the period in which they arise. However, gains or losses on settlement of derivatives relative to borrowings are presented in 'financial income and expenses'. The Group recognizes a dividend from financial assets at fair value through profit or loss in the consolidated statements of income 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 recognized in equity are reported in the consolidated statements of income as 'other non-operating income and expenses'.

Interest on available-for-sale securities and held-to-maturity financial assets are calculated using the effective interest method and is recognized in the consolidated statements of income as part of 'financial income'.

Dividends on available-for-sale equity instruments are recognized in the consolidated statements of income as part of 'other non-operating income' when the Group's right to receive payments is established.

Offsetting

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

Derecognition

Financial assets are derecognized when the contractual rights to receive cash from the investments have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership or when the risk and rewards of ownership of transferred assets have not been substantially retained or transferred and the Company has not retained control over these assets.

Accounts receivable discounted and collaterals on factoring transaction such as accounts receivable and others that do not qualify for the requirement above are not derecognized because the Group retains substantially all the risks and rewards due to recourse conditions in case of debtors' default on obligations and others. Financial liabilities associated with such transactions are categorized in 'borrowings' on the consolidated statements of financial position.

Impairment of Financial Assets

(a) Assets carried at amortized 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 reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio;
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of income.

In case of financial assets with variable interest rates, impairment losses are recognized with current effective interest rates in accordance with the contract. 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 recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized directly in the consolidated statements of income.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (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 recognized in profit or loss – is removed from equity and recognized in the consolidated statements of income. Impairment losses recognized in the consolidated statements of income on equity instruments are not reversed through the consolidated statements of income. 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 recognized in profit or loss, the impairment loss is reversed through the consolidated statements of income.

Derivative Financial Instruments

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

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

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

Trade Receivables

Trade receivables are amounts due from customers for goods 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 recognized initially at fair value, less allowance for doubtful debts.

Inventories

Inventories are stated at the lower of cost and net realizable 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-process comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The Group periodically reviews a possibility of the significant changes in net realizable value of inventories from disuse, decrease in market value and obsolescence and recognizes as 'Allowances for Valuation of Inventories'. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Non-current assets classified as Held for Sale (Group classified as held for sale) and Discontinued Operations

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

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

Property, Plant and Equipment

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

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are charged to the consolidated statements of income during the financial period in which they are incurred.

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

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

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

Borrowing Costs

The Group capitalizes 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 recognizes other borrowing costs as an expense in the period in which it is incurred.

Government Grants

Grants from a government are recognized 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 income are deferred and recognized in the consolidated statements of income 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 at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

(b) Industrial property rights

Industrial property rights are shown at historical cost. Industrial property rights have a finite useful life and are carried at cost less accumulated amortization. Amortization 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 capitalized as intangible assets. Amortization 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 amortized using the straight-line method over their estimated useful lives primarily of two to thirty years when the asset is available for use. Membership rights are regarded as intangible assets with indefinite useful life and not amortized 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.

Research and Development Costs

Costs associated with research are recognized as an expense as incurred. Costs that are identifiable, controllable and directly attributable to development projects are recognized 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 recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs which are stated as intangible assets are amortized using the straight-line method when the assets are available for use and are tested for impairment.

Investment Property

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

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are charged to the consolidated statements of income 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 amortization and are tested at least annually for impairment. At each reporting date, assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Trade Payables

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

Borrowings

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

Provisions

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

A warranty provision is accrued for the estimated costs of future warranty claims 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 recognizes 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 recognized as a provision for litigation in the consolidated financial statements.

Current and Deferred Income Tax

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

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

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, 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 utilized.

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

Employee Benefits

(a) Defined benefit liability

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

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated statements 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 unrecognized 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 recognized in the consolidated statements of income 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 recognized as an expense in the consolidated statements of income 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 recognized in profit or loss for the year.

(c) Other long-term employee benefits

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

Share Capital

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

Where any Group purchases the Parent Company’s equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Parent Company’s equity holders until the shares are cancelled or reissued. Where such treasury 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 recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group’s activities as described below.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group manufactures and sells mobile communication products, multimedia, home electronics and their related core parts and display. Sales of goods are recognized 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 recognizes provisions for product warranties and sales returns based on reasonable expectation reflecting warranty obligation and sales return rates incurred historically (Note 19).

(b) Sales of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with such a transaction is recognized 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 recognized only to the extent of the expenses recognized that are recoverable.

(c) Royalty income

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

(d) Interest income

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

(e) Dividend income

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

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

(a) Lessees

The Group classifies leases that do not transfer substantially all the risks and rewards of ownership incidental to ownership of assets as operating leases. Payments made under operating leases are charged to the consolidated statements of income on a straight-line basis over the period of the lease.

The Group classifies leases that transfer substantially all the risks and rewards of ownership incidental to ownership of assets as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

(b) Lessors

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

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

Dividend Distribution

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

Earnings(loss) per Share

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

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.

(a) Revenue Recognition

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

(b) Estimated Impairment of Goodwill

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

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

(d) Fair Value of Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its 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.

(e) Provisions

The Group recognizes provisions for product warranties and sales return in accordance with the accounting policy stated in Note 2 as of the reporting date. The amounts are estimated based on historical data.

(f) Defined Benefit Liability

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

4. Segment Information

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

Divisions	Products
Home Entertainment (HE)	LCD TV, PDP TV, Monitors, PCs, Security devices, Audio, Video and others
Mobile Communications (MC)	Mobile communications, Network and others
Home Appliance (HA)	Refrigerators, Washing machines, Microwaves, Vacuum cleaners, Healthcare products and others
Air Conditioning & Energy Solution (AE)	Air conditioners, Chillers and others
Other	-

(a) The segment information for sales and operating income(loss) for the years ended December 31, 2012 and 2011, is as follows:

	2012						
(in millions of Korean won)	**HE**	**MC**	**HA**	**AE**	**Other segments[1]**	**Inter-segment transactions[2]**	**Total**
Sales	22,737,977	10,077,498	11,220,840	4,349,533	3,517,979	(943,849)	50,959,978
External sales	22,734,787	10,077,301	11,215,042	4,344,050	2,588,798	-	50,959,978
Internal sales	3,190	197	5,798	5,483	929,181	(943,849)	-
Operating income(loss)[3]	542,218	58,621	528,278	156,323	(149,459)	-	1,135,981
Depreciation and amortization	483,272	315,441	295,663	90,192	127,226	-	1,311,794

	2011						
(in millions of Korean won)	**HE**	**MC**	**HA**	**AE**	**Other segments[1]**	**Inter-segment transactions[2]**	**Total**
Sales	23,902,331	11,692,534	11,081,508	4,584,947	3,978,545	(983,280)	54,256,585
External sales	23,900,878	11,690,967	11,078,586	4,578,825	3,007,329	-	54,256,585
Internal sales	1,453	1,567	2,922	6,122	971,216	(983,280)	-
Operating income(loss)[3]	474,772	(275,690)	319,424	75,382	(214,875)	-	379,013
Depreciation and amortization	485,644	278,756	254,918	76,737	106,260	-	1,202,315

[1] Other segments include operating segments not qualifying as reportable segments, supporting and R&D divisions.
[2] Sales among segments are carried out at arm's length.
[3] Non-operating income(expenses) are not disclosed as Chief Operating Officer does not review them by segments.

(b) The segment information for assets and liabilities is as follows:

	December 31, 2012		December 31, 2011	
(in millions of Korean won)	**Segment assets**	**Segment liabilities**	**Segment assets**	**Segment liabilities**
Home Entertainment (HE)	14,087,363	12,113,340	14,063,934	11,832,253
Mobile Communications (MC)	6,891,881	4,463,562	6,689,008	4,201,161
Home Appliance (HA)	7,857,399	5,729,303	7,307,851	5,327,816
Air Conditioning & Energy Solution (AE)	3,009,048	1,960,555	2,798,424	1,797,373
Sub-total[1]	31,845,691	24,266,760	30,859,217	23,158,603
Other segments and inter-segment transactions	(388,305)	(5,513,591)	1,799,240	(3,648,394)
Total	31,457,386	18,753,169	32,658,457	19,510,209

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

(c) External sales by geographic areas for the years ended December 31, 2012 and 2011, and non-current assets by geographic areas are as follows:

	External sales		Non-current assets[1]	
(in millions of Korean won)	**2012**	**2011**	**December 31, 2012**	**December 31, 2011**
Korea	9,918,367	9,290,586	6,593,190	6,294,475
North America	11,101,929	11,778,334	135,758	139,883
Europe	5,550,781	7,214,189	244,975	249,278
Central & South America	6,763,816	7,394,826	428,613	431,712
Middle Asia & Africa	4,104,625	4,751,643	78,722	81,140
Asia	4,104,701	4,045,709	171,844	176,219
India	2,254,300	2,538,945	143,066	161,414
China	3,518,349	4,136,070	618,450	635,135
Commonwealth of Independent States	3,643,110	3,106,283	187,651	164,193
Total	50,959,978	54,256,585	8,602,269	8,333,449

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

(d) There is no external customer attributing to more than 10% of total sales for the years ended December 31, 2012 and 2011.

5. Financial Instruments by Category

(a) Categorizations of financial instruments as of December 31, 2012 and 2011, are as follows:

	December 31, 2012					
(in millions of Korean won)	**Assets at fair value through profit or loss**	**Derivatives for hedge**	**Loans and receivables**	**Assets classified as available-for-sale**	**Held-to-maturity financial assets**	**Total**
Cash and cash equivalents	-	-	1,832,190	-	-	1,832,190
Financial deposits	-	-	157,176	-	-	157,176
Trade receivables	-	-	6,519,157	-	-	6,519,157
Loans and other receivables	-	-	1,062,031	-	-	1,062,031
Other financial assets	10,380	-	-	53,260	53,555	117,195
Total	10,380	-	9,570,554	53,260	53,555	9,687,749

(in millions of Korean won)	Liabilities at fair value through profit or loss	Derivatives for hedge	Liabilities carried at amortized cost	Total
	December 31, 2012			
Trade payables	-	-	5,194,830	5,194,830
Borrowings	-	-	6,470,654	6,470,654
Other payables	-	-	1,686,693	1,686,693
Other financial liabilities	3,053	13,889	-	16,942
Other liabilities	-	-	24	24
Total	3,053	13,889	13,352,201	13,369,143

(in millions of Korean won)	Assets at fair value through profit or loss	Derivatives for hedge	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Total
	December 31, 2011					
Cash and cash equivalents	-	-	2,345,465	-	-	2,345,465
Financial deposits	-	-	279,439	-	-	279,439
Trade receivables	-	-	6,752,559	-	-	6,752,559
Loans and other receivables	-	-	1,104,948	-	-	1,104,948
Other financial assets	2,832	11,845	-	68,617	57,665	140,959
Total	2,832	11,845	10,482,411	68,617	57,665	10,623,370

(in millions of Korean won)	Liabilities at fair value through profit or loss	Derivatives for hedge	Liabilities carried at amortized cost	Total
	December 31, 2011			
Trade payables	-	-	5,486,871	5,486,871
Borrowings	-	-	7,435,618	7,435,618
Other payables	-	-	1,912,161	1,912,161
Other financial liabilities	14,238	-	-	14,238
Other liabilities	-	-	521	521
Total	14,238	-	14,835,171	14,849,409

(b) Income and expenses by category of financial instruments for the years ended December 31, 2012 and 2011, are as follows:

	December 31, 2012					
(in millions of Korean won)	**Assets at fair value through profit or loss**	**Derivatives for hedge**	**Loans and receivables**	**Assets classified as available-for-sale**	**Held-to-maturity financial assets**	**Total**
Interest income	-	-	89,442	-	4,615	94,057
Exchange differences	-	-	(424,700)	-	(4,110)	(428,810)
Bad debt expenses	-	-	(85,961)	-	-	(85,961)
Loss on the transfer of trade receivables	-	-	(28,111)	-	-	(28,111)
Loss on valuation of available-for-sale financial assets (Other comprehensive income)	-	-	-	(601)	-	(601)
Gains on sales of available- for-sale financial assets	-	-	-	10,334	-	10,334
Impairment of available-for sale financial assets	-	-	-	(8,408)	-	(8,408)
Dividend income	-	-	-	291	-	291
Derivatives (Financial income)	37,056	-	-	-	-	37,056
Derivatives (Other comprehensive income)	-	4,184	-	-	-	4,184

	December 31, 2012			
(in millions of Korean won)	**Liabilities at fair value through profit or loss**	**Derivatives for hedge**	**Liabilities carried at amortized cost**	**Total**
Interest expenses	-	-	(321,974)	(321,974)
Exchange differences	-	-	333,935	333,935
Derivatives (Financial expense)	(32,556)	-	-	(32,556)

	December 31, 2011					
(in millions of Korean won)	**Assets at fair value through profit or loss**	**Derivatives for hedge**	**Loans and receivables**	**Assets classified as available-for-sale**	**Held-to-maturity financial assets**	**Total**
Interest income	-	-	86,216	5	4,354	90,575
Exchange differences	-	-	1,860	-	(465)	1,395
Bad debt expenses	-	-	(4,546)	-	-	(4,546)
Loss on the transfer of trade receivables	-	-	(44,716)	-	-	(44,716)
Loss on valuation of available-for-sale financial assets (Other comprehensive loss)	-	-	-	(3,474)	-	(3,474)
Gains on sales of available- for-sale financial assets (Other comprehensive loss)	-	-	-	658	-	658
Impairment of available-for sale financial assets	-	-	-	(761)	-	(761)
Dividend income	-	-	-	468	-	468
Derivatives (Financial income)	64,179	-	-	-	-	64,179
Derivatives (Other comprehensive loss)	-	(4,717)	-	-	-	(4,717)

	December 31, 2011			
(in millions of Korean won)	**Liabilities at fair value through profit or loss**	**Derivatives for hedge**	**Liabilities carried at amortized cost**	**Total**
Interest expenses	-	-	(318,850)	(318,850)
Exchange differences	-	-	(207,359)	(207,359)
Derivatives (Financial expense)	(63,749)	-	-	(63,749)

6. Cash and Cash Equivalents, and Financial Deposits

(a) Cash and cash equivalents

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

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Cash on hand	4,506	6,080
Bank deposits	1,827,684	2,339,385
Total	1,832,190	2,345,465

(b) Financial deposits

The financial deposits restricted in use are as follows:

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Restricted financial deposits	153,168	179,300
Current	50,000	50,000
Non-current	103,168	129,300

7. Trade Receivables, and Loans and Other Receivables

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

	December 31, 2012			**December 31, 2011**		
(in millions of Korean won)	**Original amount**	**Less : allowance for doubtful accounts**	**Carrying amount**	**Original amount**	**Less : allowance for doubtful accounts**	**Carrying amount**
Current						
Trade receivables	6,648,503	(129,346)	6,519,157	6,853,722	(101,163)	6,752,559
Loans and other receivables	493,780	(19,108)	474,672	562,560	(68,321)	494,239
Non-Current						
Loans and other receivables	587,463	(104)	587,359	611,322	(613)	610,709

(b) Details of loans and other receivables are as follows:

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Current		
Loans	20,608	24,067
Non-trade receivables	304,516	312,591
Accrued income	142,005	148,680
Deposits	7,543	8,901
Sub-Total	474,672	494,239
Non-Current		
Loans	159,859	162,757
Non-trade receivables	20,772	43,589
Deposits	406,728	404,363
Sub-Total	587,359	610,709
Total	1,062,031	1,104,948

(c) The fair values of current loans and other receivables are the same with their carrying amounts. The fair values of non-current loans and other receivables are as follows:

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Loans	144,095	128,430
Non-trade receivables	18,973	38,139
Deposits	364,733	394,765
Total	527,801	561,334

The fair values of non-current loans and other receivables are based on cash flows discounted using a discount rate 5.62% (2011: 6.31%) reflecting credit risk.

(d) The aging analysis of these trade receivables and loans and other receivables as of December 31, 2012 and 2011, is as follows:

	December 31, 2012					
		Overdue				
(in millions of Korean won)	**Current**	**Up to 6 months**	**7 to 12 months**	**Over one year**	**Defaulted**	**Total**
Trade receivables	5,683,249	754,590	71,266	24,225	115,173	6,648,503
Loans and other receivables						
Current	436,543	24,449	11,285	4,405	17,098	493,780
Non-current	567,372	16,970	1,285	1,808	28	587,463

	December 31, 2011					
		Overdue				
(in millions of Korean won)	Current	Up to 6 months	7 to 12 months	Over one year	Defaulted	Total
Trade receivables	6,149,878	525,534	7,832	18,803	151,675	6,853,722
Loans and other receivables						
Current	449,309	48,364	17,176	33,865	13,846	562,560
Non-current	593,710	12,121	4,293	1,198	-	611,322

(e) The allowance for doubtful accounts is recognized based on aging analysis and historical experience.

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

(g) Movements in allowance for doubtful accounts for the years ended December 31, 2012 and 2011, are as follows:

	2012				
(in millions of Korean won)	At Jan. 1	Addition (reversal)	Write-off	Other	At Dec. 31
Trade receivables	101,163	79,635	(44,395)	(7,057)	129,346
Loans and other receivables					
Current	68,321	6,652	(53,953)	(1,912)	19,108
Non-current	613	(326)	(2)	(181)	104

	2011				
(in millions of Korean won)	At Jan. 1	Addition (reversal)	Write-off	Other	At Dec. 31
Trade receivables	120,468	(2,249)	(21,803)	4,747	101,163
Loans and other receivables					
Current	64,008	6,390	(1,836)	(241)	68,321
Non-current	506	405	(285)	(13)	613

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

The bad debt expenses of trade receivables have been included in 'selling and marketing expenses' in the consolidated statements of income and the bad debt expenses of other receivables have been included in 'other non-operating expenses'.

Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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

Trade receivables have been discounted through collateralized borrowing agreements with banks in 2012 and 2011. In case the customers default, the Group has an obligation to pay the related amounts to the bank. As a result, this transaction has been accounted for as a collateralized borrowing (Note 15).

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

	December 31, 2012		**December 31, 2011**	
(in millions of Korean won)	**Discounted receivables**	**Securitized receivables**	**Discounted receivables**	**Securitized receivables**
Carrying amount of asset[1]				
Trade receivables	112,704	1,287,241	182,780	1,545,050
Carrying amount of related liability[1]				
Short-term borrowings	(112,704)	(247,844)	(182,780)	(381,896)
Net position	-	1,039,397	-	1,163,154

[1] Fair values of the above trade receivables and short-term borrowings are the same with their carrying amounts.

8. Other Financial Assets and Liabilities

(a) Details of other financial assets and liabilities are as follows:

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Other financial assets		
Derivatives	10,380	14,677
Available-for-sale	53,260	68,617
Held-to-maturity	53,555	57,665
Total	117,195	140,959
Current	54,109	1,677
Non-current	63,086	139,282
Other financial liabilities		
Derivatives	16,942	14,238
Total	16,942	14,238
Current	321	13,860
Non-current	16,621	378

(b) Derivatives financial instruments

i) Details of derivatives and liabilities are as follows:

	December 31, 2012		December 31, 2011	
(in millions of Korean won)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Current				
Currency Forward	554	321	1,146	1,150
Currency Swap	-	-	531	11
Interest Swap	-	-	-	12,699
Sub-total	554	321	1,677	13,860
Non- current				
Currency Swap	9,826	16,621	11,845	378
Interest Swap	-	-	1,155	-
Sub-total	9,826	16,621	13,000	378
Total	10,380	16,942	14,677	14,238

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

ii) Details of major derivatives contracts are as follows:

- Cross currency swap

The Group entered into the cross-currency swap contracts of up to USD270 million with Bank of Tokyo-Mitsubishi UFJ and others, and up to CHF215 million with Union Bank of Switzerland and others to hedge cash flow risks related to floating interest rates and foreign exchange rates of debentures.

At the end of the reporting period, the swap contracts are evaluated at fair value and the gain on valuation of the effective portion amounting to ₩4,184 million in 2012 (2011: loss on valuation amounting to ₩4,923 million) after applying the tax effect, is recognized in other comprehensive income(loss). The Group reclassified ₩30,020 million to loss from equity in 2012 and ₩11,513 million to profit in 2011.

December 31, 2012	**Contractor**	**Contracted amount *(in millions)***	**Contracted currency rate**	**Interest rate (received)**	**Interest rate (paid)**	**Expiration date**
USD/KRW CRS	BTMU and others	USD170 KRW183,583	USD/KRW 1079.9	3ML +100bp Quarterly	4.2% Quarterly	2014.4.28
	Morgan Stanley and others	USD100 KRW108,340	USD/KRW 1083.4	3ML +70bp Quarterly	2.64 ~ 2.65% Quarterly	2014.8.23
CHF/KRW CRS	UBS and others	CHF215 KRW260,926	CHF/KRW 1213.6	2% Annual	3.64 ~ 3.74% Semi-annual	2016.12.2

The Group entered into cross-currency swap contracts amounting to USD180 million with Standard Chartered Bank. At the end of the reporting period, the swap contracts are evaluated at fair value and the gain on valuation amounting to ₩5,320 million is recognized and the loss on these transactions of cross-currency swap amounting to ₩523 million is also recognized in the consolidated statements of income.

December 31, 2012	Contractor	Contracted amount *(in millions)*	Contracted currency rate	Interest paid (BRL)	Interest received (USD)	Expiration date
USD/BRL CRS	Standard Chartered Bank and others	USD25	USD/BRL	108% CDI	3.00%	2013.11.01
		BRL43.3975	1.7359	Semi-annual	Semi-annual	
		USD30	USD/BRL	105% CDI	3.00%	2014.01.03
		BRL55.86	1.8620	Semi-annual	Semi-annual	
		USD20	USD/BRL	104% CDI	3.1176%	2013.12.12
		BRL37.4	1.8700	Semi-annual	Semi-annual	
		USD20	USD/BRL	113.5% CDI	2.64%	2014.06.13
		BRL40.824	2.0412	Semi-annual	Semi-annual	
		USD20	USD/BRL	113.5% CDI	2.64%	2014.06.25
		BRL40.940	2.0470	Semi-annual	Semi-annual	
		USD20	USD/BRL	113.5% CDI	2.64%	2014.07.03
		BRL41.000	2.0500	Semi-annual	Semi-annual	
		USD15	USD/BRL	113.5% CDI	2.64%	2014.07.15
		BRL30.870	2.0580	Semi-annual	Semi-annual	
USD/MXN CRS	HSBC	USD30	USD/MXN	TIIE + 6bp	LIBOR + 110bp	2014.07.30
		MXN402	13.4	Monthly	Monthly	

- Currency forward

The Group entered into the currency forward contracts to hedge the risk related to foreign exchange rate. The details of currency forward contracts as of December 31, 2012 are as follows:

(in millions of Korean won)	Purchase amount	Selling amount	Gain on valuation	Gain on transaction
Currency forward	60,002	59,812	108	4,519

(c) Assets classified as available-for-sale

i) Details of assets classified as available-for-sale are as follows:

	December 31, 2012				December 31, 2011
(in millions of Korean won)	Acquisition cost	Appreciation	Impairment losses	Carrying amount	Carrying amount
Listed equity securities	1,014	7,154	-	8,168	8,969
Unlisted equity securities	51,490	-	(9,068)	42,422	52,873
Debt securities	4,472	-	(1,802)	2,670	6,775
Total	56,976	7,154	(10,870)	53,260	68,617

ii) The amount recognized as other comprehensive loss resulting from valuation of available-for-sale financial assets is ₩601 million (2011: ₩3,721 million). No reclassification from equity into the consolidated statements of income was recognized (2011: ₩247 million). Also, impairment losses in the amount of ₩8,408 million (2011: ₩761 million) were recognized.

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

(d) Held-to-maturity financial assets consist of:

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Maturity		
Within 1 year	53,555	-
1 to 5 year	-	57,665

The amount recognized as interest income in relation to held-to-maturity financial assets is ₩4,615 million (2011: ₩4,354 million). No impairment losses were recognized in relation to held-to-maturity financial assets.

9. Inventories

Inventories consist of:

	December 31, 2012			**December 31, 2011**		
(in millions of Korean won)	**Amount before valuation**	**Valuation allowance**	**Carrying amount**	**Amount before valuation**	**Valuation allowance**	**Carrying amount**
Finished products and merchandise	2,846,347	(69,665)	2,776,682	3,023,842	(111,725)	2,912,117
Half-finished products and work-in-process	163,776	(5,576)	158,200	188,879	(6,224)	182,655
Raw materials and supplies	1,443,222	(39,033)	1,404,189	1,680,103	(87,919)	1,592,184
Other	291,587	(31,236)	260,351	297,291	(37,087)	260,204
Total	4,744,932	(145,510)	4,599,422	5,190,115	(242,955)	4,947,160

The cost of inventories recognized as expense and included in 'Cost of sales' amounts to ₩37,659,655 million (2011: ₩40,785,068 million) including 'Losses on valuation of inventories' of ₩77,627 million (2011: ₩288,528 million). No reversal of allowance for 'Losses on valuation of inventories' was recognized (2011: nil).

10. Other Assets

Other assets consist of:

(in millions of Korean won)	December 31, 2012	December 31, 2011
Current:		
Advances	130,870	178,690
Prepaid expenses	291,206	291,347
Prepaid value added tax	355,166	420,348
Other	4	3
Sub-Total	777,246	890,388
Non-Current:		
Long-term prepaid expenses	502,502	526,070
Long-term advances	266,519	275,226
Other investment assets	11,838	11,886
Sub-Total	780,859	813,182
Total	1,558,105	1,703,570

11. Property, Plant and Equipment

Carrying amounts of property, plant and equipment consist of:

(in millions of Korean won)	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction-in-progress	Total
At December 31, 2012									
Acquisition cost	2,032,027	3,746,570	285,756	3,462,977	2,866,795	775,522	287,205	404,276	13,861,128
Accumulated depreciation	-	(817,231)	(105,832)	(2,413,776)	(2,257,197)	(577,772)	(129,261)	-	(6,301,069)
Accumulated Impairment	-	(2,440)	(337)	(36,470)	(2,700)	(453)	(48)	-	(42,448)
Net book amount	2,032,027	2,926,899	179,587	1,012,731	606,898	197,297	157,896	404,276	7,517,611
At December 31, 2011									
Acquisition cost	1,995,098	3,468,651	268,877	3,397,677	2,737,500	777,603	305,910	338,460	13,289,776
Accumulated depreciation	-	(730,977)	(96,356)	(2,297,299)	(2,148,319)	(577,203)	(110,103)	-	(5,960,257)
Accumulated impairment	-	(2,546)	(406)	(30,818)	(4,782)	(504)	(50)	-	(39,106)
Net book amount	1,995,098	2,735,128	172,115	1,069,560	584,399	199,896	195,757	338,460	7,290,413

Changes in property, plant and equipment are as follows:

	2012								
(in millions of Korean won)	**Land**	**Buildings**	**Structures**	**Machinery**	**Tools**	**Equipment**	**Other**	**Construction -in-progress**	**Total**
At January 1, 2012	1,995,098	2,735,128	172,115	1,069,560	584,399	199,896	195,757	338,460	7,290,413
Acquisitions	5,431	113,545	13,915	81,112	268,150	73,637	43,057	805,260	1,404,107
Transfer-in(out)	36,668	228,320	16,161	213,214	191,513	8,548	11,325	(723,672)	(17,923)
Disposals / reclassification to assets held-for-sale	(686)	(6,416)	(4,977)	(9,537)	(10,250)	(6,320)	(38,930)	(1,433)	(78,549)
Depreciation	-	(109,298)	(14,453)	(294,214)	(413,001)	(71,769)	(48,482)	-	(951,217)
Impairment / reversal	-	(1,817)	(10)	(12,122)	(865)	(576)	(40)	-	(15,430)
Exchange differences	(4,484)	(32,563)	(3,164)	(35,282)	(13,048)	(6,119)	(4,791)	(14,339)	(113,790)
At December 31, 2012	2,032,027	2,926,899	179,587	1,012,731	606,898	197,297	157,896	404,276	7,517,611

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

Borrowing costs amounting to ₩6,164 million (2011: ₩3,881 million) are capitalized as acquisition costs and a capitalization rate of 8.15% is applied.

The total amount of property, plant and equipment pledged as collateral for various borrowings from banks is ₩161,143 million as of December 31, 2012 (2011: ₩140,151 million).

12. Intangible assets

(a) Carrying amounts of intangible assets consist of:

(in millions of Korean won)	Goodwill	Industrial property rights	Development costs	Other intangible assets	Construction-in-progress	Total
At December 31, 2012						
Acquisition cost	148,159	604,541	1,269,158	531,996	64,936	2,618,790
Accumulated amortization and impairment	-	(263,325)	(990,053)	(287,972)	-	(1,541,350)
Net book amount	148,159	341,216	279,105	244,024	64,936	1,077,440
At December 31, 2011						
Acquisition cost	148,462	526,784	1,047,505	456,444	77,619	2,256,814
Accumulated amortization and impairment	-	(216,722)	(765,359)	(238,936)	-	(1,221,017)
Net book amount	148,462	310,062	282,146	217,508	77,619	1,035,797

(b) Changes in intangible assets are as follows:

	2012					
(in millions of Korean won)	Goodwill	Industrial property rights	Development costs	Other intangible assets	Construction-in-progress	Total
At January 1, 2012	148,462	310,062	282,146	217,508	77,619	1,035,797
Acquisitions	-	1,637	-	74,983	9,232	85,852
Acquisitions by internal development	-	-	69,069	-	188,129	257,198
Transfer-in(out)	-	93,060	200,909	6,342	(206,492)	93,819
Disposals and others	-	(7,292)	(19,872)	(1,497)	(3,500)	(32,161)
Amortization	-	(56,238)	(252,534)	(51,805)	-	(360,577)
Impairment / reversal	-	-	(33)	(49)	-	(82)
Exchange differences	(303)	(13)	(580)	(1,458)	(52)	(2,406)
At December 31, 2012	148,159	341,216	279,105	244,024	64,936	1,077,440

	2011					
(in millions of Korean won)	**Goodwill**	**Industrial property rights**	**Development costs**	**Other intangible assets**	**In-progress**	**Total**
At January 1, 2011	38,873	227,794	284,917	165,730	46,068	763,382
Acquisitions	-	1,949	-	56,252	8,917	67,118
Acquisitions by internal development	-	-	58,104	-	194,628	252,732
Transfer-in(out)	(727)	112,058	163,074	14,801	(169,454)	119,752
Disposals and others	-	(5,410)	(9,466)	(3,580)	(2,777)	(21,233)
Amortization	-	(46,197)	(216,329)	(43,780)	-	(306,306)
Impairment / reversal	-	(130)	(16)	(59)	-	(205)
Changes in scope of subsidiaries and others	110,286	19,985	1,717	28,975	265	161,228
Exchange differences	30	13	145	(831)	(28)	(671)
At December 31, 2011	148,462	310,062	282,146	217,508	77,619	1,035,797

(c) Amortization of intangible assets was presented as follows:

(in millions of Korean won)	**2012**	**2011**
Cost of sales	75,088	55,177
Selling and marketing expenses	15,510	7,964
Administrative expenses	92,887	92,823
Research and development expenses	174,883	148,017
Service costs	2,209	2,325
Total	360,577	306,306

(d) Impairment tests for goodwill

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

(in millions of Korean won)	**AE[1]**	**MC**	**HE**	**Other[2]**	**Total**
Goodwill	64,531	29,894	1,792	51,942	148,159

[1] Goodwill amounting to ₩64,531 million arising from the acquisition of the Air Conditioning division of LS Mtron Co., Ltd. in 2011 is included (Note 43).

[2] Goodwill amounting to ₩45,755 million arising from the acquisition of Hi Entech Co., Ltd. in 2011 is included (Note 43).

The recoverable amount of CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period.

Cash flows beyond the four-year period are extrapolated using the estimated growth rate which does not exceed the long-term average growth rate for the electronic business in which the CGU operated.

Management determined the estimated pre-tax cash flow based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. Discount rates used for value-in-use calculations of AE, MC and other operating segments are 13.0%, 13.9%, and 15.8%, respectively.

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

13. Investments in associates and joint ventures

(a) Investments in associates and joint ventures for the years ended December 31, 2012 and 2011, are as follows:

		Percentage of Ownership	December 31, 2012				December 31, 2011			
(in millions of Korean won)	Domicile	at December 31, 2012	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Display Co., Ltd.	Korea	37.9%	679,218	3,869,592	(48,548)	3,821,044	679,218	3,829,341	(35,172)	3,794,169
LG Innotek Co., Ltd.	Korea	47.9%	381,795	1,296,412	(2,220)	1,294,192	381,795	1,351,819	(1,028)	1,350,791
Ericsson-LG Co., Ltd (formerly LG-Ericsson Co., Ltd)	Korea	25.0%	26,629	91,820	(182)	91,638	53,255	203,968	(2,451)	201,517
LG Holdings (HK) Ltd.	Hong Kong	49.0%	115,234	112,226	-	112,226	115,234	113,180	-	113,180
Hitachi-LG Data Storage Inc.(HLDS)	Japan	49.0%	7,684	33,125	(169)	32,956	7,684	44,027	(271)	43,756
Arcelic-LG Klima Sanayi ve Ticarta .S.(LGEAT)	Turkey	50.0%	14,718	48,630	(460)	48,170	14,718	38,982	(3,223)	35,759
Global OLED Technology LLC.	USA	32.7%	53,454	35,677	-	35,677	53,454	43,750	-	43,750
EIC PROPERTIES PTE LTD.	Singapore	38.2%	9,636	14,208	-	14,208	9,636	13,960	-	13,960
LG Fund for Enterprises	Korea	50.0%	3,678	2,506	-	2,506	3,678	2,941	-	2,941
Korea Information Certificate Authority Inc.[1]	Korea	9.3%	852	2,516	-	2,516	852	2,137	-	2,137
LG Fuel Cell Systems Inc.	USA	25.5%	26,098	21,937	-	21,937	-	-	-	-
Mobile Technology of Human Inc.	Korea	-	-	-	-	-	2,998	1,239	-	1,239
LG Pasig	Philippines	40.0%	1	(2,865)	-	-	1	(1,468)	-	-
SKT Vietnam PTE., Ltd.	Vietnam	25.4%	72,194	7,440	-	-	72,194	8,129	-	-
Total			1,391,191	5,533,224	(51,579)	5,477,070	1,394,717	5,652,005	(42,145)	5,603,199

[1] Classified as an associate although the percentage of ownership is less than 20% because the Group can exercise its voting rights in the Board of Directors.

(b) Valuation of the equity method of accounting on associates and joint ventures for the years ended December 31, 2012 and 2011, follows:

	2012						
(in millions of Korean won)	**Beginning**	**Acquisition**	**Dividend/ recovery**	**Profit/loss**	**Other comprehensive income[2]**	**Actuarial gain(loss)**	**Ending**
LG Display Co., Ltd.	3,794,169	-	-	79,630	(30,932)	(21,823)	3,821,044
LG Innotek Co., Ltd.	1,350,791	-	(262)	(40,728)	(7,231)	(8,378)	1,294,192
Ericsson-LG Co., Ltd (formerly LG-Ericsson Co., Ltd)[1]	201,517	-	(114,704)	5,806	(164)	(817)	91,638
LG Holdings(HK) Ltd.	113,180	-	-	4,600	(5,554)	-	112,226
Hitachi-LG Data Storage Inc.(HLDS)	43,756	-	-	(8,943)	(1,857)	-	32,956
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	35,759	-	-	13,096	(685)	-	48,170
Global OLED Technology LLC.	43,750	-	-	(5,143)	(2,930)	-	35,677
EIC PROPERTIES PTE LTD.	13,960	-	-	433	(185)	-	14,208
LG Fund for Enterprises	2,941	-	-	(435)	-	-	2,506
Korea Information Certificate Authority Inc.	2,137	-	-	375	4	-	2,516
LG Fuel Cell Systems Inc.	-	26,098	-	(2,306)	(1,855)	-	21,937
Mobile Technology of Human Inc.	1,239	-	(1,043)	(196)	-	-	-
LG Pasig	-	-	-	-	-	-	-
SKT Vietnam PTE., Ltd.	-	-	-	-	-	-	-
Total	5,603,199	26,098	(116,009)	46,189	(51,389)	(31,018)	5,477,070

[1] The Group disposed of its 25% ownership of Ericsson-LG Co., Ltd. (formerly LG-Ericsson Co., Ltd.) during the year.

[2] The ₩599 million of other comprehensive income is reclassified into the gain or loss on the disposal of associates and joint ventures.

	2011						
(in millions of Korean won)	**Beginning**	**Acquisition**	**Dividend/ recovery**	**Profit/loss**	**Other comprehensive income**	**Actuarial gain(loss)**	**Ending**
LG Display Co., Ltd.	4,152,474	-	(67,813)	(301,730)	17,936	(6,698)	3,794,169
LG Innotek Co., Ltd.	1,456,727	-	(4,445)	(103,734)	6,252	(4,009)	1,350,791
Ericsson-LG Co., Ltd (formerly LG-Ericsson Co., Ltd)	127,330	-	-	75,343	24	(1,180)	201,517
LG Holdings(HK) Ltd.	98,504	-	-	9,037	5,639	-	113,180
Hitachi-LG Data Storage Inc.(HLDS)	54,782	-	-	(11,205)	179	-	43,756
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	40,857	-	-	3,199	(8,297)	-	35,759
Global OLED Technology LLC.	47,594	-	-	(4,253)	409	-	43,750
EIC PROPERTIES PTE LTD.	11,732	-	-	2,192	36	-	13,960
LG Fund for Enterprises	15,256	-	(13,200)	885	-	-	2,941
Korea Information Certificate Authority Inc.	1,811	-	-	324	2	-	2,137
Mobile Technology of Human Inc.	503	998	-	(262)	-	-	1,239
Electromagnetica Goldstar S.R.L	575	-	(1,370)	732	63	-	-
LG Pasig	-	-	-	-	-	-	-
SKT Vietnam PTE., Ltd.	-	-	-	-	-	-	-
Total	6,008,145	998	(86,828)	(329,472)	22,243	(11,887)	5,603,199

(c) The Group's share in the operating results and in the aggregated assets and liabilities of associates and joint ventures are as follows:

	December 31, 2012		December 31, 2011	
(in millions of Korean won)	**Assets**	**Liabilities and non-controlling interest**	**Assets**	**Liabilities and non-controlling interest**
LG Display Co., Ltd.	9,269,225	5,399,633	9,532,770	5,703,429
LG Innotek Co., Ltd.	3,061,486	1,765,074	2,855,251	1,503,432
Ericsson-LG Co., Ltd (formerly LG-Ericsson Co., Ltd)	152,214	60,394	442,813	238,845
LG Holdings (HK) Ltd.	264,948	152,722	200,376	87,196
Hitachi-LG Data Storage Inc.(HLDS)	179,556	146,431	191,337	147,310
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	75,749	27,119	81,522	42,540
Other	98,982	17,563	92,155	21,467
Total	13,102,160	7,568,936	13,396,224	7,744,219

Goodwill and fair value adjustments resulted from business combination on the identifiable assets and liabilities are included in the above assets and liabilities.

	2012			2011		
(in millions of Korean won)	**Sales**	**Profit(loss)**	**Comprehensive income(loss)**	**Sales**	**Profit(loss)**	**Comprehensive income(loss)**
LG Display Co., Ltd.	11,154,901	92,985	40,230	9,207,271	(286,440)	(275,142)
LG Innotek Co., Ltd.	2,544,075	(39,535)	(55,144)	2,180,214	(103,664)	(101,418)
Ericsson-LG Co., Ltd (formerly LG-Ericsson Co., Ltd)	259,849	4,176	3,196	693,788	74,928	73,773
LG Holdings (HK) Ltd.	19,513	4,600	(954)	17,300	9,273	14,912
Hitachi-LG Data Storage Inc.(HLDS)	691,566	(9,043)	(10,900)	816,660	(3,516)	(3,338)
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	198,513	10,348	9,663	227,596	4,118	(4,147)
Other	7,278	(7,274)	(12,241)	5,557	(775)	(329)
Total	14,875,695	56,257	(26,150)	13,148,386	(306,076)	(295,689)

(d) Accumulated comprehensive loss that was not recognized due to discontinuation of the equity method is as follows:

(in million of Korean won)	**December 31, 2011**	**Increase**	**December 31, 2012**
Accumulated comprehensive loss	46,172	2,086	48,258

(e) The fair values of listed associates are as follows:

	December 31, 2012			
(in millions of Korean won)	**Shares owned (Unit: shares)**	**Price per share (Unit: won)**	**Market trade value**	**Book value**
LG Display Co., Ltd.	135,625,000	31,050	4,211,156	3,821,044
LG Innotek Co., Ltd.	9,653,181	82,300	794,457	1,294,192

	December 31, 2011			
(in millions of Korean won)	**Shares owned (Unit: shares)**	**Price per share (Unit: won)**	**Market trade value**	**Book value**
LG Display Co., Ltd.	135,625,000	24,500	3,322,813	3,794,169
LG Innotek Co., Ltd.	9,653,181	67,800	654,486	1,350,791

14. Investment Property

Details of investment property are as follows:

(in millions of Korean won)	**Land**	**Buildings**	**Total**
At December 31, 2012			
Acquisition cost	2,453	7,581	10,034
Accumulated depreciation	-	(2,816)	(2,816)
Net book amount	2,453	4,765	7,218
At December 31, 2011			
Acquisition cost	2,453	7,200	9,653
Accumulated depreciation	-	(2,414)	(2,414)
Net book amount	2,453	4,786	7,239

Changes in carrying amounts of investment property for the years ended December 31, 2012 and 2011, are as follows:

	2012		
(in millions of Korean won)	**Land**	**Buildings**	**Total**
At January 1	2,453	4,786	7,239
Transfer-in	-	244	244
Depreciation	-	(265)	(265)
At December 31	2,453	4,765	7,218

	2011		
(in millions of Korean won)	**Land**	**Buildings**	**Total**
At January 1	2,880	4,415	7,295
Transfer-in(out)	(427)	534	107
Depreciation	-	(163)	(163)
At December 31	2,453	4,786	7,239

The fair value of investment property as of the end of reporting period, is ₩7,636 million (2011: ₩6,170 million).

Rental income amounting to ₩176 million (2011: ₩364 million) and rental expenses amounting to ₩278 million (2011: ₩173 million) are recognized in the consolidated statements of income relating to investment property.

15. Borrowings

(a) The carrying amounts of borrowings are as follows:

(in millions of Korean won)	December 31, 2012	December 31, 2011
Current		
Short-term borrowings	1,161,730	1,673,417
Current maturities of long-term borrowings	393,610	548,830
Current maturities of debentures	489,651	955,965
Sub-total	2,044,991	3,178,212
Non-current		
Long-term borrowings	2,371,423	2,243,218
Debentures	2,054,240	2,014,188
Sub-total	4,425,663	4,257,406
Total	6,470,654	7,435,618

(b) Details of borrowings

i) Short-term borrowings consist of:

(in millions of Korean won)	Latest maturity date	Annual interest rate at Dec. 31, 2012	Carrying amount December 31, 2012	Carrying amount December 31, 2011
General loans				
HSBC and others	2013.10.28	3.1~18.75%	801,182	1,108,741
Borrowings on negotiated trade bills[1]				
Woori Bank and others	-	0.75~4.08%	360,548	564,676
Total			1,161,730	1,673,417

[1] At the end of the reporting period, borrowings are collateralized by certain trade receivables of the Group (Note 7).

ii) Long-term borrowings as of December 31, 2012 and 2011, consist of:

(in millions of Korean won)	Latest maturity date	Annual interest rate at Dec. 31, 2012	December 31, 2012 Total	Current	Non-current
Local currency loans					
Kookmin Bank	2013.05.14	4.67%	190,000	190,000	-
Kookmin Bank	2014.11.12	4.62%	150,000	-	150,000
Kookmin Bank	2016.05.24	4.73%	190,000	-	190,000
NH Bank	2014.03.10	4.70%	190,000	-	190,000
Shinhan Bank	2016.10.19	4.37%	190,000	47,500	142,500
Shinhan Bank	2017.02.16	Financial bond 6M+0.94%	190,000	-	190,000
Woori Bank	2014.02.18	5.67%	10,000	-	10,000
Woori Bank	2017.10.28	4.62%	190,000	-	190,000
Small & Medium Business Corporation	2014.11.17	3.80%	136	68	68
Korea Development Bank	2013.03.11	4.59%	100,000	100,000	-
Korea Development Bank	2014.04.07	4.45%	190,000	-	190,000
Korea Development Bank	2014.06.24	5.56%	8,000	-	8,000
Korea Development Bank	2014.06.24	5.68%	6,000	-	6,000
Korea Development Bank	2014.06.24	5.31%	6,000	-	6,000
Korea Development Bank	2014.11.24	4.55%	150,000	-	150,000
Korea Development Bank	2014.12.24	4.71%	140,000	-	140,000
Korea Development Bank	2015.03.10	5.06%	90,000	-	90,000
Korea Development Bank	2015.05.04	5.24%	16,000	-	16,000
Korea Development Bank	2015.05.04	4.52%	4,000	-	4,000
Korea Finance Corporation	2014.02.28	4.56%	90,000	-	90,000
Korea Finance Corporation	2015.02.28	4.80%	100,000	-	100,000
Korea Finance Corporation	2015.09.13	4.57%	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64%	40,000	-	40,000
Korea Finance Corporation	2016.04.20	4.63%	30,000	-	30,000
Korea Finance Corporation	2017.03.29	4.62%	190,000	-	190,000
Foreign currency loans					
HSBC and others	-	1.31 ~ 9.19%	224,897	56,042	168,855
Total			2,765,033	393,610	2,371,423

(in millions of Korean won)	Latest maturity date	Annual interest rate at Dec. 31, 2011	December 31, 2011 Total	Current	Non-current
Local currency loans					
Kookmin Bank	2012.07.01	5.18%	55	55	-
Kookmin Bank	2013.05.14	4.67%	190,000	-	190,000
Kookmin Bank	2014.11.12	4.62%	150,000	-	150,000
Kookmin Bank	2016.05.24	4.73%	190,000	-	190,000
NH Bank	2014.03.10	4.70%	190,000	-	190,000
Shinhan Bank	2016.10.19	4.37%	190,000	-	190,000
Woori Bank	2014.02.18	5.67%	10,000	-	10,000
Woori Bank	2017.10.28	4.62%	190,000	-	190,000
Small & Medium Business Corporation	2014.11.17	3.90%	204	68	136
Korea Development Bank	2012.03.30	5.81%	190,000	190,000	-
Korea Development Bank	2013.03.11	4.59%	100,000	-	100,000
Korea Development Bank	2014.04.07	4.45%	190,000	-	190,000
Korea Development Bank	2014.06.24	5.56%	8,000	-	8,000
Korea Development Bank	2014.06.24	5.68%	6,000	-	6,000
Korea Development Bank	2014.06.24	5.31%	6,000	-	6,000
Korea Development Bank	2014.11.24	4.55%	150,000	-	150,000
Korea Development Bank	2014.12.24	4.71%	140,000	-	140,000
Korea Development Bank	2015.03.10	5.06%	90,000	-	90,000
Korea Finance Corporation	2014.02.28	4.56%	90,000	-	90,000
Korea Finance Corporation	2015.02.28	4.80%	100,000	-	100,000
Korea Finance Corporation	2015.09.13	4.57%	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64%	40,000	-	40,000
Korea Finance Corporation	2016.04.20	4.63%	30,000	-	30,000
Foreign currency loans					
Korea Development Bank	2012.06.26	3ML+0.4%	230,660	230,660	-
SMBC and others	-	5.99~10.3%	231,129	128,047	103,082
Total			2,792,048	548,830	2,243,218

iii) Debentures as of December 31, 2012 and 2011, consist of:

(in millions of Korean won)		Latest maturity date	Annual interest rate at Dec. 31, 2012	December 31, 2012 Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds (54th)	2013.04.22	4.20%	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (55th)	2013.06.16	4.60%	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (56th)	2015.09.09	4.63%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57th)	2015.10.22	4.30%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-1st)	2014.02.16	4.44%	130,000	-	130,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2nd)	2016.02.16	4.91%	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59th)[1]	2014.04.28	3ML+1.00%	182,087	-	182,087
Fixed rate notes in local currency	Public, non-guaranteed bonds (60th)	2016.05.20	4.41%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61st)	2016.06.29	4.38%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-1st)	2013.08.05	3.89%	110,000	110,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2nd)	2016.08.05	4.34%	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(63rd)[1]	2014.08.23	3ML+0.70%	107,110	-	107,110
Fixed rate notes in local currency	Public, non-guaranteed bonds (64th)	2016.09.30	4.32%	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65th)[1]	2016.12.02	2.00%	252,216	-	252,216
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1st)	2015.09.10	3.18%	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2nd)	2017.09.10	3.28%	130,000	-	130,000
Less: discount on debentures				(7,522)	(349)	(7,173)
Total				2,543,891	489,651	2,054,240

(in millions of Korean won)		Latest maturity date	Annual interest rate at Dec. 31, 2011	December 31, 2011 Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds (49th)	2012.04.11	5.27%	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (51st)	2012.02.17	5.99%	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (54th)	2013.04.22	4.20%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (55th)	2013.06.16	4.60%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (56th)	2015.09.09	4.63%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57th)	2015.10.22	4.30%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-1st)	2014.02.16	4.44%	130,000	-	130,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2nd)	2016.02.16	4.91%	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59th)[1]	2014.04.28	3ML+1.00%	196,061	-	196,061
Fixed rate notes in local currency	Public, non-guaranteed bonds (60th)	2016.05.20	4.41%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61st)	2016.06.29	4.38%	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-1st)	2013.08.05	3.89%	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2nd)	2016.08.05	4.34%	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds (63rd)[1]	2014.08.23	3ML+0.70%	115,330	-	115,330
Fixed rate notes in local currency	Public, non-guaranteed bonds (64th)	2016.09.30	4.32%	190,000	-	190,000
Floating rate notes in foreign currency	Citibank, N.A.	2012.05.15	3ML+0.65%	576,650	576,650	-
Less: discount on debentures				(7,888)	(685)	(7,203)
Total				2,970,153	955,965	2,014,188

[1] The Group entered into cross-currency swap contract to hedge cash flow risk related to floating interest rate and foreign exchange rate of the debenture (Note 8).

iv) The carrying amounts and fair value of non-current borrowings consist of:

	December 31, 2012		**December 31, 2011**	
(in millions of Korean won)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Long-term borrowings	2,371,423	2,463,561	2,243,218	2,303,461
Debentures	2,054,240	2,101,628	2,014,188	2,059,063
Total	4,425,663	4,565,189	4,257,406	4,362,524

The fair values of non-current borrowings are based on cash flows discounted using rates of return on non-guaranteed bonds having similar credit ratings as the Group.

(c) Payment schedule of borrowings as of December 31, 2012, is as follows:

			Less than	
(in millions of Korean won)	**Total**	**1 year**	**2 years**	**5 years**
Short-term borrowings	1,188,757	1,188,757	-	-
Current maturities of long-term borrowings	400,012	400,012	-	-
Current maturities of debentures	501,569	501,569	-	-
Long-term borrowings	2,667,275	108,064	1,230,812	1,328,399
Debentures	2,330,722	83,919	496,941	1,749,862
Total	7,088,335	2,282,321	1,727,753	3,078,261

The above cash flow is calculated at nominal value based on the nearest date of maturity, and includes cash flow of principal and interests.

16. Other Payables

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Current		
Non-trade payables	1,650,865	1,872,973
Accrued expenses	2,356,385	1,888,487
Deposits received	16,714	18,698
Sub-total	4,023,964	3,780,158
Non-current		
Non-trade payables	8,404	9,643
Deposits received	10,710	10,847
Sub-total	19,114	20,490
Total	4,043,078	3,800,648

17. Deferred Income Tax

(a) The analysis of deferred tax assets and deferred tax liabilities as of December 31, 2012 and 2011, is as follows:

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	809,027	839,195
Deferred tax asset to be recovered after more than 12 months	1,497,776	1,417,296
Deferred tax assets before offsetting	2,306,803	2,256,491
Deferred tax liabilities:		
Deferred tax liability to be settled within 12 months	75,722	77,807
Deferred tax liability to be settled after more than 12 months	952,133	947,850
Deferred tax liabilities before offsetting	1,027,855	1,025,657
Deferred tax assets, net	1,278,948	1,230,834

(b) Movements in deferred income tax assets and liabilities during the years ended December 31, 2012 and 2011, without offsetting of balances within the same tax jurisdiction, are as follows:

	2012					
(in millions of Korean won)	**At January 1**	**Adjustment in respective of prior years**	**Charged (credited) to the statements of income**	**Charged(credited) to other comprehensive income**	**Exchange differences**	**At December 31**
Changes in temporary differences						
Investments in subsidiaries[1] and associates	(316,642)	8,239	28,140	894	-	(279,369)
Property, plant and equipment	(164,627)	1,404	19,957	-	(1,775)	(145,041)
Accrued expenses	411,315	-	83,943	-	(5,533)	489,725
Provisions	143,574	-	(17,876)	-	(4,970)	120,728
Other	202,539	2,342	(67,412)	26,223	(20,008)	143,684
Sub-total	276,159	11,985	46,752	27,117	(32,286)	329,727
Tax credits carryforwards	459,081	(6,555)	154,571	-	(1,550)	605,547
Tax loss carryforwards	495,594	(16,050)	(134,547)	-	(1,323)	343,674
Deferred tax assets(liabilities)	1,230,834	(10,620)	66,776	27,117	(35,159)	1,278,948

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

[1] At the reporting date, deferred tax liabilities amounting to ₩1,315 million (2011: ₩10,390 million) were recognized for the temporary differences from subsidiaries expected to be realized through dividends. However, deferred tax liabilities of ₩25,211 million (2011: ₩143,790 million) were not recognized for the temporary differences on the unremitted earnings of subsidiaries which are expected to be permanently reinvested.

(c) Tax effects recognized in other comprehensive income directly are as follows:

	December 31, 2012			December 31, 2011		
(in millions of Korean won)	Before Tax	Tax effects	After Tax	Before Tax	Tax effects	After Tax
Other comprehensive income:						
Actuarial loss on defined benefit liability	(310,842)	71,021	(239,821)	(192,812)	43,788	(149,024)
Cash flow hedge	(974)	236	(738)	(6,495)	1,573	(4,922)
Available-for-sale financial assets	7,154	(1,630)	5,524	8,082	(1,957)	6,125
Currency translation differences	(627,717)	(102)	(627,819)	(311,077)	(996)	(312,073)
Total	(932,379)	69,525	(862,854)	(502,302)	42,408	(459,894)

(d) Expirations of unrecognized tax loss and tax credit carryforwards as of December 31, 2012, are as follows:

(in millions of Korean won)	Tax loss	Tax credit
Within 1 year	629	-
Within 2 years	496	73,350
Within 3 years	967	225,660
Over 3 years	341,582	306,537
Total	343,674	605,547

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognized the deferred income tax asset since all the future tax benefits are determined to be realizable as of December 31, 2012, except for the deferred tax assets of ₩101,301 million relating to tax loss and tax credits carryforwards as it is not certain that the difference will be realized in the future.

18. Defined Benefit Liability

(a) The amounts recognized in the consolidated statements of financial position are determined as follows:

(in millions of Korean won)	December 31, 2012	December 31, 2011
Present value of funded obligations	1,442,494	1,133,650
Present value of unfunded obligations	34,311	27,731
Sub-total	1,476,805	1,161,381
Fair value of plan assets	(947,446)	(738,075)
Total	529,359	423,306

(b) The amounts recognized in the consolidated statements of income for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
Current service cost	225,640	188,800
Interest expense	51,665	45,324
Expected return on plan assets	(29,889)	(24,959)
Past service cost	716	1,250
Total	248,132	210,415

(c) The line items in which expenses are included for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
Cost of sales	116,420	101,768
Selling and marketing expenses	49,419	44,153
Administrative expenses	14,962	12,606
Research and development expenses	58,946	47,439
Service costs	8,385	4,449
Total	248,132	210,415

(d) Cumulative actuarial losses recognized in the consolidated statements of comprehensive income for the year ended December 31, 2012, are ₩239,821 million (2011: ₩149,024 million).

(e) Changes in the defined benefit obligations for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
At January 1	1,161,381	868,843
Current service cost	225,640	188,800
Interest expense	51,665	45,324
Benefits paid	(80,910)	(74,185)
Past service cost	685	1,219
Changes in scope of subsidiaries	-	6,335
Actuarial loss	121,474	126,918
Other	(3,130)	(1,873)
At December 31	1,476,805	1,161,381

(f) Changes in the fair value of plan assets for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
At January 1	738,075	550,731
Expected return on plan assets	29,889	24,959
Employer contributions	223,381	183,438
Benefits paid	(46,762)	(26,299)
Changes in scope of subsidiaries	-	3,431
Actuarial gain	3,250	2,443
Other	(387)	(628)
At December 31	947,446	738,075

(g) The actual return on plan assets for the year ended December 31, 2012, is ₩33,139 million (2011: ₩27,402 million).

(h) The principal actuarial assumptions used are as follows:

	December 31, 2012	**December 31, 2011**
Discount rate	3.8%	4.7%
Expected rate of return	3.9%	4.3%
Future salary increase	6.0%	6.0%

(i) Plan assets consist of:

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Securities combined with derivatives (guaranteed)	582,827	460,724
Time deposits and others	364,619	277,351
Total	947,446	738,075

(j) Adjustments for the differences between initial assumptions and actual figures arising on the defined benefit obligation and the plan assets as of December 31, for the latest five years including year 2012 are as follows:

(in millions of Korean won)	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2009**	**Jan. 1, 2009**
Present value of obligation	1,476,805	1,161,381	868,843	755,507	744,939
Fair value of plan assets	(947,446)	(738,075)	(550,731)	(456,101)	(467,349)
Deficit in the plan	529,359	423,306	318,112	299,406	277,590
Experience adjustments on defined benefit obligation	(1,729)	(38,001)	(9,696)	16,917	-
Experience adjustments on plan assets	3,250	2,443	(1,824)	5,298	-

(k) Expected future contribution of defined benefit plans by employer is best estimated to be ₩178,060 million in 2013.

19. Provisions

Changes in provisions during the years ended December 31, 2012 and 2011, are as follows:

	2012				
(in millions of Korean won)	**Warranty**	**Sales returns**	**Restoration**	**Litigation and others**	**Total**
At January 1, 2012	699,363	67,844	6,672	526,269	1,300,148
Addition	857,178	239,388	2,818	514,309	1,613,693
Utilization	(935,648)	(242,530)	(584)	(116,493)	(1,295,255)
Exchange differences	(27,755)	(3,204)	(24)	(15,641)	(46,624)
At December 31, 2012	593,138	61,498	8,882	908,444	1,571,962
Current	539,713	61,498	-	37,880	639,091
Non-current	53,425	-	8,882	870,564	932,871

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

20. Other Liabilities

Other liabilities during the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Current		
Advances from customers	343,374	485,666
Unearned income	64,632	49,265
Withholding	396,870	413,776
Dividends payable	24	521
Other	33	34
Sub-total	804,933	949,262

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Non-current		
Unearned income	1,543	1,464
Other	1,756	1,774
Sub-total	3,299	3,238
Total	808,232	952,500

21. Paid-in Capital

As of December 31, 2012 and 2011, the number of shares authorized is 600 million.

		December 31, 2012		**December 31, 2011**	
	Par value per share	**Number of shares issued**	**Amount (in millions)**	**Number of shares issued**	**Amount (in millions)**
Common stock[1]	5,000	163,647,814	818,239	163,647,814	818,239
Preferred stock[2]	5,000	17,185,992	85,930	17,185,992	85,930
Total		180,833,806	904,169	180,833,806	904,169

[1] The Parent Company issued new shares as approved by the Board of Directors on November 3, 2011. Details as follows:

Contents	Details
Purpose of issuance	Funds for investment and operation
Type of issued shares	Common shares
Total number of issued shares	19,000,000
Par value	₩51,600 per share

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

Share premium balances are as follows:

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Share premium[3]	3,088,179	3,088,179

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

22. Retained Earnings

Retained earnings consist of:

(in millions of Korean won)	December 31, 2012	December 31, 2011
Legal reserve[1]	145,816	142,128
Discretionary reserve[2]	6,351,342	6,756,716
Unappropriated retained earnings	2,910,509	2,600,690
Total	9,407,667	9,499,534

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

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

Changes in retained earnings are as follows:

(in millions of Korean won)	2012	2011
At January 1	9,499,534	10,108,173
Profit(loss) for the year attributable to equity holders of the Parent Company	66,774	(469,624)
Actuarial loss	(90,741)	(94,056)
Actuarial loss of the associates	(31,018)	(11,887)
Dividends	(36,872)	(33,072)
Other	(10)	-
At December 31	9,407,667	9,499,534

23. Accumulated Other Comprehensive Income(loss)

Details of accumulated other comprehensive income(loss) consist of:

(in millions of Korean won)	December 31, 2012	December 31, 2011
Ownership on accumulated other comprehensive income(loss) of associates and joint ventures	(64,983)	(14,193)
Cash flow hedge	(738)	(4,922)
Available-for-sale financial assets	5,455	6,125
Currency translation differences	(613,955)	(313,594)
Total	(674,221)	(326,584)

24. Other Components of Equity

Details of other components of equity consist of:

(in millions of Korean won)	December 31, 2012	December 31, 2011
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]	(238,563)	(238,520)
Total	(271,382)	(271,339)

[1] The Parent Company has treasury shares consisting of 763,168 shares (2011: 763,165 shares) of common shares and 4,690 shares (2011: 4,687 shares) of preferred shares at the reporting date. The Parent Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

[2] The amounts include gain(loss) from transactions with non-controlling interests and other reserves of subsidiaries, net of related deferred tax.

25. Share-Based Payments

The 259,250 shares of unexercised stock appreciation rights as of December 31, 2011, were all exercised in 2012.

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

	Weighted average stock price (in won)[1]		Number of options (unit: shares)	
	2012	2011	2012	2011
Beginning	72,065	101,507	259,250	275,500
Exercised[2]	88,169	114,810	(259,250)	(16,250)
Ending	-	72,065	-	259,250

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

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

26. Net Sales

Details of net sales for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
Net sales		
Sales of goods	49,914,294	53,310,154
Sales of services	734,433	628,266
Royalty income	311,251	318,165
Total	50,959,978	54,256,585

27. Expenses by Nature

Expenses that are recorded by nature for the years ended December 31, 2012 and 2011, consist of:

(in millions of Korean won)	**2012**	**2011**
Changes in inventories	50,289	786,015
Purchase of raw materials and merchandise	34,983,350	37,756,272
Employee benefit expense (Note 28)	4,495,898	4,394,794
Depreciation and amortization	1,308,031	1,197,097
Advertising expense	1,226,306	1,291,027
Promotion expense	737,052	861,542
Transportation expense	1,586,566	1,833,513
Commission expense	2,446,527	2,555,738
Other expenses	2,989,978	3,201,574
Total[1]	49,823,997	53,877,572

[1] Cost of sales, selling and marketing expenses, administrative expenses, research and development expenses and service costs are included.

28. Employee Benefit Expense

(in millions of Korean won)	**2012**	**2011**
Wages and salaries	3,493,272	3,434,908
Welfare expense	711,532	726,680
Stock options (Note 25)	3,355	(7,256)
Defined contribution plans	6,783	6,132
Defined benefit plans (Note 18)	248,132	210,415
Other post-employment benefits	13,316	16,154
Termination expense	6,263	4,972
Other	13,245	2,789
Total	4,495,898	4,394,794

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

Details of general operating expenses for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
Wages and salaries	2,307,899	2,306,097
Severance benefits	127,911	121,772
Welfare expense	512,708	537,940
Transportation expense	1,555,748	1,807,491
Rental expense	418,491	429,938
Commission expense	1,817,191	1,919,561
Depreciation	199,473	188,522
Amortization	285,490	251,129
Taxes and dues	149,515	151,399
Advertising expense	1,226,306	1,291,027
Promotion expense	737,052	861,542
Direct R&D costs	328,785	322,964
Direct service costs	736,907	991,366
Other	767,606	639,229
Total	11,171,082	11,819,977

30. Research and Development Expenditure

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

(in millions of Korean won)	**2012**	**2011**
Uncapitalized research and development expenditure	2,700,212	2,518,077
Amortized development costs (Note 12)	252,534	216,329
Total	2,952,746	2,734,406

31. Financial Income

(in millions of Korean won)	**2012**	**2011**
Interest income	94,057	90,575
Foreign exchange gain	314,798	429,182
Gain on derivatives	32,525	51,762
Other	-	174
Total	441,380	571,693

32. Financial Expenses

(in millions of Korean won)	2012	2011
Interest expense	321,974	318,850
Foreign exchange loss	361,258	495,023
Loss on derivatives	23,460	50,320
Loss on disposal of trade receivables	28,111	44,716
Other	916	895
Total	735,719	909,804

33. Other Non-operating Income

Other non-operating income for the years ended December 31, 2012 and 2011, consist of:

(in millions of Korean won)	2012	2011
Dividend income	291	468
Exchange differences	1,039,555	1,444,197
Gain on derivatives	4,531	12,418
Gain on disposal of property, plant and equipment	12,284	10,578
Gain on disposal of intangible assets	855	14,111
Gain on disposal of investments in associates and joint ventures	136,408	-
Other	62,454	100,660
Total	1,256,378	1,582,432

34. Other Non-operating Expenses

Other non-operating expenses for the years ended December 31, 2012 and 2011, consist of:

(in millions of Korean won)	2012	2011
Exchange differences	1,031,907	1,584,318
Loss on derivatives	9,096	13,429
Loss on disposal of property, plant and equipment	16,277	20,690
Loss on disposal of intangible assets	30,039	19,389
Other	532,823	55,349
Total	1,620,142	1,693,175

35. Income Tax

Details of income tax expense are as follows:

(in millions of Korean won)	**2012**	**2011**
Current income taxes		
Current tax on profits for the year	228,398	256,948
Adjustments in respect of prior years	138,072	30,022
Deferred tax		
Changes in temporary differences	66,776	(253,478)
Income tax expense	433,246	33,492

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

	2012		**2011**	
(in millions of Korean won)	**Change in tax expense**	**Tax rate**	**Change in tax expense**	**Tax rate**
Profit(loss) before income tax	524,067		(399,313)	
Tax expense based on weighted average applicable tax rate[1]	168,466	32.1%	(83,978)	21.0%
Tax adjustments:				
Income not subject to tax	(19,438)	(3.7%)	(12,620)	3.2%
Expenses not deductible for tax purposes	160,913	30.7%	30,954	(7.8%)
Recognition of deferred tax asset on tax credits	(78,792)	(15.0%)	(117,416)	29.4%
Adjustments in respect of prior years	138,072	26.3%	30,022	(7.5%)
Changes in unrecognized deferred tax assets	(6,010)	(1.1%)	80,439	(20.1%)
Tax effect on investment in subsidiaries and associates	59,740	11.4%	66,332	(16.6%)
Change in tax rates	1,500	0.3%	37,895	(9.5%)
Other	8,795	1.7%	1,864	(0.5%)
Income tax	433,246	82.7%	33,492	(8.4%)

[1] The weighted average applicable tax rate was 32.1% (2011: 21%). The increase is caused by improvement of the profitability of the Group's subsidiaries in countries with higher tax rates.

36. Earnings(loss) per Share

In the prior year, the diluted earnings per common share is not computed due to anti-dilution. For the current year, the Group has no potential dilutive common shares. Accordingly, basic earnings(loss) per share is identical to diluted earnings(loss) per share.

Basic earnings(loss) per common share is as follows:

	2012	2011
Profit(loss) attributable to common shares[1] (in millions of won)	59,626	(425,591)
Weighted average number of common shares outstanding (unit: shares)[2]	162,884,648	147,768,109
Basic earnings(loss) per common share (in won)	366	(2,880)

Basic earnings(loss) per preferred share is as follows:

	2012	2011
Profit(loss) attributable to preferred shares[1] (in millions of won)	7,148	(44,033)
Weighted average number of preferred shares outstanding (unit: shares)[2]	17,181,303	17,181,305
Basic earnings(loss) per preferred share (in won)	416	(2,563)

[1] Profit attributable to common and preferred shares is as follows:

(in millions of Korean won)	2012	2011
Profit(loss) for the year attributable to the Parent Company(A)	66,774	(469,624)
Common share dividends(B)	32,577	32,577
Preferred share dividends(C)	4,295	4,295
Undistributed earnings(loss)(D=A-B-C)	29,902	(506,496)
Undistributed earnings(loss) available for common shares(E)	27,049	(458,168)
Undistributed earnings(loss) available for preferred shares (F)	2,853	(48,328)
Profit(loss) attributable to common shares(G=B+E)	59,626	(425,591)
Profit(loss) attributable to preferred shares(H=C+F)	7,148	(44,033)

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

	2012	2011
Common shares outstanding	163,647,814	163,647,814
Common treasury shares	(763,168)	(763,165)
Common shares	162,884,646	162,884,649
Weighted average number of common shares outstanding	162,884,648	147,768,109
Preferred shares outstanding	17,185,992	17,185,992
Preferred treasury shares	(4,690)	(4,687)
Preferred shares	17,181,302	17,181,305
Weighted average number of preferred shares outstanding	17,181,303	17,181,305

37. Dividends

The numbers of shares entitled to dividends are as follows:

(Unit: shares)	2012	2011
Common shares	162,884,646	162,884,649
Preferred shares	17,181,302	17,181,305

Details of the Parent Company's dividends declared as of December 31, 2012 and 2011, are as follows:

	2012	
(in millions of Korean won)	**Calculation**	**Amount**
Common shares	162,884,646 X ₩5,000 X 4%	32,577
Preferred shares	17,181,302 X ₩5,000 X 5%	4,295
Total		36,872

	2011	
(in millions of Korean won)	**Calculation**	**Amount**
Common shares	162,884,649 X ₩5,000 X 4%	32,577
Preferred shares	17,181,305 X ₩5,000 X 5%	4,295
Total		36,872

The Parent Company's dividend payout ratios and dividend yield ratio for the years ended December 31, 2012 and 2011, are computed as follows:

	Calculation	2012	2011
Dividend payout ratio	Total dividends/ the Parent Company's profit for the year	-[1]	-[1]
Dividend yield ratio	Dividend per share/ Market price[2]		
	Common shares	0.27%	0.27%
	Preferred shares	1.22%	1.05%

[1] Dividend payout ratio is not calculated due to the net loss of the Parent Company.
[2] Average of prices in the stock market for one week preceding the two business days before the record date of the shareholders' list for the general meeting of shareholders related to above dividends.

38. Cash Generated from Operations

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

(in millions of Korean won)	**2012**	**2011**
Profit(loss) for the year	90,821	(432,805)
Adjustments:		
Interest expense, net	227,917	228,275
Foreign exchange loss(gain), net	(53,315)	94,941
Gain on derivatives, net	(4,500)	(430)
Depreciation	951,217	896,009
Amortization	360,577	306,306
Loss on disposal of property, plant and equipment, intangible assets, net	33,177	15,390
Provisions for severance benefits	248,132	210,415
Provisions	1,613,693	1,527,772
Income tax expense	433,246	33,492
Loss(gain) from equity method	(46,189)	329,472
Loss(gain) on disposal of investments in associates and joint ventures	(136,147)	1,586
Other	234,821	89,629
	3,862,629	3,732,857
Changes in operating assets and liabilities:		
Decrease(increase) in trade receivables	(318,227)	229,558
Decrease in loans and other receivables	12,450	22,822
Decrease(increase) in inventories	(34,626)	768,733
Decrease(increase) in other assets	29,955	(62,652)
Increase(decrease) in trade payables	112,976	(344,623)
Increase in other payables	367,117	48,805
Decrease in provisions	(1,295,255)	(1,525,626)
Increase(decrease) in other liabilities	(110,916)	34,723
Payment of defined benefit liability	(34,148)	(47,886)
Deposit in plan assets, net	(223,381)	(183,438)
	(1,494,055)	(1,059,584)
Cash generated from operations	2,459,395	2,240,468

Significant transactions not affecting cash flows for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	2012	2011
Reclassification of construction-in-progress of property, plant and equipment	723,672	1,173,476
Reclassification of intangible assets in progress	206,492	169,454
Reclassification of long-term prepayment to intangible assets	93,060	111,161
Reclassification of current maturities of borrowings and debentures	885,177	1,504,795

39. Contingencies

(a) At the end of the reporting period, borrowings are collateralized by property, plant and equipment, including land, buildings and machinery, and intangible assets, including land use rights, with the book value of ₩166,671 million (2011: ₩145,052 million).

(b) At the end of the reporting period, the Parent Company is provided with a performance guarantee of ₩135,754 million (2011: ₩118,361 million) from Seoul Guarantee Insurance and two other banks relating to the sales contracts.

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

In December 2012, the European Commission imposed a penalty on the Parent Company for anti-competitive activities among CRT (Cathode Ray Tube) manufacturers as a result of an investigation. The Parent Company recognized such penalty amounting to EUR491,567 thousand (₩696,187 million) that is a reasonably expected loss as a litigation provision. However, the Parent Company will appeal the decision of the European Commission and plan to apply for the certification of payment to a bank in 2013. The ultimate amount of loss resulting from the investigation may differ from the amount of penalty imposed.

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

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

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

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

40. Commitments

(a) At the end of the reporting period, the Parent Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩245,500 million (2011: ₩245,500 million). Its overseas subsidiaries, including LG Electronics India Private Limited, have overdraft facility agreements with a limit of ₩1,172,028 million (2011: ₩1,205,823 million) with various banks including Standard Chartered New Delhi Bank. The Parent Company's domestic subsidiaries, including Hi Plaza Inc., have overdraft facility agreements with various banks, including Woori Bank, with a limit of ₩4,000 million (2011: ₩2,350 million).

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with Shinhan Bank and other 28 various banks amounting to ₩4,879,932 million (2011: ₩6,141,323 million) and for domestic trade receivables with Deutsche Bank amounting to ₩70,813 million (2011: ₩374,705 million). The Parent Company has corporate electronic settlement services contracts for collection of trade receivables with Hana Bank of up to ₩126,000 million (2011: ₩130,000 million).

The subsidiaries, LG Electronics UK., Ltd., LG Electronics Deutschland GmbH, LG Electronics Espana S.A., transfer their accounts receivable to Societe Generale Bank on a revolving basis, for up to USD443 million (2011: USD554 million).

LG Electronics U.S.A., Inc. and LG Electronics MobileComm U.S.A. Inc., subsidiaries of the Parent Company, transfer their accounts receivable to JP Morgan Chase Bank on a revolving basis, for up to USD200 million (2011: USD200 million).

(c) At the end of the reporting period, the Parent Company has corporate electronic settlement services contracts with Shinhan Bank and seven other banks for up to ₩945,450 million (2011: ₩935,450 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

In addition, three domestic subsidiaries, including Hi Plaza Inc., provided payment guarantees to financial institutions, including Woori Bank, amounting to ₩45,000 million (2011: ₩40,000 million) in connection with discount of notes which are paid to their suppliers.

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

(e) Contractual commitments for the acquisition of assets

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

(in millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Property, plant and equipment	26,247	58,667
Intangible assets	20	5,161
Total	26,267	63,828

(f) Operating lease commitments – the Group as lessee

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

	December 31, 2012			
(in millions of Korean won)	**No later than 1 year**	**Later than 1 year and no later than 5 years**	**Over 5 years**	**Total lease payments**
Buildings and offices	76,722	125,450	38,675	240,847
Vehicles	27,332	19,293	-	46,625
Equipment	24,354	24,988	-	49,342
Total	128,408	169,731	38,675	336,814

(g) Operating lease commitments – the Group as lessor

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

	December 31, 2012			
(in millions of Korean won)	**No later than 1 year**	**Later than 1 year and no later than 3 years**	**Over 3 years**	**Total lease payments**
Healthcare rental	65,596	133,147	65,702	264,445

The Group recognized ₩55,674 million in lease income for the year ended December 31, 2012.

(h) Trademark license commitments

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

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

41. Related Party Transactions

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

Classification	Name
Significantly influencing the Group	LG Corp.
Associates and joint ventures[1]	LG Display Co., Ltd., LG Innotek Co., Ltd., and others
Other related parties	SERVEONE Co., Ltd., LG CNS Co., Ltd., and others

[1] The details of associates and joint ventures are provided in Note 13.

(b) Significant balances and transactions

i) Significant transactions for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	2012		2011	
	Sales	Purchases	Sales	Purchases
LG Corp.	3,321	130,693	7,519	123,094
Associates and joint ventures	521,533	7,463,957	791,378	6,142,066
Other related parties	85,811	1,566,575	118,964	1,460,832
Total	610,665	9,161,225	917,861	7,725,992

ii) The balances of significant transactions are as follows:

	December 31, 2012		December 31, 2011	
(in millions of Korean won)	Receivables	Payables	Receivables	Payables
LG Corp.	29,394	508	23,136	691
Associates and joint ventures	126,219	965,642	187,259	757,488
Other related parties	78,733	503,640	89,028	361,525
Total	234,346	1,469,790	299,423	1,119,704

iii) Key management compensation costs of the Group for the years ended December 31, 2012 and 2011, consist of:

(in millions of Korean won)	2012	2011
Wages and salaries	9,342	10,443
Other long-term benefits	26	144
Post-employment benefits	1,674	1,768
Share-based payments	497	(3,253)
Total	11,539	9,102

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

iv) Significant capital transactions with related parties and others are as follows:

(in millions of Korean won)	Nature of Transaction	2012	2011
LG Corp.	Issuance of common shares	-	245,263
Associates and joint ventures	Capital investment	-	998
	Receipt of dividends	36,341	75,569

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

(d) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties for the years ended December 31, 2012 and 2011.

42. Risk Management

Financial Risk Management

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

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

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

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

The information of the carrying amount of in each category of financial instruments and the details of borrowings related to the financial risk management presented in Note 5 and Note 15, respectively.

(a) Market risk

i) Foreign exchange risk

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

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

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

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

Speculative foreign exchange trading is strictly prohibited.

As of December 31, 2012 and 2011, if the foreign exchange rate of the Korean won fluctuated by 10% while other variables were fixed, the effects on income(loss) before tax would be as follows:

	December 31, 2012		**December 31, 2011**	
(in millions of Korean won)	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
USD/KRW	(192,541)	192,541	(302,425)	302,425
EUR/KRW	41,302	(41,302)	28,888	(28,888)

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

ii) Interest rate risk

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

As of December 31, 2012, as interest rate increases, net interest expense would decrease because the amounts of financial deposits with variable interest rate are greater than those of borrowings with variable interest rate. However, to mitigate interest rate risk, the Group manages interest rate risk fundamentally by minimizing external borrowings through utilizing internal funds within the Group, reducing borrowings with high interest rates, maintaining an adequate mix between short-term and long-term liabilities and between fixed and variable interest rates, monitoring daily, weekly, and monthly interest rate trends in domestic and international markets, setting up counter measures and managing short term borrowings and financial deposits with variable interest rate.

As of December 31, 2012 and 2011, if interest rates fluctuate by 100bp without other variables changing, the effects on income and expenses related to borrowings and financial deposits with variable interest rates for the twelve months period are as follows:

	December 31, 2012		**December 31, 2011**	
(in millions of Korean won)	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
Interest expense	10,996	(10,996)	17,909	(17,875)
Interest income	18,362	(18,362)	24,687	(24,687)

iii) Price risk

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

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

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

	December 31, 2012		**December 31, 2011**	
(in millions of Korean won)	**30% increase**	**30% decrease**	**30% increase**	**30% decrease**
KOSPI	1	(1)	-	-
KOSDAQ	1,923	(1,923)	1,975	(1,975)

The valuation and the reclassified amounts of the cash flow hedging derivative and the available-for-sale financial asset related to the market risk above are presented in Note 8.

(b) Credit risk

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

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

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

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

As of December 31, 2012, trade receivable balance of the Group is ₩6,648,503 million (2011: ₩6,853,722 million) and its risk is managed appropriately with insurer's credit limit of ₩28,872,434 million (2011: ₩32,468,797 million).

Other information on credit risk, such as doubtful debt allowances on trade or other receivables, aging analysis, maximum exposure to credit risk, information on transferred assets that are not derecognized, are presented in Note 7.

(c) Liquidity risk

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

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

In addition, the Group copes with potential financial distress by maintaining adequate amount of cash and committed credit facilities. The balance of cash and cash equivalents, and current-financial deposits at December 31, 2012, is ₩1,886,190 million (2011: ₩2,495,465 million). The Group maintains total committed credit lines of ₩600,000 million (2011: ₩600,000 million) in Woori Bank, Kookmin Bank, and Shinhan Bank in Korea at December 31, 2012.

As of December 31, 2012, the balance of cash and cash equivalents, and current-financial deposits of the Group is about 92% (2011: 79%) of current borrowings with due in 12 months. If committed credit lines are included, the balance covers about 122% (2011: 97%) of short-term borrowings.

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

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

Capital Risk Management

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

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

(in millions of Korean won, except for ratios)	**December 31, 2012**	**December 31, 2011**
Liability (A)	18,753,169	19,510,209
Equity (B)	12,704,217	13,148,248
Cash and cash equivalents and current financial deposits (C)	1,886,190	2,495,465
Borrowings (D)	6,470,654	7,435,618
Liability-to-equity ratio (A/B)	148%	148%
Net borrowings ratio (D-C)/B	36%	38%

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).

(In millions of Korean won)	December 31, 2012 Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss - Derivatives for trading	-	10,380	-	10,380
Available-for-sale financial assets - Listed securities	8,168	-	-	8,168
Total	8,168	10,380	-	18,548
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives for trading	-	3,054	-	3,054
Derivatives for hedge	-	13,889	-	13,889
Total	-	16,943	-	16,943

(In millions of Korean won)	December 31, 2011 Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss - Derivatives for trading	-	2,832	-	2,832
Available-for-sale financial assets - Listed securities	8,969	-	-	8,969
Derivatives for hedge	-	11,845	-	11,845
Total	8,969	14,677	-	23,646
Liabilities				
Financial liabilities at fair value through profit or loss - Derivatives for trading	-	14,238	-	14,238
Total	-	14,238	-	14,238

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

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

The fair value of derivative financial instruments is measured at discount using forward exchange rate as of the reporting date.

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

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

Carrying amounts of current trade and other receivables are estimated by a reasonable approximation of fair value. Other information related to the fair values of non-current other receivables and borrowings that carrying amounts are not a reasonable approximation of fair value are separately presented in Note 7 and Note 15.

43. Business Combinations

(a) LS Mtron Co., Ltd.’s air-conditioning business

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

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

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

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

(in millions of Korean won)	**Amount**
Consideration[1]	150,300
Recognized amounts of identifiable assets acquired and liabilities assumed[2]	
Current assets	
Cash and cash equivalents	2,025
Trade receivables	84,927
Other receivables	1,233
Inventories	18,156
Other assets	25,100
Non-current assets	
Financial deposits	5,888
Other receivables	868
Other financial assets	40
Property, plant and equipment	27,450
Intangible assets	36,531
Other assets	558
Current liabilities	
Trade payables	(46,765)
Borrowings	(19,504)
Other payables	(4,858)
Current income tax liabilities	(20)
Provisions	(2,133)
Other liabilities	(32,625)
Non-current liabilities	
Borrowings	(8,450)
Other payables	(224)
Defined benefit liabilities	(1,769)
Deferred income tax liabilities	(659)
Total identifiable net assets	85,769
Goodwill[1]	64,531
Total	150,300

[1] The consideration is within the measurement period.
[2] The assets acquired and the liabilities assumed are measured at their acquisition-date fair values in accordance with Korean IFRS 1103, 'Business Combination'.

The acquisition-related costs amounting to ₩3,646 million were all expensed during the year.

(b) Hi Entech Co., Ltd.

On November 1, 2011, the Group acquired 100% ownership of Daewoo Entech Co., Ltd. which is engaged in management, operation, test, and maintenance of the water pollution control facilities and sewage disposal facilities, and in the development of water supply and water resources. The acquisition is accounted for in accordance with Korean IFRS 1103, 'Business Combination'.

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

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

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

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

The acquisition-related costs amounting to ₩825 million were all expensed during the year.

44. Approval of Issuance of the Financial Statements

The issuance of the December 31, 2012 consolidated financial statements of the Group was approved by the Board of Directors on January 29, 2013.