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LG International Corp.

Separate financial statements

Years ended December 31, 2011

with independent auditors' report

ERNST & YOUNG

LG International Corp.
December 31, 2011 and 2010

Contents

ERNST & YOUNG

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Independent auditors' report

The Board of Directors and Stockholders
LG International Corp.

We have audited the accompanying financial statements of LG International Corp. ("the Company") which comprise the statement of financial position as at December 31, 2011, the statements of income and comprehensive income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company for the year ended December 31, 2010 were audited by us and we expressed an unqualified opinion on those statements in our report dated on February 21, 2011. The financial statements of the Company for the year ended December 31, 2010, which we have expressed our opinion thereon in the preceding sentence had not been amended to Korea International Financial Reporting Standards (K-IFRS) by applying the adjustments described in Note 29. Such adjustments were applied to the comparative 2010 financial statements, presented herein.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit 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 audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LG International Corp. as of December 31, 2011, and the results of its financial performance and its cash flows for the year ended December 31, 2011 in accordance with Korea International Financial Reporting Standards (K-IFRS).

Without qualifying our opinion, we draw attention to Note 2 to the separate financial statements which states that LG International Corp. is the parent entity of LG International Corp. and its subsidiaries and that consolidated financial statements of LG International Corp. and its subsidiaries prepared in accordance with K-IFRS have been issued separately. We have audited the consolidated financial statements of LG International Corp. and its subsidiaries as at and for the year ended December 31, 2011 and expressed an unqualified opinion thereon in our auditor's report dated February 29, 2012

As mentioned in the preceding paragraph, we have conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea which may vary among countries. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are knowledgeable about Korean auditing standards and their application in practice.

Ernst & Young Han Young

February 29, 2012

This audit report is effective as of February 29, 2012, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

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LG International Corp.
Separate statements of financial position
As at December 31, 2011 and 2010 and January 1, 2010
(Korean won in millions)

	Notes	December 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash and cash equivalents	4,5,26,27	₩ 304,265	₩ 125,017	₩ 111,696
Short- term financial assets	4,12,26,27	129,533	15,035	2,584
Trade receivable	4,12,23,26,27	1,046,239	983,020	801,232
Other accounts receivable	4,6,12,27	18,979	23,933	38,930
Accrued income	4,12,27	18,427	17,950	14,314
Advance payments		23,179	20,532	23,549
Prepaid expenses		6,963	6,913	5,270
Derivative financial assets	4,6,26	16,349	2,626	4,158
Other current assets	4,12	5,399	4,678	3,916
Inventories	7	181,508	218,152	106,050
Total current assets		1,750,841	1,417,856	1,111,699
Non-current assets				
Investment assets	4,8,12,23,26,27	608,600	312,844	277,579
Investment in associates and subsidiaries	9,23	771,552	671,654	612,361
Property, plant and equipment	10	59,459	34,615	30,465
Investment properties	10	24,700	22,615	22,747
Intangible assets	11	249,779	243,666	242,058
Deferred tax assets	22	-	22,728	17,633
Other non-current assets	4,5,12	1,258	1,993	2,811
Total non-current assets		1,715,348	1,310,115	1,205,654
Total assets		₩ 3,466,189	₩ 2,727,971	₩ 2,317,353
Liabilities and equity				
Current liabilities				
Short-term borrowings	4,13,26,27	₩ 457,839	₩ 543,795	₩ 426,008
Trade payable	4,23	658,875	587,937	397,901
Other accounts payable	4,6	155,148	89,469	67,484
Advance received		13,994	11,800	12,694
Withholdings	4	3,632	2,758	2,039
Current tax liabilities	22	55,411	7,661	4,185
Accrued expenses	4	11,075	8,449	7,701
Dividends payable	4	8	8	6
Current portion of bonds and long-term borrowings	4,13,26,27	195,829	130,507	189,922
Unearned income		47	67	109
Derivative financial liabilities	4,6,27	4,103	10,146	5,386
Deposits received	4	3,297	3,835	5,037
Total current liabilities		1,559,258	1,396,432	1,118,472
Non-current liabilities				
Bonds payable and long-term borrowings	4,13,26,27	635,991	438,727	428,589
Defined benefit liability	19	2,721	2,558	5,613
Deferred income tax liabilities	22	10,688		
Other non-current liabilities	4	5,656	5,656	
Total non-current liabilities		655,056	446,941	434,202
Total liabilities		2,214,314	1,843,373	1,552,674
Equity				
Issued capital	14	193,800	193,800	193,800
Capital surplus	14	102,124	102,124	102,124
Capital adjustments	14	(968)	(968)	(968)
Accumulated other comprehensive income	14	157,120	35,299	38,993
Retained earnings		799,799	554,343	430,730
Total equity		1,251,875	884,598	764,679
Total liabilities and equity		₩ 3,466,189	₩ 2,727,971	₩ 2,317,353

See accompanying notes.

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LG International Corp.
Separate statements of Income
For the years ended December 31, 2011 and 2010

(Korean won in millions, except per share amounts)

	Notes	2011	2010
Sales	3,16,23	₩ 7,378,210	₩ 6,069,895
Cost of sales	18,23	(6,963,943)	(5,604,904)
Gross profit		414,267	464,991
Selling and administrative expenses	17,18,19	(314,152)	(294,544)
Other operating income	6,20	302,075	208,124
Other operating expenses	6,20	(283,742)	(208,010)
Operating income		118,448	170,561
Finance income	4,6,21	210,278	125,621
Finance expenses	4,6,21	(154,723)	(109,571)
Other non-operating incomes (expenses)	21	201,364	(30,860)
Income before income taxes		375,367	155,751
Income tax expenses	22	(113,790)	(22,854)
Profit for the year		261,577	132,897
Earnings per share:	14		
- Basic and diluted, profit for the year (Korean won)		₩ 6,766	₩ 3,438

See accompanying notes.

LG International Corp.
Separate statements of comprehensice income
for the year ended December 31, 2011 and 2010
(Korean won in millions, except per share amounts)

	Notes		2011		2010
Profit for the year			261,577		132,897
Net gain (loss) on valuation of available-for-sale financial assets	14		121,820		(3,694)
Actuarial losses on defined benefit plans	19		(2,589)		(1,552)
Other comprehensive income (loss) for the year, net of tax			119,231		(5,246)
Total comprehensive income for the year, net of tax		₩	380,808	₩	127,651

See accompanying notes.

LG International Corp.
Separate statements of changes in equity
for the years ended December 31, 2011 and 2010
(Korean won in millions)

	Issued capital	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total equity
As of January 1, 2010	₩ 193,800	₩ 102,124	₩ (968)	₩ 38,993	₩ 430,730	₩ 764,679
Profit for the year	-	-	-	-	132,897	132,897
Net loss on valuation of available-for-sale financial assets	-	-	-	(3,694)	-	(3,694)
Actuarial losses on defined benefit plans	-	-	-	-	(1,552)	(1,552)
Total comprehensive income	-	-	-	(3,694)	131,345	127,651
Dividends	-	-	-	-	(7,732)	(7,732)
As of December 31, 2010	₩ 193,800	₩ 102,124	₩ (968)	₩ 35,299	₩ 554,343	₩ 884,598
As of January 1, 2011	₩ 193,800	₩ 102,124	₩ (968)	₩ 35,299	₩ 554,343	₩ 884,598
Profit for the year	-	-	-	-	261,577	261,577
Net loss on valuation of available-for-sale financial assets	-	-	-	121,821	-	121,821
Actuarial losses on defined benefit plans	-	-	-	-	(2,590)	(2,590)
Total comprehensive income	-	-	-	121,821	258,987	380,808
Dividends	-	-	-	-	(13,531)	(13,531)
As of December 31, 2011	₩ 193,800	₩ 102,124	₩ (968)	₩ 157,120	₩ 799,799	₩ 1,251,875

See accompanying notes.

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LG International Corp.
Separate statements of cash flows
for the years ended December 31, 2011 and 2010
(Korean won in millions)

	Notes		2011		2010
Operating activities					
Profit for the year for the year to net cash flow		₩	261,577	₩	132,897
Non-cash adjustments to reconcile profit	28		(19,510)		51,539
Working capital adjustments	28		50,904		(84,576)
Interest received			12,747		17,304
Interest paid			(31,208)		(20,882)
Dividends received			70,710		33,026
Income taxes paid			(72,857)		(23,171)
Net cash flows from operating activities			272,363		106,137
Investing activities					
Decrease (increase) in financial assets			(103,000)		(14,784)
Proceeds from disposal of property, plant, and equipment			469		242
Proceeds from disposal of investments properties			6,525		-
Proceeds from disposal of intangible assets			2		-
Proceeds from disposal of investment in an associate and subsidiaries			321,364		52,740
Proceeds from disposal of available-for-sale financial assets			184		6,335
Decrease (increase) in long-term loans receivable, net			(103,376)		(73,130)
Payment of long-term guarantee deposits, net			646		(1,738)
Proceeds from disposal of other investments assets			32		-
Additions to property, plant, and equipment			(40,764)		(10,246)
Acqusitions of intangible assets			(50,334)		(38,718)
Additional investment in an associate and subsidiaries			(252,377)		(83,472)
Acqusitions of available-for-sale financial assets			(201)		(5,265)
Acqusitions of other investments assets			(35)		-
Net cash flow used in investing activities			(220,865)		(168,036)
Financing activities					
Increase in finance liabilities			3,650,463		468,289
Net cash flows from other financing activities			-		6,844
Dividends paid to stockholders			(13,531)		(7,732)
Net cash flows from financing activities			3,636,932		467,401
Net increase in cash and cash equivalents			3,688,430		405,502
Cash and cash equivalents at January 1			125,017		111,696
Net foreign exchange difference			(30)		(468)
Cash and cash equivalents at December 31		₩	3,813,417	₩	516,730

See accompanying notes.

1. Corporate information

LG International Corp. (the "Company") was incorporated on November 26, 1953 under the laws of the Republic of Korea to engage in the export and import of goods, overseas resource and business development, and other business activities. The Company changed its name from Lucky Industry to Bando Corporation on November 26, 1953, and again changed to Lucky-Goldstar International Corp. and to LG International Corp. in January 1984 and March 1995, respectively. The Company is a member of the LG Group, which consists of numerous companies under a common management control. The Company has 30 overseas subsidiaries, 23 liaison offices and 21 overseas branches as of December 31, 2011. In January 1976, the Company listed its common shares on the Korean Exchange. Also, on November 12, 1976, the Company was designated as a general trading company by the Korean government.

2. Significant accounting policies and basis of financial statements preparation

2.1 Basis of preparation

The separate financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets and derivative finance assets that are valued at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The separate financial statements are presented in Korean won and all values are rounded to the nearest millions except when otherwise indicated.

2.1.1 Statement of compliance

The separate financial statements of the Company have been prepared in accordance with Korea International Financial Reporting Standards ("K-IFRS") enacted by the Corporate External Audit Law.

2.1.2 Korea International Financial Reporting Standards ("K-IFRS") first time adoption

The Company has adopted K-IFRS in preparation for its separate financial statements for the period beginning January 1, 2011 and the date of transition to K-IFRS is January 1, 2010.

In preparing these financial statements, the Company's opening statement of financial position was prepared as at January 1, 2010, the Company's date of transition to K-IFRS. Note 29 explains the principal adjustments made by the Company in restating its previous statements of financial position based on previous local GAAP ("Previous Local GAAP") as at January 1, 2010 and its previously published local GAAP financial statements for the year ended December 31, 2010.

2.2 Summary of significant accounting policies

2.2.1 Subsidiaries and associates

Pursuant to KIFRS 1027, accompanying separate financial statements are accounted for, by a parent, investor in an associate or a venture in a jointly controlled entity, on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees. Moreover, KIFRS 1027 requires that, in a separate financial statements, investments in subsidiaries, associates or jointly controlled entity should be accounted for at cost. All dividends should be recognized in profit or lss within separate financial statements once the right to receive payments has been established.

LG International Corp. is the parent entity of LG International Corp. and its subsidiaries and that consolidated financial statements of LG International Corp. and its subsidiaries prepared in accordance with K-IFRS have been issued separately. We have audited consolidated financial statements of LG International Corp. and its subsidiaries as at and for the year ended December 31, 2011 and expressed an unqualified opinion thereon i n our auditor's report dated February 29, 2012.

2.2.2 Foreign currency translation

The Company's separate financial statements are presented in Korean won, which is also the parent company's functional currency.

2.2.2 Foreign currency translation (cont'd)

(1) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(2) Translation of foreign operation

Assets and liabilities of foreign operation are translated into Korea won at the closing rate at the reporting date and income and expenses are translated using average exchange rate for the period.
These exchange differences are recognised in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation, and translated at the spot rate of exchange at the reporting date.

2.2.3 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements except for those cases where it is not the primary obligor or merchant of record and/or does not have credit risk, or where it earns a fixed manufacturing service fee.

The specific recognition criteria described below must also be met before revenue is recognized.

(1) Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

(2) Commission revenues

Sales commission received in relation to export-import transactions where the Company acts as an agent without assuming the risks and rewards of ownership of the goods are recognized on a net basis. Revenue from sales of goods that can be returned are recognized when the goods are sold to end customer.

(3) Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

2.2.3 Revenue recognition (cont'd)

(4) Dividends

Revenue is recognized when the Company's right to receive the payment is established.

2.2.4 Taxes

(1) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(2) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

2.2.4 Taxes (cont'd)

(2) Deferred tax (cont'd)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.2.5 Pensions and other post employment benefits

The Company operates a defined benefit plan. The cost of providing benefits under the defined benefit plan is determined separately for each plan using the projected unit credit method. Actuarial gains and losses for a defined benefit plan are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

Unvested past service costs are recognized as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognized immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan.

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less unrecognized past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognized is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

2.2.6 Financial instruments

(1) Financial assets

Initial recognition and measurement
Financial assets within the scope of K-IFRS 1039 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transactions costs, except in the case of financial assets recorded at fair value through profit and loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, unquoted financial instruments, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by K-IFRS 1039. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance costs in the income statement.

2.2.6 Financial instruments (cont'd)

(1) Financial assets (cont'd)

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under K-IFRS 1039 are satisfied. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

The Company evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate.

When in rare circumstances the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in income statement in finance costs. The Company did not have any held-to-maturity investments during the years ended December 31, 2011 and 2010.

Available-for-sale financial investments
Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative Gain (loss) is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

The Company evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When in rare circumstances, the Company is unable to trade those financial

2.2.6 Financial instruments (cont'd)

(1) Financial assets (cont'd)

assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortized cost and any previous Gain (loss) on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to
  pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(2) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or a Company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for

2.2.6 Financial Instruments (cont'd)

(2) Impairment of financial assets (cont'd)

impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, 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 expected credit losses that have not yet been incurred).

The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-sale financial investments
For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a Company of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

(3) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of K-IFRS 1039 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, less directly attributable transaction costs.

2.2.6 Financial instruments (cont'd)

(3) Financial liabilities (cont'd)

The Company's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

- **Financial liabilities at fair value through profit or loss**

  Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

  This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by K-IFRS 1039. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement. Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of K-IFRS 1039 are satisfied. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

- **Loans and borrowings**
  After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through EIR amortization process.

  Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the income statement.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

(4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the separate statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(5) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

2.2.7 Derivative financial instruments and hedge accounting

(1) Initial recognition and subsequent measurement

The Company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity contracts that are entered into in accordance with the Company's expected purchase that fit within K-IFRS1039 definition of derivatives, is recognized as financial income and financial expense. Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges
The change in the fair value of an hedging derivative is recognized in the income statement in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the income statement in finance costs.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through the income statement over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognized, the unamortized fair value is recognized immediately in the income statement.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding Gain (loss) recognized in the income statement.

Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances.

- Where the Company will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

2.2.7 Derivative financial instruments and hedge accounting (cont'd)

(1) Initial recognition and subsequent measurement (cont'd)

- Embedded derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

2.2.8 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No Gain (loss) is recognized in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.2.9 Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred.

Depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful life of the assets as follows:

	Estimated Useful Lives
Buildings	20~40 years
Structures	20~40 years
Machinery and equipment	5~8 years
Vehicles	5~12 years
Others	5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any Gain (loss) arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of comprehensive income when the asset is derecognized. The assets' residual values, useful lives and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

2.2.10 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.2.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.2.12 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Standards Committee.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.
The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.2.13 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	Useful-lives	Amortization method
Goodwill	-	Test for impairment annually
Industrial properties rights	5~15 years	Straight line method
Overseas resources development (*1)	Production period	Unit of production method
Others	5 years	Straight line method

(*1) Oil and natural gas exploration and development expenditure is classified as oversea resource investment. And when proved reserves of oil are determined and development is sanctioned, it is depreciated on a unit of production basis. On the other hand, if there is any evidence or event that implies impairment of the asset, such as suspending the exploration or development before proposing its technical feasibility and possibility of commercialization, the Group is testing the assets for impairment. And when the book value of the asset is greater than estimated recoverable amounts for the residual period, the Group recognized it as impairment.

2.2.14 Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined using the weighted average method, except for materials in-transit (specific identification method) and raw materials (weighted moving-average method). Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The Company recorded valuation allowance on a periodic basis, when significant changes with an adverse effect (an oversupply, an obsolete or decline in the price of goods) on the entity have taken place during the period, or will take place in the near future, in which case loss from inventory valuation is recognized as cost of sales.

2.2.15 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or companys of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the income statement in expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill
Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or company of cash-generating units) to which the goodwill relates.
Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.2.16 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and cash equivalents with an original maturity of three months or less.

2.2.17 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

2.3.1 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is any objective evidence that a non financial asset is impaired. Goodwill and intangible assets with indefinite useful lives are tested when there are indications. Other non financial asset is tested when there are indications that carrying amount is not to be collected. In assessing value in use, the management should estimated future cash flows from certain asset or CGU and select appropriate discount rate for calculate the present value of future cash flow.

Pension benefits

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

3. Segment Information

For management purposes, the Company is organized into business units based on their products and services and has four reportable segments as follows:

Field	Principal activities
Resources/ Material	Crude oil /Gas, Coal/ Nonferrous metal, Plant, Green energy and others
Industrial goods 1	Electric /Electronic parts and others
Industrial goods 2	Resin/Emulsion, Steel, machinery, Aviation and others
Others	Import distribution (pixdix. Wine and others)

No other operating segments have been added to the above operating segments.

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3.1 Segment sales and operating income

	2011				2010			
	Revenue		Operating income		Revenue		Operating income	
Resources/Material	₩	1,772,372	₩	117,821	₩	1,455,960	₩	121,715
Industrial goods 1		1,361,661		3,021		1,788,430		27,816
Industrial goods 2		4,237,260		28,781		2,801,606		38,783
Other		6,917		(31,175)		23,899		(17,753)
Total	₩	7,378,210	₩	118,448	₩	6,069,895	₩	170,561

3.2 Segment assets and liabilities

	2011				2010				As at January 1, 2010			
	Assets		Liabilities		Assets		Liabilities		Assets		Liabilities	
Resources/ Material	₩	1,129,377	₩	779,021	₩	841,448	₩	590,316	₩	746,201	₩	544,958
Industrial goods 1		279,620		248,245		406,452		358,863		234,255		222,210
Industrial goods 2		853,131		786,342		631,319		609,568		560,047		543,272
Others		1,204,061		400,706		848,752		284,626		776,850		242,234
Total	₩	3,466,189	₩	2,214,314	₩	2,727,971	₩	1,843,373	₩	2,317,353	₩	1,552,674

3.3 Geographic sales

	2011		2010	
Domestic	₩	1,445,151	₩	1,329,076
Overseas		5,933,059		4,740,819
Total	₩	7,378,210	₩	6,069,895

4. Classification of financial instruments

4.1 Financial assets by classification

4.1.1 Financial assets by classification as of December 31, 2011 are as follows (Korean won in millions):

	Financial asset at fair value through profit or loss		Loans and receivables		Available-for-sale financial assets		Total	
Cash and cash equivalents	₩	-	₩	304,265	₩	-	₩	304,265
Short-term financial assets		-		129,533		-		129,533
Available-for sale financial assets		-		-		300,273		300,273
Trade receivable		-		1,046,239		-		1,046,239
Other accounts receivable		8,408		10,571		-		18,979
Derivative financial assets		16,349		-		-		16,349
Long-term loans		-		308,327		-		308,327
Other financial assets		-		20,155		-		20,155
	₩	24,757	₩	1,819,090	₩	300,273	₩	2,144,120

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4.1 Financial assets by classification (cont'd)

4.1.2 Financial assets by classification as of December 31, 2010 are as follows (Korean won in millions):

	Financial asset at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents	₩ -	₩ 125,017	₩ -	₩ 125,017
Short-term financial assets	-	15,035	-	15,035
Available-for sale financial assets	-	-	58,859	58,859
Trade receivables	-	983,020	-	983,020
Other accounts receivables	10,542	13,391	-	23,933
Derivative financial assets	2,626	-	-	2,626
Long-term loans	-	253,984	-	253,984
Other financial assets	-	20,323	-	20,323
	₩ 13,168	₩ 1,410,770	₩ 58,859	₩ 1,482,797

4.1.3 Financial assets by classification as of January 1, 2010 are as follows (Korean won in millions):

	Financial asset at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents	₩ -	₩ 111,696	₩ -	₩ 111,696
Short-term financial assets	-	2,584	-	2,584
Available-for sale financial assets	-	-	63,385	63,385
Trade receivables	-	801,232	-	801,232
Other accounts receivables	6,517	32,413	-	38,930
Derivative financial assets	4,158	-	-	4,158
Long-term loans	-	214,193	-	214,193
Other financial assets	-	17,177	-	17,177
	₩ 10,675	₩ 1,179,295	₩ 63,385	₩ 1,253,355

4.2 Gains and losses based on financial assets

4.2.1 Gains and losses based on classification of financial instruments for the year ended December 31, 2011 are as follows (Korean won in millions):

	Financial asset at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Interest income	₩ -	₩ 18,356	₩ -	₩ 18,356
Dividend income	-	-	70,827	70,827
Gain (loss) on foreign currency transaction	-	7,146	-	7,146
Gain (loss) on foreign currency translation	-	17,778	-	17,778
Gain (loss) on settlement of derivative financial instruments	66,602	-	-	66,602
Gain (loss) on valuation of derivative financial assets	8,408	-	-	8,408
Gain (loss) on valuation of firm commitment assets	16,349	-	-	16,349
Bad debt expense (Reversal of allowance for doubtful accounts)	-	(8,375)	-	(8,375)

4.2 Gains or losses based on financial assets (cont'd)

	Financial asset at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Bad debt expense of others	-	(32,168)	-	(32,168)
Loss on disposal of receivable	-	(5,444)	-	(5,444)
Gain (loss) on disposal of long-term investment securities	-	184	-	184
Gain (loss) on disposal of short-term investment securities	-	-	(4)	(4)
	₩ 91,359	₩ (2,523)	₩ 70,823	₩ 159,659

4.2.2 Gains or losses based on classification of financial instruments for the year ended December 31, 2010 are as follows (Korean won in millions):

	Financial asset at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Interest income	₩ -	₩ 17,346	₩ -	₩ 17,346
Dividend income	-	-	33,026	33,026
Gain (loss) on foreign currency transaction	-	(1,766)	-	(1,766)
Gain (loss) on foreign currency translation	-	(1,354)	-	(1,354)
Gain (loss) on settlement of derivative financial instruments	39,494	-	-	39,494
Gain (loss) on valuation of derivative financial instruments	10,542	-	-	10,542
Gain (loss) on valuation of firm commitment assets	2,626	-	-	2,626
Bad debt expense (Reversal of allowance for doubtful accounts)	-	24	-	24
Bad debt expense of others	-	(15,134)	-	(15,134)
Loss on disposal of receivable	-	(11,515)	-	(11,515)
Gain (loss) on disposal of long-term investment securities	-	1,628	-	1,628
Impairment loss on securities available for sale	-	-	(786)	(786)
Gain (loss) on disposal of short-term investment securities	-	-	(3)	(3)
	₩ 52,662	₩ (10,771)	₩ 32,237	₩ 74,128

4.3 Financial liabilities by classification

4.3.1 Financial liabilities by classification as of December 31, 2011 are as follows (Korean won in millions):

	Financial liability at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Trade payable	₩ -	₩ 658,875	₩ 658,875
Other accounts payable	18,915	136,233	155,148
Borrowings	-	1,053,904	1,053,904
Bonds payable	-	39,927	39,927
Current portion of bonds payable and long-term borrowings	-	195,829	195,829
Derivative financial liabilities	4,103	-	4,103
Other financial liabilities	-	23,667	23,667
	₩ 23,019	₩ 2,108,434	₩ 2,131,453

4.3 Financial liabilities by classification (cont'd)

4.3.2 Financial liabilities by classification as of December 31, 2010 are as follows (Korean won in millions):

	Financial liability at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Trade payable	₩ -	₩ 587,936	₩ 587,936
Other accounts payable	6,228	83,241	89,469
Borrowings	-	852,888	852,888
Bonds payable	-	129,634	129,634
Current portion of bonds payable and long-term borrowings	-	130,507	130,507
Derivative financial liabilities	10,146	-	10,146
Other financial liabilities	-	20,704	20,704
	₩ 16,374	₩ 1,804,910	₩ 1,821,284

4.3.3 Financial liabilities by classification as of January 1, 2010 are as follows (Korean won in millions):

	Financial liability at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Trade payable	₩ –	₩ 397,901	₩ 397,901
Other accounts payable	4,857	62,626	67,484
Borrowings	–	764,959	764,959
Bonds	–	89,638	89,638
Current portion of bonds payable and long-term borrowings	–	189,922	189,922
Derivative financial liabilities	5,386	–	5,386
Other financial liabilities	–	14,783	14,783
	₩ 10,243	₩ 1,519,829	₩ 1,530,072

4.4 Gains and losses by financial liabilities

4.4.1 Gains and losses by classification of financial instruments for the year ended December 31, 2011 are as follows (Korean won in millions):

	Financial liability at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Interest expenses	₩ -	₩ 31,507	₩ 31,507
Gain (loss) on foreign currency transaction	-	(5,113)	(5,113)
Gain (loss) on foreign currency translation	-	(25,964)	(25,964)
Gain (loss) on settlement of derivative financial instruments	(52,249)	-	(52,249)
Gain (loss) on valuation of derivative financial instruments	(17,604)	-	(17,604)
Gain (loss) on valuation of firm commitment assets	(4,103)	-	(4,103)
	₩ (73,956)	₩ 430	₩ (73,526)

4.4.2 Gains and losses by classification of financial instruments for the year ended December 31, 2010 is as follows (Korean won in millions):

	Financial liability at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Interest expenses	₩ -	₩ 21,630	₩ 21,630
Gain (loss) on foreign currency transaction	-	5,732	5,732
Gain (loss) on foreign currency translation	-	7,565	7,565
Gain (loss) on settlement of derivative financial instruments	(45,064)	-	(45,064)
Gain (loss) on valuation of derivative financial instruments	(4,906)	-	(4,906)
Gain (loss) on valuation of firm commitment assets	(10,146)	-	(10,146)
	₩ (60,116)	₩ 34,927	₩ (25,189)

5. Cash and cash equivalents

Detail of cash and cash equivalents as of December 31, 2011, 2010 and January 1, 2010 are as follows (Korean won in millions):

	2011		2010		As of January 1, 2010	
Cash on hand	₩	1,171	₩	837	₩	1,069
Cash at banks and short-term deposits		303,094		124,180		110,627
	₩	304,265	₩	125,017	₩	111,696

The outstanding balances of restricted deposits included in long-term financial instruments as of December 31, 2011, 2010 and January 1, 2010 are as follows (Korean won in millions):

	2011		2010		2009	
Restricted deposits	₩	13	₩	13	₩	18

6. Derivatives financial instruments

6.1 Valuation of derivative financial instruments

The valuation gain (loss) arising from the derivative financial instruments embedded in accounts receivable and payable for the year ended December 31, 2011 and 2010 are presented as follows (Korean won in millions):

	2011				2010			
	Gain on valuation		Loss on valuation		Gain on valuation		Loss on valuation	
Currency forward	₩	3,123	₩	1,074	₩	396	₩	1,298
Commodity futures		5,285		16,530		10,147		3,608
	₩	8,408	₩	17,604	₩	10,543	₩	4,906

6.2 Currency forward

6.2.1 As at December 31, 2011 currency forward are as follows (Korean won in millions, other currency in thousands):

Position-Buy	buying price	Position-Sell	selling price	Contract exchange rate	Gain on valuation	Loss on valuation
USD	406,037	USD	470,021	1,117.6~1,184.1	3,022	(417)
EUR	291	EUR	452	1,525~1,555.8	-	(15)
KRW	2,108	KRW	1,825	1,155	-	(12)
KRW	55,780	KRW	48,278	1,151.8~1,166.9	98	(59)
KRW	117	KRW	77	1,521	2	-
KRW	630	KRW	42,696	14.583~14.9354	-	(7)
USD	69,046	USD	69,847	0.9985~0.9886	-	(564)
USD	105	USD	81	1.3013	1	-
					3,123	(1,074)

6.2.2 As at December 31, 2010 currency forward are as follows (Korean won in millions, other currency in thousands):

Position-Buy	buying price	Position-Sell	selling price	Contract exchange rate	Gain on valuation	Loss on valuation
USD	173,968	KRW	199,740	1,135.50 ~ 1,158.30	65	(912)
EUR	9,348	KRW	14,447	1,483.26 ~ 1,578.70	56	(308)
EUR	3,800	USD	5,055	1.3119 ~ 1.3326	8	(14)
USD	13,383	EUR	10,083	1.3136 ~ 1.3331	24	(43)
KRW	7,389	EUR	4,887	1,511.72 ~ 1,511.90	-	(21)
KRW	10,459	USD	8,983	1,145.80 ~ 1,177.80	174	-
USD	24,690	AUD	24,500	1.0075 ~ 1.0163	69	-
					396	(1,298)

6.3 Commodity futures

6.3.1 The outstanding commodity futures as of December 31, 2011 are as follows (Korean won in millions):

	Position	Quantity (ton)	Contract price(*1)	Gain on valuation	Loss on valuation
Aluminum	Buy	8,875	18,509	3	805
	Sell	1,275	2,561	22	18
Copper	Buy	14,125	119,066	1,946	15,402
	Sell	600	5,171	715	11
Tin	Buy	250	4,873	20	113
	Sell	705	10,898	1,397	-
Copper concentrate	Buy	-	-	-	-
	Sell	3,275	24,744	-	181
Subtotal		29,105	185,822	4,103	16,530
	Position	Quantity (Oz)	Contract price(*1)	Gain on valuation	Loss on valuation
Silver	Buy	-	-	-	-
	Sell	65,000	2,151	385	-
Gold	Buy	-	-	-	-
	Sell	4,000	6,968	797	-
Subtotal		69,000	9,119	1,182	-
			US$ 194,941	₩ 5,285	₩ 16,530

(*1) US dollars in thousands

6.3.2 The outstanding commodity futures as of December 31, 2010 are as follows (Korean won in millions):

	Position	Quantity (ton)	Contract price(*1)	Gain on valuation	Loss on valuation
Aluminum	Buy	5,100	12,051	559	-
	Sell	2,225	5,229	-	278
Copper	Buy	4,000	30,369	9,259	-
	Sell	2,500	22,988	97	1,322
Tin	Buy	190	4,955	177	61
	Sell	705	18,126	54	965
Copper concentrate	Buy	-	-	-	-
	Sell	1,750	15,845	-	982
		16,470	US$ 109,562	₩ 10,147	₩ 3,608

(*1) US dollars in thousands

7. Inventories

Inventories as of December 31, 2011, 2010 and January 1, 2010 are as follows (Korean won in millions):

	2011	2010	As at January 1, 2010
Commodities	₩ 142,343	₩ 163,911	₩ 58,667
Stored goods	-	-	2
Materials in transit	40,046	54,869	47,504
	182,389	218,780	106,173
Less: Valuation allowance	(881)	(628)	(123)
Book value	₩ 181,508	₩ 218,152	₩ 106,050