

LG Electronics Inc.

**Non-Consolidated Interim Financial Statements
March 31, 2008 and 2007**

LG Electronics Inc.
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March 31, 2008 and 2007

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Report of Independent Accountants

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

We have reviewed the accompanying non-consolidated balance sheet of LG Electronics Inc. (the "Company") as of March 31, 2008, and the related non-consolidated statements of income, cash flows and changes in shareholders' equity for the three-month periods ended March 31, 2008 and 2007, expressed in Korean won. These interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim financial statements based on our reviews.

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

Based on our reviews, nothing has come to our attention that causes us to believe that the non-consolidated interim financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

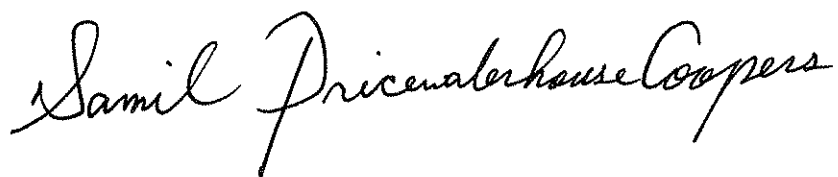
We have audited the non-consolidated balance sheet of LG Electronics Inc. as of December 31, 2007, and the related non-consolidated statements of income, appropriations of retained earnings, and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated February 26, 2008. These financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2007, presented herein for comparative purposes, is consistent, in all material respects, excluding the application of SKFAS No.15 with the above audited balance sheet as of December 31, 2007.

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

As discussed in Note 2 to the accompanying non-consolidated interim financial statements, the Company adopted the Korea Accounting Institute Opinion 06-2, as revised on February 22, 2008. The prior year financial statements have not been restated to reflect the change in accordance with Korea Accounting Institute Opinion 06-2, and the effect of changes was reflected in the beginning balance of January 1, 2008. The Company also adopted SKFAS No. 15, *Equity Method (As Revised)*. Accordingly, the prior year financial statements, presented herein for comparative purposes, have been restated to reflect the changes to conform with SKFAS No. 1.

Accounting principles and review standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to review 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 informed about Korean accounting principles or review standards and their application in practice.



Seoul, Korea
May 8, 2008

This report is effective as of May 8, 2008, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics Inc.
Non-Consolidated Balance Sheets
March 31, 2008 and December 31, 2007
(Unaudited)

<i>(in millions of Korean won)</i>	2008	2007
Assets		
Current assets		
Cash and cash equivalents	₩ 942,644	₩ 532,371
Short-term financial instruments	50,000	-
Trade accounts and notes receivable, net (Notes 10 and 21)	1,060,414	548,503
Inventories, net (Note 3)	1,255,901	945,570
Other accounts receivable, net	295,272	226,086
Prepaid expenses	157,099	111,101
Accrued income, net	85,353	67,283
Advances, net	88,591	73,887
Derivative transaction debit (Note 11)	381	665
Deferred income tax assets	356,190	238,991
Other current assets, net	57,437	82,970
Total current assets	4,349,282	2,827,427
Property, plant and equipment, net (Notes 6 and 22)	3,961,537	4,037,055
Long-term financial instruments (Note 4)	11,485	14,854
Long-term investment securities	13,215	16,199
Equity method investments (Notes 2 and 5)	6,799,346	6,307,628
Refundable deposits	325,546	329,626
Long-term advance payments, net	168,822	193,540
Long-term prepaid expenses	181,714	112,189
Long-term loans receivable, net	89,155	90,302
Intangible assets, net (Notes 7 and 22)	396,733	398,481
Derivative transaction debit (Note 11)	657	5,641
Other investment assets	8,038	3,676
Total assets	₩ 16,305,530	₩ 14,336,618

LG Electronics Inc.
Non-Consolidated Balance Sheets
March 31, 2008 and December 31, 2007
(Unaudited)

<i>(in millions of Korean won)</i>	2008	2007
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Note 8)	₩ 38,265	₩ 29,265
Current maturities of long-term debt and debentures, net (Note 8)	387,089	370,867
Trade accounts and notes payable (Note 21)	2,625,595	1,838,402
Other accounts payable	804,446	1,051,298
Income taxes payable	94,023	42,196
Accrued expenses	1,144,749	835,332
Withholdings	52,843	46,033
Unearned income	38,686	40,132
Advances from customers	171,319	149,424
Derivative transaction credit (Note 11)	56,900	19,682
Dividends payable	137,765	-
Product warranty reserve (Note 12)	181,097	165,031
Total current liabilities	5,732,777	4,587,662
Debtures (Note 9)	1,425,188	1,366,043
Long-term debt (Note 9)	297,510	281,460
Accrued severance benefits, net	254,035	245,005
Deferred income tax liabilities	687,830	570,213
Derivative transaction credit (Note 11)	116,751	76,720
Total liabilities	8,514,091	7,127,103
Commitments and contingencies (Note 10)		
Shareholders' equity		
Capital stock (Notes 1 and 13)	809,169	809,169
Capital surplus (Note 2)		
Paid-in capital in excess of par value	2,207,919	2,207,919
Other capital surplus	353,901	351,686
Capital adjustments		
Treasury stock	(44,893)	(44,893)
Accumulated other comprehensive income (Notes 2, 5 and 15)		
Gain on valuation of available-for-sale securities	4,531	5,359
Loss on valuation of available-for-sale securities	-	(560)
Net accumulated comprehensive income of equity method investees	439,924	242,801
Net accumulated comprehensive expense of equity method investees	(76,654)	(148,632)
Retained earnings (Notes 2 and 16)		
Statutory reserve	104,826	91,049
Voluntary reserve	3,280,276	2,254,119
Unappropriated retained earnings	712,440	1,441,498
Total shareholders' equity	7,791,439	7,209,515
Total liabilities and shareholders' equity	₩ 16,305,530	₩ 14,336,618

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

See Report of Independent Accountants

LG Electronics Inc.
Non-Consolidated Statements of Income
Three-Month periods Ended March 31, 2008 and 2007
(Unaudited)

<i>(in millions of Korean won)</i>	2008		2007	
Sales (Notes 18, 21 and 22)	₩	6,927,232	₩	6,033,709
Cost of sales (Notes 19 and 21)		5,141,570		4,692,601
Gross profit		1,785,662		1,341,108
Selling and administrative expenses (Notes 20)		1,221,440		1,168,228
Operating income		564,222		172,880
Non-operating income				
Interest income		13,866		11,036
Rent income		8,429		7,073
Foreign exchange gains		68,856		17,303
Gain on disposal of investment securities		1,581		1,165
Gain on equity-method investees (Note 5)		446,055		58,814
Gain on settlement of derivatives (Note 11)		8,482		2,646
Gain on valuation of derivatives (Note 11)		381		3,082
Others		6,272		4,782
		553,922		105,901
Non-operating expenses				
Interest expense		26,667		32,306
Foreign exchange losses		239,385		54,905
Donations		1,636		2,023
Loss from disposal of property, plant and equipment		222		7,615
Loss from transfer of accounts receivable		35,796		54,369
Losses on equity-method investees (Note 5)		181,493		251,367
Loss on settlement of derivatives (Note 11)		8,089		5,213
Loss on valuation of derivatives (Note 11)		94,895		7,261
Loss on valuation of long-term advance payments		23,943		-
Other depreciatoin		8,047		-
Others		28,744		2,050
		648,917		417,109
Income (loss) before income tax (benefit)		469,227		(138,328)
Income tax expense (benefit)		75,824		(5,739)
Net income (loss)	₩	393,403	₩	(132,589)
Basic earnings (loss) per share (in won) (Note 17)	₩	2,620	₩	(763)
Diluted earnings (loss) per share (in won) (Note 17)	₩	2,620	₩	(763)

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

See Report of Independent Accountants

LG Electronics Inc.
Non-Consolidated Statements of Changes in Shareholders' Equity
Three-Month periods Ended March 31, 2008 and 2007
(Unaudited)

(in millions of Korean won)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
Balance at January 1, 2007	₩ 809,169	₩ 2,219,993	₩ (44,893)	₩ 687,981	₩ 2,466,926	₩ 6,139,176
Cumulative effect of changes in accounting principles	-	339,612	-	(764,163)	219,004	(205,547)
Restated balance	809,169	2,559,605	(44,893)	76,182	2,685,930	5,933,629
Cash dividends	-	-	-	-	(121,659)	(121,659)
Net loss	-	-	-	-	(122,644)	(122,644)
Change in equity method investees with net accumulated comprehensive income	-	-	-	25,745	-	25,745
Gain on valuation of available-for-sale securities	-	-	-	1,416	-	1,416
Balance at March 31, 2007	₩ 809,169	₩ 2,559,605	₩ (44,893)	₩ (49,021)	₩ 2,441,627	₩ 5,716,487
Balance at January 1, 2008	₩ 809,169	₩ 2,219,993	₩ (44,893)	₩ 703,467	₩ 3,522,966	₩ 7,210,702
Cumulative effect of changes in accounting principles	-	339,612	-	(604,499)	290,123	25,236
Restated balance	809,169	2,559,605	(44,893)	98,968	3,813,089	7,235,938
Cash dividends	-	-	-	-	(137,765)	(137,765)
Net income	-	-	-	-	422,218	422,218
Change in capital surplus	-	2,215	-	-	-	2,215
Change in equity method investees with net accumulated comprehensive income	-	-	-	197,123	-	197,123
Change in equity method investees with net accumulated comprehensive expense	-	-	-	71,978	-	71,978
Gain on valuation of available-for-sale securities	-	-	-	(268)	-	(268)
Balance at March 31, 2008	₩ 809,169	₩ 2,561,820	₩ (44,893)	₩ 367,801	₩ 4,097,542	₩ 7,791,439

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

See Report of Independent Accountants

LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Three-Month periods Ended March 31, 2008 and 2007
(Unaudited)

<i>(in millions of Korean won)</i>	2008	2007
Cash flows from operating activities		
Net income (loss)	₩ 422,218	₩ (122,644)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	149,044	150,852
Amortization	26,296	30,455
Amortization of discounts on debentures	702	5,429
Provision for severance benefits	59,822	68,957
Loss from transfer of accounts receivable	35,796	54,369
Bad debt expense	17,934	1,261
Loss on foreign currency translation, net	143,426	22,899
Gain from disposal of investment securities, net	(1,581)	(1,165)
Loss from disposal of property, plant and equipment, net	222	7,615
Losses (gains) on equity-method investees, net	(264,562)	192,553
Loss on valuation of derivatives, net	94,514	4,179
Loss (gain) on settlement of derivatives, net	(393)	2,567
Provision for product warranty, net	89,884	64,362
Loss on valuation of inventories	5,453	-
Loss on valuation of long-term advance payments	23,943	-
Others	3,301	1,548
	<u>383,801</u>	<u>605,881</u>
Changes in operating assets and liabilities		
Increase in trade accounts and notes receivable	(559,400)	(372,168)
(Increase) decrease in other accounts receivable	(60,472)	25,641
Increase in accrued income	(19,893)	(3,210)
Increase in advances	(15,350)	(1,278)
Decrease in other current assets	24,671	16,014
Increase in inventories	(306,783)	(94,995)
Increase in prepaid expenses	(45,998)	(68,352)
Decrease (increase) in long-term advance payments	775	(26,248)
Increase in long-term prepaid expenses	(69,524)	(27,178)
Increase in deferred income tax assets	(18,634)	(22,490)
Increase trade accounts and notes payable	735,406	428,151
Decrease in other accounts payable	(259,828)	(280,939)
Increase in accrued expenses	309,417	249,396
Increase (decrease) in withholdings	6,810	(24,460)
Increase (decrease) in advances from customers	21,895	(35,078)
Decrease in income taxes payable	(20,000)	(17,665)
Payment of severance benefits	(53,407)	(32,898)
Decrease (increase) in severance insurance deposits	9,031	(2,475)
Decrease in contribution to the National Pension Fund	420	537
Increase in deferred income tax liabilities	63,138	8,339
Decrease in product warranty reserve	(73,818)	(103,305)
Dividends received	104,953	-
Others	(6,560)	(1,333)
	<u>(233,151)</u>	<u>(385,994)</u>
Net cash provided by operating activities	<u>572,868</u>	<u>97,243</u>

LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Three-Month periods Ended March 31, 2008 and 2007
(Unaudited)

<i>(in millions of Korean won)</i>	2008	2007
Cash flows from investing activities		
Disposal of short-term and long term loans	15,947	5,675
Increase in short-term and long term loans	(13,924)	(2,506)
Disposal of short-term and long-term financial instruments	9,720	33,110
Increase in short-term and long-term financial instruments	(56,350)	(5,360)
Proceeds from disposal of long-term investment securities	3,436	1,801
Acquisition of equity method investments	(24,428)	(11,239)
Proceeds from disposal of equity method investments	14,446	-
Return of refundable deposits	16,850	23,055
Payment of refundable deposits	(12,590)	(13,802)
Proceeds from disposal of property, plant and equipment	6,097	34,869
Proceeds from disposal of intangible assets	1,447	-
Proceeds from disposal of derivatives	8,870	8,085
Acquisition of property, plant and equipment	(100,799)	(97,896)
Acquisition of intangible assets	(10,905)	(7,254)
Acquisition of derivatives	(20,472)	(5,972)
Proceeds from disposal of other investment assets	60	-
Net cash used in investing activities	<u>(162,595)</u>	<u>(37,434)</u>
Cash flows from financing activities		
Repayment of current maturities of long-term debt	-	(141,847)
Net increase (decrease) in cash and cash equivalents	410,273	(82,038)
Cash and cash equivalents		
Beginning of the period	532,371	490,315
End of the period	<u>₩ 942,644</u>	<u>₩ 408,277</u>

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

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
March 31, 2008 and 2007, and December 31, 2007

1. The Company

LG Electronics Inc. (the "Company") was spun off from LG Electronics Investment Ltd. (formerly LG Electronics Inc.) on April 1, 2002, to engage in the manufacture and sale of electronics, and information and communication products. The former LG Electronics Inc. was incorporated in October 1958 under the Commercial Code of the Republic of Korea to manufacture and sell electronics, and information and communication products, and had its shares listed on the Korea Stock Exchange in April 1970.

As of March 31, 2008, the Company's main manufacturing facilities are in Kuro, Pyeongtaek, Chongju, Gumi and Changwon in the Republic of Korea.

As of March 31, 2008, the Company has outstanding capital stock amounting to ₩809,169 million, including non-voting preferred stock. The Company's stock was re-listed on the Korean Stock Exchange on April 22, 2002, and its depository receipts were re-listed on the London Stock Exchange in September 2002.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its non-consolidated interim financial statements are the same as the policies adopted for the financial statements for the year ended December 31, 2007, unless otherwise stated.

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

Application of the Statements of Korean Financial Accounting Standards

The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

In 2008, the Company adopted the following new Statements of Korean Financial Accounting Standards (SKFAS) issued by the Korea Accounting Standards Board:

- Korea Accounting Institute Opinion 06-2, *Deferred Income Taxes on Investments in Subsidiaries, Associates and Interests in Joint Ventures (As Revised on 22 February, 2008)*

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
March 31, 2008 and 2007, and December 31, 2007

The Company adopted Korea Accounting Institute Opinion 06-2 as Revised on 22 February, 2008. The prior year financial statements have not been restated to reflect the changes in accordance with Korea Accounting Institute Opinion 06-2, and the effect of change was reflected in the beginning balance of January 1, 2008. The effect of the change was an increase in retained earnings as of January 1, 2008, by ₩26,423 million.

• SKFAS No. 15. *Equity Method (As Revised)*

The Company adopted SKFAS No. 15, *Equity Method, as revised*. The prior year financial statements, presented herein for comparative purposes, have been restated to reflect the changes in accordance with SKFAS No. 1. However, financial statements for the periods before January 1, 2007 have not been restated. The effects of this change were an increase in capital surplus as of January 1, 2008 and 2007, by ₩339,612 million each, a decrease in accumulated other comprehensive income as of January 1, 2008 and 2007 by ₩604,499 million each and an increase in retained earnings as of January 1, 2008 and 2007, by ₩263,700 million each.

The effects of the change on significant accounts for the years started January 1, 2008 and 2007, are as follows:

January 1, 2008	Before	Adjustment	After
<i>(in millions of Korean won)</i>			
Equity-method investments	₩ 6,308,815	₩ (1,187)	₩ 6,307,628
Capital surplus	2,219,993	339,612	2,559,605
Accumulated other comprehensive income	703,467	(604,499)	98,968
Retained earnings ¹	3,549,389	263,700	3,813,089

¹ Retained earnings before the adjustment reflect the changes in accordance with the revised Korea Accounting Institute Opinion 06-2.

January 1, 2007	Before	Adjustment	After
<i>(in millions of Korean won)</i>			
Equity-method investments	₩ 4,583,577	₩ (1,187)	₩ 4,582,390
Capital surplus	2,219,993	339,612	2,559,605
Accumulated other comprehensive income ²	528,317	(604,499)	(76,182)
Retained earnings ²	2,422,230	263,700	2,685,930

² Retained earnings and accumulated other comprehensive income before the adjustments reflect the changes in accordance with Korea Accounting Institute Opinion 06-2 applied in 2007.

Comparative information

Certain prior year accounts, presented herein for comparative purposes, have been reclassified to conform to current year's financial statement presentation. Such reclassification does not impact the net income or net assets reported in the prior year.

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
March 31, 2008 and 2007, and December 31, 2007

3. Inventories

Inventories as of March 31, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	2008		
	Cost	Valuation loss	Carrying value
Merchandise	₩ 60,180	₩ (3,473)	₩ 56,707
Finished products	473,419	(31,388)	442,031
Work-in-process	189,350	(5,121)	184,229
Raw materials	496,394	(15,837)	480,557
Parts and supplies	100,242	(7,865)	92,377
	<u>₩ 1,319,585</u>	<u>₩ (63,684)</u>	<u>₩ 1,255,901</u>

<i>(in millions of Korean won)</i>	2007		
	Cost	Valuation loss	Carrying value
Merchandise	₩ 38,760	₩ (1,843)	₩ 36,917
Finished products	404,303	(32,026)	372,277
Work-in-process	119,261	(2,977)	116,284
Raw materials	349,268	(17,638)	331,630
Parts and supplies	92,208	(3,746)	88,462
	<u>₩ 1,003,800</u>	<u>₩ (58,230)</u>	<u>₩ 945,570</u>

4. Long-term Financial Instruments

As of March 31, 2008 and December 31, 2007, long-term financial instruments are deposited in connection with maintaining checking accounts or research and development projects funded by the government. The withdrawal of these financial instruments is restricted.

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
March 31, 2008 and 2007, and December 31, 2007

5. Equity-Method Investments

Changes in equity-method investments for the three-month period ended March 31, 2008, are as follows:

<i>(in millions of Korean won)</i>	Percentage of ownership(%) at March 31, 2008	Acquisition cost	January 1, 2007	Equity in earnings (losses) of affiliates, net ¹	Others	March 31, 2008
Domestic companies						
LG Micron Ltd.	31.06	₩ 58,767	₩ 99,078	₩ 3,576	₩ (11,114)	₩ 91,540
LG Innotek Co., Ltd.	69.80	59,825	189,515	9,750	5,330	204,595
LG Display Co., Ltd.	37.90	679,218	3,072,004	273,099	(94,106)	3,250,997
LG-Nortel Co., Ltd.	50.00	153,254	231,934	33,551	391	265,876
Hankuk Electric Glass Co., Ltd.	20.00	119,282	82,608	2,309	(774)	84,143
Hi Plaza Inc.	100.00	100,511	109,100	(11,110)	1	97,991
Hi Business Logistics	100.00	8,000	21,800	1,249	700	23,749
Others		23,706	22,510	76	(19)	22,567
		<u>1,202,563</u>	<u>3,828,549</u>	<u>312,500</u>	<u>(99,591)</u>	<u>4,041,458</u>
Overseas companies						
LG Electronics European Holdings B.V. (LGEEH)	100.00	83,324	95,049	(77,739)	79,258	96,568
PT LG Electronics Indonesia. (LGEIN)	100.00	79,946	63,985	2,259	5,244	71,488
LG Electronics Huizhou Inc. (LGEHZ)	80.00	1,277	29,204	6,203	2,685	38,092
LG Electronics India Pvt. Ltd. (LGEIL)	100.00	38,476	247,944	12,738	12,034	272,716
LG Electronics Mlawa SP.Zo.O. (LGEMA)	100.00	133,618	130,831	19,993	23,997	174,821
LG Electronics Mexico S.A. de C.V. (LGEMS)	100.00	103,807	107,235	(1,656)	25,212	130,791
Nanjing LG-Tontru Color Display System Co., Ltd. (LGEND) (formerly LGENT)	70.00	9,367	23,928	(354)	2,189	25,763
LG Electronics de Sao Paulo Ltd. (LGESP)	100.00	112,491	299,314	(26,271)	27,673	300,716
LG Electronics Shenyang Inc.(LGESY)	78.87	11,149	33,228	3,997	3,879	41,104
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	42,948	114,618	453	11,839	126,910
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR)	100.00	72,129	54,370	2,563	6,986	63,919
LG Electronics U.S.A., Inc. (LGEUS)	100.00	148,109	588,990	(30,669)	41,191	599,512
LG Electronics Wroclaw Sp. z o.o (LGEWR)	100.00	55,364	60,987	8,038	10,526	79,551
SLD Telecom Pte. Ltd.	25.37	72,194	42,805	(1,196)	2,422	44,031
LG Holdings (HK) Ltd.	31.82	72,787	25,541	6,940	3,655	36,136
Others		611,341	561,050	26,763	67,957	655,770
		<u>1,648,327</u>	<u>2,479,079</u>	<u>(47,938)</u>	<u>326,747</u>	<u>2,757,888</u>
		<u>₩ 2,850,890</u>	<u>₩ 6,307,628</u>	<u>₩ 264,562</u>	<u>₩ 227,156</u>	<u>₩6,799,346</u>

¹ Positive (negative) numbers represent gain (loss) on valuation of equity-method investments.

LG Electronics Inc.
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Changes in equity-method investments for the three-month period ended March 31, 2007, are as follows:

<i>(in millions of Korean won)</i>	Percentage of ownership(%) at March 31, 2007	Acquisition cost	January 1, 2007	Equity in earnings (losses) of affiliates, net ¹	Others	March 31, 2007
Domestic companies						
LG Micron Ltd.	36.00	₩ 68,100	₩ 110,496	₩ (4,008)	₩ (1,201)	₩ 105,287
LG Innotek Co., Ltd.	69.80	59,825	161,850	2,689	155	164,694
LG Display Co., Ltd.	37.90	679,218	2,510,698	(57,072)	(3,105)	2,450,521
LG-Nortel Co., Ltd.	50.00	153,254	168,989	5,234	45	174,268
Hankuk Electric Glass Co., Ltd.	20.00	119,282	96,141	(1,530)	(783)	93,828
Hi Plaza Inc.	100.00	100,511	107,916	(6,810)	-	101,106
Hi Business Logistics	100.00	8,000	15,641	2,133	128	17,902
Others		19,352	17,865	(55)	-	17,810
		<u>1,207,542</u>	<u>3,189,596</u>	<u>(59,419)</u>	<u>(4,761)</u>	<u>3,125,416</u>
Overseas companies						
LG Electronics European Holdings B.V. (LGEEH)	100.00	63,423	-	-	-	-
PT LG Electronics Indonesia. (LGEIN)	100.00	79,946	67,511	580	1,116	69,207
LG Electronics Huizhou Inc. (LGEHZ)	80.00	1,277	29,580	1,440	1,047	32,067
LG Electronics India Pvt. Ltd. (LGEIL)	100.00	38,476	161,201	14,454	4,777	180,432
LG Electronics Mlawa SP.Zo.O. (LGEMA) ³	100.00	133,618	130,348	(27,554)	1,280	104,074
LG Electronics Mexico S.A. de C.V. (LGEEMS)	100.00	27,686	35,916	(10,270)	(141)	25,505
Nanjing LG-Tontru Color Display System Co., Ltd. (LGEND) (formerly LGENT)	70.00	9,367	14,314	1,821	275	16,410
LG Electronics de Sao Paulo Ltd. (LGESP)	100.00	79,106	148,832	(5,761)	10,677	153,748
LG Electronics Shenyang Inc. (LGESY)	78.87	11,267	17,547	5,298	611	23,456
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	42,948	93,866	(1,623)	2,278	94,521
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR)	100.00	79,795	36,701	2,234	1,202	40,137
LG Electronics U.S.A., Inc. (LGEUS)	100.00	148,109	135,307	(72,693)	709	63,323
LG Electronics Wroclaw Sp.Zo.o. (LGEWR)	100.00	55,364	53,806	(10,205)	668	44,269
SLD Telecom Pte. Ltd.	25.37	72,194	47,067	(1,374)	515	46,208
LG Holdings (HK) Ltd.	31.82	72,787	27,031	(1,001)	1,214	27,244
Others		571,055	394,954	(28,480)	12,898	379,372
		<u>1,486,418</u>	<u>1,393,981</u>	<u>(133,134)</u>	<u>39,126</u>	<u>1,299,973</u>
		<u>₩ 2,693,960</u>	<u>₩ 4,583,577</u>	<u>₩ (192,553)</u>	<u>₩ 34,365</u>	<u>₩ 4,425,389</u>

¹ Positive (negative) numbers represent gain (loss) on valuation of equity-method investments.

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As of March 31, 2008 and December 31, 2007, the respective accumulated losses of equity method investees from which the application of the equity method of accounting has been suspended due to their accumulated losses are as follows:

<i>(in millions of Korean won)</i>	December 31, 2007		March 31, 2008	
	Accumulated losses	Increase (Decrease)	Accumulated losses	Accumulated capital adjustment ¹
LG Electronics HK Ltd.(LGEHK)	₩ 1,649	₩ (269)	₩ 1,380	₩ (55)
LG Electronics Overseas Trading FZE (Dubai)	28,074	(3,870)	24,204	(2,424)
LG Electronics Wales Ltd.(LGEWA) (Subsidiary of LGEEH) ²	328,704	-	328,704	(50,622)
LG Electronics Mobilecomm U.S.A.,Inc. (LGEMU)(Subsidiary of LGEUS)	1,526	(1,526)	-	-
	<u>₩ 359,953</u>	<u>₩ (5,665)</u>	<u>₩ 354,288</u>	<u>₩ (53,101)</u>

¹ Negative numbers represent negative capital adjustment from the application of the equity method of accounting.

² The amounts include the accumulated losses on LG.Philips Display Holdings B.V. from the application of the equity method of accounting.

6. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	March 31, 2008	December 31, 2007
Buildings	₩ 2,093,097	₩ 1,969,588
Structures	171,305	170,230
Machinery and equipment	2,075,772	2,080,482
Tools	1,078,965	1,066,389
Furniture and fixtures	492,481	491,599
Vehicles	27,459	28,023
	<u>5,939,079</u>	<u>5,806,311</u>
Less : Accumulated depreciation	(2,935,300)	(2,804,852)
Accumulated impairment loss ¹	(66)	(26,355)
	<u>3,003,713</u>	<u>2,975,104</u>
Land	667,568	684,987
Trees	4,762	4,762
Construction-in-progress	282,399	372,127
Machinery-in-transit	3,095	75
	<u>₩ 3,961,537</u>	<u>₩ 4,037,055</u>

¹ The carrying value of some land and buildings are reduced to the estimated realizable value, recognizing an impairment loss amounting to ₩2,981 million and reclassified under the other investment assets account. Also, an impairment loss of ₩66 million was recognized on the machinery and others.

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7. Intangible Assets

Intangible assets as of March 31, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	March 31, 2008		December 31, 2007	
Goodwill	₩	46,803	₩	52,129
Industrial property rights		190,438		191,774
Development costs		93,436		83,530
Others		66,056		71,048
	₩	<u>396,733</u>	₩	<u>398,481</u>

8. Short-Term Borrowings and Current Maturities of Long-Term Debts

Short-term borrowings as of March 31, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at March 31, 2008	March 31, 2008		December 31, 2007	
Foreign currency loans	3M Libor + 0.3 ~ 0.8	₩	<u>38,265</u>	₩	<u>29,265</u>

Current maturities of long-term debt and debentures as of March 31, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	March 31, 2008		December 31, 2007	
Debentures	₩	90,000	₩	90,000
Discount on debentures		(421)		(593)
		<u>89,579</u>		<u>89,407</u>
Long-term debt		297,510		281,460
	₩	<u>387,089</u>	₩	<u>370,867</u>

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9. Debentures and Long-Term Debt

Debentures as of March 31, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at March 31, 2008	March 31, 2008	December 31, 2007
Debentures			
Listed, non-guaranteed bonds	4.0 ~ 5.27	₩ 430,000	₩ 430,000
Fixed rate notes of US \$ 600 million (2007: US \$600 million)	5.0	595,020	562,920
Floating rate notes of US \$ 500 million (2007: US \$600 million)	Libor + 0.65	495,850	469,100
		<u>1,520,870</u>	<u>1,462,020</u>
Less: Current maturities		(90,000)	(90,000)
Discount on debentures		(5,682)	(5,977)
		<u>₩ 1,425,188</u>	<u>₩ 1,366,043</u>

Long-term debts as of March 31, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate(%) at March 31, 2008	March 31, 2008	December 31, 2007
Foreign currency loans¹			
Kookmin Bank	1M Libor + 0.41, 6M Libor + 0.35	₩ 396,680	₩ 375,280
The Korea Development Bank	3M Libor + 0.35	198,340	187,640
		<u>595,020</u>	<u>562,920</u>
Less: Current maturities		(297,510)	(281,460)
		<u>₩ 297,510</u>	<u>₩ 281,460</u>

¹ Total face value is US \$600 million (2007: US \$600 million).

The maturities of debentures and long-term debt outstanding as of March 31, 2008, are as follows:

<i>(in millions of Korean won)</i>	For the year ending		
March 31,	Debentures	Long-term debt	Total
2010	₩ 150,000	₩ 99,170	₩ 249,170
2011	595,020	-	595,020
2012	685,850	198,340	884,190
	<u>₩ 1,430,870</u>	<u>₩ 297,510</u>	<u>₩ 1,728,380</u>

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10. Commitments and Contingencies

As of March 31, 2008, the Company provided a note to financial institutions as collateral in relation to guarantees of indebtedness.

As of March 31, 2008, the Company has various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

As of March 31, 2008, the Company has bank overdraft facility agreements with various banks amounting to ₩265,500 million.

As of March 31, 2008, the trade bills negotiated through banks that have not matured amount to approximately ₩3,572,498 million.

As of March 31, 2008, the Company has sales agreements for export trade accounts receivable with various banks up to ₩7,033,625 million, and also has sales agreements for domestic trade accounts receivable with Woori Bank amounting to ₩50,000 million. The Company has corporate electronic settlement services contracts for collection of accounts receivable with two banks up to ₩150,000 million.

As of March 31, 2008, the Company has corporate electronic settlement services contracts for payment of trade accounts payable with various banks up to ₩1,165,450 million.

In accordance with the Asset Securitization Law, on May 18, 2006, the Company entered into a three-year sales program with LG Electronics 2nd Securitization Specialty L.L.C. to be able to transfer its trade receivables, on a revolving basis, up to ₩190,000 million. With regards to the program, the Company is required to maintain the outstanding receivables transferred to the entity at least ₩212,000 million.

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As of March 31, 2008 and December 31, 2007, the Company is contingently liable for guarantees approximating ₩2,694,814 million (equivalent to US\$ 2,717 million) and ₩2,666,671 million (equivalent to US\$ 2,842 million), respectively, on the indebtedness of its subsidiaries and affiliates, as follows:

<i>(in millions of Korean won)</i>	2008	2007
LG Electronics European Shared Service Center B.V.(LGESC)	₩ 416,510	₩ 446,171
LG Electronics U.S.A., Inc.(LGEUS)	247,925	215,786
P.T. LG Electronics Indonesia(LGEIN)	230,414	233,769
LG Electronics Mlawa SP.ZO.O.(LGEMA)	200,594	151,939
LG Electronics Thailand Co.,Ltd. (LGETH)	176,973	168,409
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	143,081	134,912
LG Electronics RUS, LLC(LGERA)	136,855	129,472
LG Electronics Monterrey Mexico S.A de C.V. (LGEMM)	101,649	130,585
LG Electronics Italia S.P.A(LGEIS)	99,170	93,820
LG Electronics Nanjing Display Co., Ltd(LGEND)	92,082	90,693
LG Electronics Wroclaw Sp. z o.o(LGEWR)	79,815	70,444
LG Electronics China Co., Ltd. (LGECH)	74,534	67,693
LG Electronics S.A. Ltd.(LGESA)	62,985	62,878
LG Electronics Columbia, Ltda.(LGECEB)	57,519	54,416
LG Electronics Chile Limitada (LGECL)	51,568	48,786
LG Electronics Peru S.A (LGEPR)	49,783	47,098
LG Electronics Shenyang Inc (LGESY)	45,334	62,386
Others	428,023	457,414
	<u>₩ 2,694,814</u>	<u>₩ 2,666,671</u>

As of March 31, 2008, the Company is named as a defendant in various foreign and domestic legal actions arising from the normal course of business. The aggregate amounts of foreign and domestic claims as the defendant amounted to approximately US\$127 million, EUR 10 million and ₩11,470 million, as of March 31, 2008, except for undefined claim amount from 22 intellectual property cases and 5 cases of compensation of damages. The Company believes that although the outcome of these legal actions is uncertain, they would not result in a material ultimate loss for the Company.

The Company is currently under investigation by the fair trade or antitrust authorities in Korea, the European Union and other markets with respect to possible anti-competitive activities among CRT manufacturers. The Superior Court of Justice of the Court of Ontario in the Toronto Region has issued an injunction the LG Electronics Canada, Inc., a subsidiary, to submit the documents related anti-competitive activities among CRT manufacturers. As of March 31, 2008, the Company has been named as defendant in a number of federal class actions in the United States alleging that the defendants violated the antitrust laws in connection with the anti-competitive activities among CRT manufacturers. Several federal class actions in the United States are consolidated in the Northern District of California. LG Electronics USA, Inc., a subsidiary, is also named as a defendant in several class actions in the United States in connection with above class actions. The outcome of the cases could not be ascertained as of balance sheet date.

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LG Display Co., Ltd. is currently under investigation by the fair trade or antitrust authorities in Korea, Japan, US and other markets with respect to possible anti-competitive activities in the LCD industry. As of March 31, 2008, LG Display Co., Ltd., along with a number of other companies in the LCD industry, has been named as defendant in a number of federal class actions in the United States alleging that the defendants violated the antitrust laws in connection with the sale of LCD panels. Also, LG Electronics Inc. and LG Electronics USA, Inc. were named as defendants in several class actions in the United States in connection with above class actions. These class actions are consolidated in United States District Court for the Southern District of New York. In February 2007, LG Display Co., Ltd. and certain officers and directors of the company have been named as defendants in a federal class action suit in the United States by the shareholders of the Company alleging violations of the U.S. Securities Exchange Act of 1934, in connection with possible anti-competitive activities in the LCD industry. The Company's management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have any material adverse effect on the Company's financial condition, results of operations or cash flows.

As of March 31, 2008, the Company is provided with a repayment guarantee of ₩70,253 million from Seoul Guarantee Insurance Company relating to the completion of sales.

The Company leases equipment such as notebooks under operating leases expiring in various years through 2011. The lease payments according to operating lease agreements as of March 31, 2008, are as follows:

<i>(in millions of Korean won)</i>			
	Period	Amount	
	2008.4.1 ~ 2009.3.31	₩	23,323
	2009.4.1 ~ 2010.3.31		27,175
	2010.4.1 ~ 2011.3.31		7,177
	Total lease payments	₩	<u>57,675</u>

11. Derivative Transaction

In order to reduce the impact of changes in exchange rates on future cash flows, the Company has entered into foreign currency forward contracts. As of March 31, 2008, the Company has outstanding forward contracts with Shinhan Bank and others for selling US dollars amounting to US\$135 million at contract exchange rates of ₩912.6 : US\$1 ~ ₩998.4 : US\$1, with contract due dates of April 2008 to August 2008. Also, the Company has outstanding forward contracts with Calyon and others for selling Euro and buying US dollars amounting to EUR 42 million at contract exchange rates of US\$ 1.4368 : EUR 1 ~ US\$ 1.5074 : EUR 1, with contract due dates of April 2008 to August 2008.

As a result of the above foreign currency forward contracts, an unrealized valuation gain and loss amounting to ₩134 million and ₩9,035 million, respectively, were charged to operations for the three-month period ended March 31, 2008.

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In order to reduce the impact of changes in exchange rates, the Company has also entered into foreign currency option contracts. An unrealized valuation gain and loss amounting to ₩247 million and ₩11,220 million, respectively, was recorded for the three-month period ended March 31, 2008.

A summary of the terms of outstanding currency option contracts as of March 31, 2008, follows:

Option type	Amount (in millions)	Exercise price	Contract due date
Put	US\$100	₩ 895.0/US\$ ~ ₩ 975.0/US\$	April 23, 2008 through September 26, 2008
Call	US\$100	₩911.3/US\$ ~ ₩1,008.4/US\$	April 23, 2008 through September 26, 2008
Put	€ 30,00	US\$ 1.353 / EUR 1	April 28, 2008 through June 26, 2008
Call	€ 60,00	US\$ 1.353 / EUR 1	April 28, 2008 through June 26, 2008

In order to reduce the impact of changes in interest rates and exchange rates, the Company has also entered into a cross currency swap contract. An unrealized valuation loss amounting to ₩74,640 million, was recorded for the three-month period ended March 31, 2008.

A summary of the terms of the outstanding cross currency swap contracts as of March 31, 2008, follows:

(in millions)	Notional amount		Annual interest rate (%)		Maturity
	Receive	Pay	Receive	Pay	
JP Morgan Chase	US\$100	€ 82	5.00%	3.70%	June 17, 2010
Barclays	US\$100	€ 83	5.00%	3.70%	June 17, 2010
BNP Paribas	US\$100	€ 82	5.00%	3.70%	June 17, 2010
The Korea Development Bank	US\$100	€ 83	1M Libor + 0.41%	2.00%	May 27, 2008
SC First Bank of Korea Ltd.	₩49,000	US\$50	4.80%	6M USD LIBOR	March 10, 2009
ABN_AMRO	₩47,530	US\$50	4.35%	6M USD LIBOR	May 24, 2009
Barclays	₩48,000	US\$50	4.32%	6M USD LIBOR	June 19, 2009

(in millions)	Notional amount		Annual interest rate (%)		Maturity
	Receive	Pay	Receive	Pay	
Goldman Sachs and others	US\$500	3M Libor + 65bp	5.62%		May 15, 2012

As a result of the above derivatives contracts, a realized gain of ₩8,482 million and a realized loss of ₩8,089 million were recorded as a non-operating income and expense, respectively, on transactions of derivative for the three-month period ended March 31, 2008.

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12. Product Warranty Reserve

Changes in the product warranty reserve during the three-month periods ended March 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008		2007	
Beginning balance	₩	165,031	₩	241,956
Provisions during the period		89,884		64,362
Actual payments		(73,818)		(103,305)
Ending balance	₩	<u>181,097</u>	₩	<u>203,013</u>

As of March 31, 2008, the Company accrues product warranty reserve for the estimated costs of future service, repairs and recalls, based on historical experience and terms of guarantees over two years.

In addition to the product warranty reserve, the Company accrues a reserve for contingent losses relating to customer's claims and others. This reserve is recorded as accrued expenses.

13. Capital Stock

Capital stock as of March 31, 2008 and December 31, 2007, consists of the following:

	Par value per share	March 31, 2008		December 31, 2007	
		Number of shares issued	Amount (in millions)	Number of shares issued	Amount (in millions)
Common stock	₩ 5,000	144,647,814	₩ 723,239	144,647,814	₩ 723,239
Preferred stock ¹	5,000	17,185,992	85,930	17,185,992	85,930
		<u>161,833,806</u>	<u>₩ 809,169</u>	<u>161,833,806</u>	<u>₩ 809,169</u>

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

The Company has treasury stock consisting of 763,152 shares of common stock and 4,682 shares of preferred stock as of March 31, 2008. The Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

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14. Stock Options

On March 22, 2005, the Company granted 766,000 shares of stock appreciations rights (“SARs”) for certain executives. Under the terms of this plan, executives, upon exercising their SARs, are entitled to receive cash equal to the excess of the market price of the Company’s common stock over the exercise price of ₩71,130 per share. These SARs are exercisable on or after March 23, 2008, through March 22, 2012. Additionally, since the share price increase of the Company was less than the market index increase over the three-year period following the grant date, the exercisable rights are decreased to 361,000 shares, 50% of the initially granted 722,000 shares, net of canceled options.

The Company recognized compensation costs of ₩4,835 million for the three-month period ended March 31, 2008 (2007: nil).

15. Comprehensive Income

Comprehensive income for the three-month periods ended March 31, 2008 and 2007, consists of the following:

<i>(in millions of Korean won)</i>	2008		2007	
Net income (loss)	₩	422,218	₩	(122,644)
Other comprehensive Income and Expense				
Decrease from equity-method investments				
Tax effects: ₩51,218 (2007: ₩0.3)		197,123		37,471
Increase from equity-method investments				
Tax effects: ₩2,958 (2007: ₩567)		71,978		(11,726)
Gain on valuation of available-for-sale securities				
Tax effects: ₩(314) (2007: ₩503)		(828)		1,327
Loss on valuation of available-for-sale securities				
Tax effects: ₩212 (2007: ₩34)		560		89
Comprehensive income (loss)	₩	691,051	₩	(95,483)

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16. Retained Earnings

Retained earnings as of March 31, 2008 and December 31, 2007, consist of the following:

<i>(in million of Korean won)</i>	March 31, 2008	December 31, 2007
Statutory Reserve		
Legal reserve	₩ 104,826	₩ 91,049
Voluntary reserve		
Reserve for improvement of Financial structure	27,772	27,772
Reserve for research and manpower development	3,252,504	2,226,347
	<u>3,280,276</u>	<u>2,254,119</u>
Unappropriated Retained Earnings	712,440	1,441,498
Retained Earnings	<u>₩ 4,097,542</u>	<u>₩ 3,786,666</u>

17. Earnings Per Share

Basic earnings (loss) per share for the three-month periods ended March 31, 2008 and 2007, is calculated as follows:

	2008	2007
Net income (loss) attributable to common stocks ¹	₩ 376,987 million	₩ (109,753) million
Weighted average number of common stocks outstanding ²	143,884,662	143,884,667
Basic earnings (loss) per share	₩ 2,620	₩ (763)

Diluted earnings (loss) per share for the three-month periods ended March 31, 2008 and 2007, is calculated as follows:

	2008	2007
Diluted net income (loss) attributable to common stocks ¹	₩ 376,987 million	₩ (106,494) million
Weighted average number of common stocks for diluted earnings per share ²	143,884,662	146,933,888
Diluted earnings (loss) per share ³	₩ 2,620	₩ (725)

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¹ Net income attributable to common stocks are as follows:

<i>(in millions of Korean won)</i>	2008		2007	
Net income (loss)	₩	422,218	₩	(122,644)
Preferred stock dividends		(3,866)		(3,436)
Additional income available for dividends allocated to preferred stock		(41,365)		16,327
Net income (loss) attributable to common stocks	₩	376,987	₩	(109,753)
Interest expense of convertible bond, net of tax		-		3,259
Net income (loss) used to determine diluted earnings per share	₩	376,987	₩	(106,494)

² Weighted average number of common stocks are as follows:

	2008		2007	
January 1, 2008 and 2007		144,647,814		142,859,174
Conversion of convertible bond		-		1,788,640
Treasury shares		(763,152)		(763,147)
Weighted average number of common stocks outstanding		143,884,662		143,884,667
Convertible bond		-		3,049,221
Weighted average number of common stocks for diluted earnings per share		143,884,662		146,933,888

³ There was no dilutive effect in 2007.

Basic earnings per share and diluted earnings per share for the year ended December 31, 2007, were ₩7,584.

18. Sales

Net sales for the three-month periods ended March 31, 2008 and 2007, consist of the following:

<i>(in millions of Korean won)</i>	2008		2007	
Total sales	₩	7,254,591	₩	6,178,150
Sales deduction		(327,359)		(144,441)
Net sales	₩	6,927,232	₩	6,033,709

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19. Cost of Sales

Cost of sales for the three-month periods ended March 31, 2008 and 2007, consists of the following:

<i>(in millions of Korean won)</i>	2008	2007
Beginning balance of inventories	₩ 436,493	₩ 522,621
Cost of goods manufactured or merchandise purchased ¹	5,564,439	4,877,189
Transfer from other accounts	79,874	3,464
Total	6,080,806	5,403,274
Transfer to other accounts	(424,720)	(129,201)
Ending balance of inventories	(514,516)	(581,472)
Cost of sales	₩ 5,141,570	₩ 4,692,601

¹ Cost of goods manufactured or merchandise purchased includes loss on valuation of inventory (Note 3).

20. Selling and Administrative Expenses

Selling and administrative expenses for the three-month periods ended March 31, 2008 and 2007, consist of the following:

<i>(in millions of Korean won)</i>	2008	2007
Salaries	₩ 193,757	₩ 173,973
Severance benefits	23,981	30,517
Employee benefits	27,744	24,261
Freight expenses	182,421	174,980
Rental expenses	25,513	26,693
Commission expenses	145,720	186,377
Depreciation	33,309	26,558
Amortization	20,881	25,029
Taxes and dues	1,739	2,091
Advertising expenses	285,494	190,340
Promotional expenses	9,050	62,538
Research and development costs	76,102	59,681
Product warranty expenses	100,726	117,106
Others	95,003	68,084
	₩ 1,221,440	₩ 1,168,228

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21. Related Party Transactions

The ultimate parent company is LG Corporation which is responsible for the consolidated financial statements.

2008

Parent company	LG Corporation
Subsidiaries	Hi Plaza Inc., Hi Business Logistics, LG Micron Ltd., LG Innotek Co., Ltd., LG Display Co., Ltd., LG Electronics Africa Logistics FZE (LGEAF), LG Electronics Austria GmbH(LGEAG), LG Electronics Alabama, Inc.(LGEAI), LG Electronics Almaty Kazak Co.,Ltd(LGEAK), LG Electronics Australia Pty, Ltd.(LGEAP), LG Electronics Argentina S.A. (LGEAR), LG Electronics Klima Sanayi ve Ticaret P.S.(LGEAT), LG Electronics Da Amazonia Ltda.(LGEAZ), LG Electronics Benelux(LGEBN), LG Electronics Colombia Ltda.(LGECEB), LG Electronics Canada, Inc.(LGECEI), LG Electronics Inc. Chile Limitada (LGECL), LG Electronics Deutschland GmbH (LGEDG), LG Electronics Egypt Cairo S.A.E (LGEBC), LG Electronics Espana S.A. (LGEES), LG Goldstar France S.A.R.L. (LGEFS), LG Electronics Gulf FZE (LGEGF), LG Electronics HK Limited (LGEHK), LG Electronics Nature (Hangzhou) Recording Media Co., Ltd. (LGEHN), LG Electronics Hellas S. A. (LGEHS), LG Electronics Huizhou Inc. (LGEHZ), LG Electronics India PVT Ltd. (LGEIL), PT LG Electronics Indonesia Ltd. (LGEIN), LG Electronics Italy S.P.A. (LGEIS), LG Electronics JIT Europe B.V. (LGEJE), LG Electronics Japan Inc. (LGEJP), Kunshan LGMS Computer Co., Ltd. (LGEKS), LG Electronics European Logistics & Services B.V (LGELS), LG Soft India PVT.,Ltd. (LGELV), LG Electronics Mlawa SP.Zo.O. (LGEMA), LG Electronics Morocco S.A.R.L. (LGEMC), LG Electronics (M) SDN.BHD (LGEML), LG Electronics Monterrey Mexico S.A. DE C.V. (LGEMM), LG Electronics Mobile Research U.S.A.,LLC. (LGEMR), LG Electronics Mexico S.A. DE C.V. (LGEMS), LG Electronics Mexicali S.A.D.E C.V. (LGEMX), LG Electronics (Nanjing) Plazma Co., Ltd. (LGENTP), Nanjing LG-Tontru Color Display System Co., Ltd. (LGEND)(Formerly LGENT), LG Electronics Polska SP.Zo. O. (LGEPL), LG Electronics Peru S.A. (LGEPR), LG Electronics Panama S.A. (LGEPS), LG Electronics Portugal (LGEPT), Qingdao LG Inspur Digital Communication Co., Ltd. (LGEQD), LG Electronics RUS, LLC (LGERA), LG Electronics Russia Inc. (LGERI), LG Electronics Overseas Trading FZE (LGEOT), LG Electronics Reynosa. S.A. DEC.V. (LGERS), LG Electronics S.A. Pty Ltd. (LGESA), Shanghai LG Electronics Co., Ltd. (LGESH), LG Electronics Singapore Pte Ltd. (LGESL), LG Electronics de Sao Paulo Ltda. (LGESP), LG Electronics Sweden AB (LGESW), LG Electronics Shenyang Inc. (LGESY), LG Electronics Tianjin Appliance Co., Ltd. (LGETA), LG Electronics Thailand Co., Ltd. (LGETH), Taizhou LG-Chunlian Home Appliances Co., Ltd. (LGETR), LG Taistar Electronics Taiwan Co., Ltd. (LGETT), LG Electronics United Kingdom Ltd. (LGEUK), LG Electronics U.S.A., Inc. (LGEUS), LG Electronics Vietnam Co., Ltd. (LGEVN), Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT), LG Electronics MobileComm U.S.A. Inc. (LGEMU) (Subsidiary of LGEUS), LG Electronics China Co., Ltd. (LGECH), LG Electronics Czech S.R.O. (LGECHZ), LG Electronics Egypt S.A.E. (LGEEG), LG Electronics Service Europe Netherlands B.V. (LGEEN), GoldStar Mobile Comm. France S.A.S.U (LGEMF), LG Electronics Magyar Kft (LGEMK), LG Electronics Philippines, Inc.(LGEPI), LG Electronics Qinhuangdao Co., Ltd., (LGEQH), LG Electronics (China) R&D Center (LGERD), LG Electronics European Shared Service Center B.V. (LGESC), LG Software PVT, Ltd. (LGSF), LG Electronics Wroclaw Sp. Zo.o. (LGEWR), LG Innotek IN (LGITIN), LG Innoteck US (LGITUS), LG Innoteck HZ (LGITHZ), LG Innotek Yantai co., LTD (LGITYT), LG Innotek Poland., Ltd (LGITPL), Zenith Electronics Corporation (ZENITH), LG Holding (HK) Ltd., NanJing LG Panda Appliances Co., Ltd. (LGEPN), LG Electronics Romania S.R.L (LGERO), LG Electronics Canada Inc.(LGECEI), LG Display America, Inc. (LGDUS), LG Display Japan Co., Ltd.(LGDJP), LG Display Taiwan Co.,Ltd(LGDTW), LG Display Germany GmbH(LGDDG), LG Display Nanjing Co.(LGDNJ), Ltd., LG Display Shanghai Co.,Ltd.(LGDSSH), LG Display Hong-Kong Co.,Ltd.(LGDHK), LG Display Poland Sp. zo.o.(LGDWR), LG Display Guang Zhou Co., Ltd(LGDGZ), LG Display Shen Zhen Co.,Ltd(LGDSZ), LG Micron(Fujian) Electronics Co.,Ltd.,uh u EIC PROPERTIES PTE, LTD., Beijing LG Building Development Company, LG large & medium & small enterprises cooperation fund, Innovation Investment Fund(Formerly Blue ocean Investment Association), Global Professional Sourcing Co., Ltd, Hi Logistics Europe B.V.
Equity-method investees	Hi Logistics China Company Limited, LG Electronics Middle East Co., Ltd. (LGEME), LG Mitr Electronics Co., Ltd.(LGMT), LG Electronics RUS-Marketing, LLC (LGERM), LG-SHAKER Co. Ltd.(LGESE), LG Electronics Ukraine Co., Ltd. (LGEUR), ElectroMagnetica Goldstar (EMGS), Triveni, System Air-con Engineering Ltd., Hankuk Electric Glass Co.,Ltd., Korea Information Certificate Authority Inc., LG-Nortel Co.,Ltd., HLDS, SLD Telecom Pte. Ltd.
Other related parties	LG Chem, LG Telecom, LG-Dacom, LG Household & Health Care Ltd., LG Life Sciences Ltd., LG Siltron, LG CNS, LGMMA, Serverone, Rusem, LG Economic Research Institute, LG Sports, LG-Hitachi, LG international Corp. LG Solar Energy Co. and others

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Significant transactions, which occurred in the normal course of business with related companies for the three-month periods ended March 31, 2008 and 2007, and their related balances as of March 31, 2008 and 2007, are as follows:

	Sales ¹	Purchases ¹	Receivables	Payables
<i>(in millions of Korean won)</i>				
Parent company	₩ 5	₩ 25,577	₩ 13,766	₩ 52,833
Subsidiaries	5,147,475	797,806	542,386	587,043
Equity-method investees	110,103	11,272	53,192	15,789
Other related parties	178,028	287,300	221,089	163,638
2008	<u>₩ 5,435,611</u>	<u>₩ 1,121,955</u>	<u>₩ 830,433</u>	<u>₩ 819,303</u>
2007	<u>₩ 4,328,173</u>	<u>₩ 969,439</u>	<u>₩ 788,216</u>	<u>₩ 642,584</u>

¹ The sales amount for 2008 above includes sale of certain property, plant and equipment to a subsidiary totaling ₩32,436 million.

Details of the compensation for key management are as follows:

<i>(in millions of Korean won)</i>	2008	2007
Short-term salaries	₩ 1,789	₩ 2,108
Post-retirement benefits	954	1,006
Share-based compensation	1,661	-
	<u>₩ 4,404</u>	<u>₩ 3,114</u>

Key management refers to the directors who have significant control and responsibilities on the Company's operations and business.

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22. Segment Information

The Company has four business divisions: Digital Display division, Digital Media division, Digital Appliance division and Mobile communications division. In addition, the Company has a centralized supporting division to provide general and administrative, marketing and sales and research and development services to each business division.

Financial data by business division as of and for the three-month period ended March 31, 2008, are as follows:

<i>(in millions of Korean won)</i>	Business Division					
	Total	Digital Display	Digital Media	Digital Appliance	Mobile Communications	Supporting Division
Sales						
External sales	₩ 6,927,232	₩ 1,452,698	₩ 687,799	₩ 1,640,793	₩ 3,088,808	₩ 57,134
Inter-division sales	63,398	13,547	4,520	3,838	8,454	33,039
	<u>₩ 6,990,630</u>	<u>₩ 1,466,245</u>	<u>₩ 692,319</u>	<u>₩ 1,644,631</u>	<u>₩ 3,097,262</u>	<u>₩ 90,173</u>
Operating income (loss)	<u>₩ 564,222</u>	<u>₩ (82,129)</u>	<u>₩ (6,973)</u>	<u>₩ 186,084</u>	<u>₩ 477,536</u>	<u>₩ (10,296)</u>
Property, plant and equipment	₩ 3,961,537	₩ 1,279,447	₩ 253,414	₩ 843,371	₩ 507,844	₩ 1,077,461
Intangible assets	396,733	39,314	19,028	53,393	74,659	210,339
	<u>₩ 4,358,270</u>	<u>₩ 1,318,761</u>	<u>₩ 272,442</u>	<u>₩ 896,764</u>	<u>₩ 582,503</u>	<u>₩ 1,287,800</u>
Depreciation and amortization	<u>₩ 175,340</u>	<u>₩ 59,030</u>	<u>₩ 10,133</u>	<u>₩ 30,689</u>	<u>₩ 34,971</u>	<u>₩ 40,517</u>

Financial data by business division as of and for the three-month period ended March 31, 2007, are as follows:

<i>(in millions of Korean won)</i>	Business Division					
	Total	Digital Display	Digital Media	Digital Appliance	Mobile Communications	Supporting Division
Sales						
External sales	₩ 6,033,709	₩ 1,191,664	₩ 708,081	₩ 1,813,932	₩ 2,291,656	₩ 28,376
Inter-division sales	32,921	22,118	5,141	4,554	8,718	(7,610)
	<u>₩ 6,066,630</u>	<u>₩ 1,213,782</u>	<u>₩ 713,222</u>	<u>₩ 1,818,486</u>	<u>₩ 2,300,374</u>	<u>₩ 20,766</u>
Operating income (loss)	<u>₩ 172,880</u>	<u>₩ (194,319)</u>	<u>₩ 5,830</u>	<u>₩ 217,698</u>	<u>₩ 154,504</u>	<u>₩ (10,833)</u>
Property, plant and equipment	₩ 4,151,781	₩ 1,649,364	₩ 220,672	₩ 688,787	₩ 587,932	₩ 1,005,026
Intangible assets	446,077	28,849	8,417	32,895	44,839	331,077
	<u>₩ 4,597,858</u>	<u>₩ 1,678,213</u>	<u>₩ 229,089</u>	<u>₩ 721,682</u>	<u>₩ 632,771</u>	<u>₩ 1,336,103</u>
Depreciation and amortization	<u>₩ 181,307</u>	<u>₩ 74,904</u>	<u>₩ 10,591</u>	<u>₩ 29,076</u>	<u>₩ 34,232</u>	<u>₩ 32,504</u>

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Financial data by geographic area for the three-month period ended March 31, 2008, are as follows:

<i>(in millions of Korean won)</i>			North		Central & South	Central Asia & Africa			
	Total	Domestic	America	Europe	America	Africa	Asia	Oceania	Others
Sales									
External sales	₩6,927,232	₩1,605,789	₩2,010,819	₩1,027,025	₩352,762	₩ 399,557	₩1,250,407	₩79,393	₩201,480
Inter-division sales	63,398	63,398	-	-	-	-	-	-	-
	<u>₩6,990,630</u>	<u>₩1,669,187</u>	<u>₩2,010,819</u>	<u>₩1,027,025</u>	<u>₩352,762</u>	<u>₩ 399,557</u>	<u>₩1,250,407</u>	<u>₩79,393</u>	<u>₩201,480</u>
Ratio (%)	<u>100%</u>	<u>23%</u>	<u>29%</u>	<u>15%</u>	<u>5%</u>	<u>6%</u>	<u>18%</u>	<u>1%</u>	<u>3%</u>

Financial data by geographic area for the three-month period ended March 31, 2007, are as follows:

<i>(in millions of Korean won)</i>			North		Central & South	Central Asia & Africa			
	Total	Domestic	America	Europe	America	Africa	Asia	Oceania	Others
Sales									
External sales	₩6,033,709	₩1,703,091	₩1,660,573	₩752,396	₩276,105	₩ 347,651	₩1,012,766	₩110,029	₩171,098
Inter-division sales	32,921	32,921	-	-	-	-	-	-	-
	<u>₩6,066,630</u>	<u>₩1,736,012</u>	<u>₩1,660,573</u>	<u>₩752,396</u>	<u>₩276,105</u>	<u>₩ 347,651</u>	<u>₩1,012,766</u>	<u>₩110,029</u>	<u>₩171,098</u>
Ratio (%)	<u>100%</u>	<u>28%</u>	<u>27%</u>	<u>13%</u>	<u>4%</u>	<u>6%</u>	<u>17%</u>	<u>2%</u>	<u>3%</u>

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