

LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Three-Month Periods Ended March 31, 2007 and 2006
(Unaudited)

(in millions of Korean won)

	2007	2006
Cash flows from operating activities		
Net income (loss)	₩ (122,644)	₩ 166,038
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	150,852	149,862
Amortization	30,455	27,721
Amortization of discounts on debentures	5,429	8,015
Provision for severance benefits	68,957	62,923
Loss from transfer of trade accounts and notes receivable	54,369	48,301
Bad debt expense	1,261	49,873
Loss (gain) on foreign currency translation, net	22,899	(38,279)
Loss on valuation of inventories	-	34,700
Gain from disposal of investment securities, net	(1,124)	(3,286)
Loss (gain) from disposal of property, plant and equipment, net	7,358	(847)
Equity in losses of equity-method investees, net	192,553	21,708
Loss on valuation of derivatives, net	4,179	1,111
Loss (gain) on settlement of derivatives, net	2,567	(6,919)
Provision for product warranty	64,362	153,416
Reversal of stock compensation costs	-	(2,617)
Others	1,764	442
	<u>605,881</u>	<u>506,124</u>
Changes in operating assets and liabilities		
(Increase) decrease in trade accounts and notes receivable	(372,168)	245,713
Decrease in other accounts receivable	25,641	15,634
Increase in accrued income	(3,210)	(8,859)
Increase in advances	(1,278)	(18,499)
Decrease (increase) in other current assets	16,014	(61)
(Increase) decrease in inventories	(94,995)	73,226
Increase in prepaid expenses	(68,352)	(31,298)
Increase in long-term advances	(26,248)	(5,698)
(Increase) decrease in long-term prepaid expenses	(27,178)	5,427
Increase in deferred income tax assets	(22,490)	(5,544)
Increase in trade accounts and notes payable	428,151	74,373
Decrease in other accounts payable	(280,939)	(224,810)
Increase in accrued expenses	249,396	24,996
Increase (decrease) in withholdings	(24,460)	11,537
Decrease in advances from customers	(35,078)	(973)
(Decrease) increase in income taxes payable	(17,665)	15,389
Transfer of severance benefits from affiliated companies	(299)	(1,129)
Payment of severance benefits	(32,898)	(63,407)
(Increase) decrease in severance insurance deposits	(2,475)	24,914
Decrease in contributions to the National Pension Fund	537	1,214
Increase (decrease) in deferred income tax liabilities	8,339	(12,613)
Decrease in product warranty	(103,305)	(134,448)
Decrease in unearned income	(1,034)	(582)
Dividends received	-	3,872
Others	-	(50,684)
	<u>(385,994)</u>	<u>(62,310)</u>
Net cash provided by operating activities	<u>97,243</u>	<u>609,852</u>

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Cash flows from investing activities		
Disposal of short-term financial instruments	20,000	-
Disposal of long-term financial instruments	13,110	7,449
Decrease in short-term and long-term loans receivable, net	3,169	1,014
Acquisition of long-term financial instruments	(5,360)	(9,535)
Proceeds from disposal of investment securities	1,801	5,166
Acquisition of investment securities	(11,239)	(63,486)
Return of refundable deposits	23,055	15,462
Payment of refundable deposits	(13,802)	(17,592)
Proceeds from disposal of property, plant and equipment	34,869	18,742
Acquisition of property, plant and equipment	(97,896)	(132,120)
Disposal of intangible assets	-	63
Acquisition of intangible assets	(7,254)	(46,071)
Proceeds from disposal of derivatives	8,085	16,379
Purchase of derivatives	(5,972)	(6,807)
Net cash used in investing activities	<u>(37,434)</u>	<u>(211,336)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	-	20,000
Payment of current maturities of long-term debts	(141,847)	(82,143)
Payment of short-term borrowings	-	(20,000)
Net cash used in financing activities	<u>(141,847)</u>	<u>(82,143)</u>
Net increase (decrease) in cash and cash equivalents	(82,038)	316,373
Cash and cash equivalents		
Beginning of the period	490,315	581,264
End of the period	<u>₩ 408,277</u>	<u>₩ 897,637</u>

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

See Report of Independent Accountants