

LG Electronics Inc.

Notes to Non-Consolidated Financial Statements

March 31, 2007 and 2006, and December 31, 2006

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 electronic, 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 December 31, 2007, the Company’s main manufacturing facilities are in Kuro, Pyeongtaek, Chongju, Gumi and Changwon in the Republic of Korea.

As of March 31, 2007, the Company has outstanding capital stock amounting to ₩809,169 million, including non-voting preferred stock. The Company’s stock was relisted on the Korean Stock Exchange on April 22, 2002, and its depositary receipts were relisted 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 summarized below:

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. Certain information attached to the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company’s financial position, results of operations or cash flows, is not presented in the accompanying non-consolidated financial statements

Accounting Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management’s best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS Nos. 18 through 20 became applicable to the Company on January 1, 2006, the Company adopted these standards in its financial statements covering periods beginning January 1, 2006.

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And as SKFAS Nos. 21 through 23, including No.11, became effective for the Company on January 1, 2007, the Company adopted these Standards in its financial statements as of and for the three-month period ended March 31, 2007. However, the non-consolidated statement of change in shareholders' equity presented for comparative purposes is not stated in accordance with the addendum of SKFAS No. 21.

The Company adopted the Korea Accounting Institute's Accounting Implementation Guide 06-2, *Accounting treatments for deferred tax assets and liabilities relating to subsidiaries, equity method investments and joint ventures investments*, and the Financial Supervisory Service's Accounting Implementation Guide 06-5, *Accounting treatments for Valuation on unlisted Company*. in its financial statements for the three-month period ended March 31, 2007. The December 31, 2006 financial statements, presented herein comparative purposes, have been restated to reflect the changes in accordance with SKFAS No.1. The effect of the change was a decrease in retained earnings as of January 1, 2007 and 2006, by ₩44,696 million and ₩71,181 million, respectively, and decrease in accumulated other comprehensive income as of January 1, 2007 and 2006, by ₩159,664 million and ₩179,970 million, respectively.

The effects of the change on net income and earnings per share for the three month periods ended March 31, 2006 and 2005, and for the years ended December 31, 2006 and 2005, are as follows.

*(in millions of Korean won,
except per share amounts)*

	For the three-month periods ended		For the years ended	
	March 31, 2006	March 31, 2005	December 31, 2006	December 31, 2005
Net income before accounting change	₩ 150,792	₩ 83,205	₩ 212,718	₩ 702,802
Net income after accounting change	166,038	104,380	239,203	648,166
Basic earnings per share	1,030	667	1,480	4,023
Diluted earnings per share	1,029	656	1,480	3,986

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3. Inventories

Inventories as of March 31, 2007 and December 31, 2006, consist of the following:

<i>(in millions of Korean won)</i>	2007		
	Acquisition cost	Inventory valuation allowance	Carrying value
Merchandise	₩ 32,052	₩ (1,109)	₩ 30,943
Finished products	554,263	(36,411)	517,852
Work-in-process	236,720	(3,946)	232,774
Raw materials	306,985	(24,753)	282,232
Parts and supplies	136,338	(3,706)	132,632
	<u>₩ 1,266,358</u>	<u>₩ (69,925)</u>	<u>₩ 1,196,433</u>

<i>(in millions of Korean won)</i>	2006		
	Acquisition cost	Inventory valuation allowance	Carrying value
Merchandise	₩ 34,029	₩ (1,147)	₩ 32,882
Finished products	494,308	(38,815)	455,493
Work-in-process	243,499	(5,802)	237,697
Raw materials	293,014	(29,093)	263,921
Parts and supplies	116,895	(3,234)	113,661
	<u>₩ 1,181,745</u>	<u>₩ (78,091)</u>	<u>₩ 1,103,654</u>

4. Long-term Financial Instruments

As of March 31, 2007 and December 31, 2006, 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.

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5. Equity-Method Investments

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

<i>(in millions of Korean won)</i>	Acquisition cost	December 31, 2006	Equity in earnings (losses) of affiliates, net ¹	Others	March 31, 2007
Domestic companies					
LG Micron Ltd.	₩ 68,100	₩ 110,496	₩ (4,008)	₩ (1,201)	₩ 105,287
LG Innotek Co., Ltd.	59,825	161,850	2,689	155	164,694
LG.Philips LCD Co., Ltd.	679,218	2,510,698	(57,072)	(3,105)	2,450,521
LG-Nortel Co., Ltd.	153,254	168,989	5,234	45	174,268
Hankuk Electric Glass Co., Ltd.	119,282	96,141	(1,530)	(783)	93,828
Hi Plaza Inc.	100,511	107,916	(6,810)	-	101,106
Hi Business Logistics	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					
PT LG Electronics Indonesia. (LGEIN)	79,946	67,511	580	1,116	69,207
LG Electronics Huizhou Inc. (LGEHZ)	1,277	29,580	1,440	1,047	32,067
LG Electronics India Pvt. Ltd. (LGEIL)	38,476	161,201	14,454	4,777	180,432
LG Electronics Mlawa SP.Zo.O.(LGEMA)	133,618	130,348	(27,554)	1,280	104,074
LG Electronics Mexico S.A. de C.V. (LGEMS)	27,686	35,916	(10,270)	(141)	25,505
Nanjing LG-Tontru Color Display System Co., Ltd. (LGEND) (formerly LGENT)	9,367	14,314	1,821	275	16,410
LG Electronics de Sao Paulo Ltd. (LGESP)	79,106	148,832	(5,761)	10,677	153,748
LG Electronics Shenyang Inc.(LGESY)	11,267	17,547	5,298	611	23,456
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	42,948	93,866	(1,623)	2,278	94,521
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR)	79,795	36,701	2,234	1,202	40,137
LG Electronics U.S.A., Inc. (LGEUS)	148,109	135,307	(72,693)	709	63,323
SLD Telecom Pte. Ltd.	72,194	47,067	(1,374)	515	46,208
LG Holdings (HK) Ltd.	72,787	27,031	(1,001)	1,214	27,24
LG Electronics Wroclaw Sp. z o.o. (LGEWR)	55,364	53,806	(10,205)	668	44,269
Others	634,478	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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Changes in equity-method investments for the three-month period ended March 31, 2006, are as follows:

<i>(in millions of Korean won)</i>	Acquisition cost	January 1, 2006	Equity in earnings (losses) of affiliates, net ¹	Others	March 31, 2006
Domestic companies					
LG Micron Ltd.	₩ 68,100	₩ 111,172	₩ 3,339	₩ (2,857)	₩ 111,654
LG Innotek Co., Ltd.	59,825	169,732	(1,312)	(6,322)	162,098
LG.Philips LCD Co., Ltd.	679,218	2,765,005	21,109	11,011	2,797,125
LG-Nortel Co., Ltd.	153,254	141,746	(31,721)	33	110,058
Hankuk Electric Glass Co., Ltd.	119,282	111,087	(2,182)	(801)	108,104
Hi Plaza Inc.	100,511	106,864	(771)	-	106,093
Hi Business Logistics	8,000	12,166	968	(131)	13,003
Others	11,852	10,000	(990)	1,822	10,832
	1,200,042	3,427,772	(11,560)	2,755	3,418,967
Overseas companies					
PT LG Electronics Display Devices					
Indonesia (LGEDI) ²	-	50,515	-	(50,515)	-
PT LG Electronics Indonesia. (LGEIN)	79,946	15,776	(501)	47,154	62,429
LG Electronics Huizhou Inc. (LGEHZ)	1,277	16,931	5,874	(482)	22,323
LG Electronics India Pvt. Ltd. (LGEIL)	38,476	144,433	12,695	(3,370)	153,758
LG Electronics Mlawa					
SP.Zo.O.(LGEMA) ³	133,618	88,422	(10,106)	37,819	116,135
LG Electronics Mexico S.A. de					
C.V. (LGEMS)	13,575	25,982	(6,032)	(1,838)	18,112
Nanjing LG-Tontru Color Display					
System Co., Ltd. (LGENT)	9,367	6,730	6,231	(407)	12,554
LG Electronics European					
Holdings B.V. (LGEEH)					
(formerly LGESE) ⁴	63,423	77,590	(34,291)	(2,741)	40,558
LG Electronics de Sao Paulo Ltd.					
(LGESP)	79,106	162,072	31,086	3,869	197,027
LG Electronics Shenyang Inc.					
(LGESY)	11,267	12,930	1,617	(565)	13,982
LG Electronics Tianjin					
Appliance Co., Ltd. (LGETA)	42,948	98,470	(8,602)	(3,326)	86,542
Taizhou LG-Chunlan Home					
Appliances Co., Ltd. (LGETR)	79,795	35,349	(3,408)	(1,103)	30,838
LG Electronics U.S.A., Inc. (LGEUS)	148,109	111,508	(8,618)	(8,682)	94,208
SLD Telecom Pte. Ltd.	72,194	49,760	(1,479)	(1,800)	46,481
LG Holdings (HK) Ltd.	53,378	22,859	(2,222)	(2,642)	17,995
Others	467,569	334,207	7,608	6,800	348,615
	1,294,048	1,253,534	(10,148)	18,171	1,261,557
	₩ 2,494,090	₩ 4,681,306	₩ (21,708)	₩ 20,926	₩ 4,680,524

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

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² This subsidiary was merged with PT LG Electronics Indonesia (LGEIN) on January 1, 2006.

³ For the three-month period ended March 31, 2006, the Company purchased additional shares of these subsidiaries.

⁴ LG Electronics Service Europe Netherlands B.V. (LGESE) was spun off into four companies on January 1, 2006, namely; LG Electronics European Holdings B.V. (LGEEH), LG Electronics Benelux Sales B.V. (LGEBN), LG Electronics European Logistics & Services B.V. (LGELS), and LG Electronics European Shared Service Center B.V. (LGESC). The existing LG Electronics Service Europe Netherlands B.V. (LGESE) subsequently changed its name to LG Electronics European Holdings B.V. (LGEEH).

As of March 31, 2007 and December 31, 2006, 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:

(in millions of Korean won)	December 31, 2006		Increase (Decrease)	March 31, 2007	
	Accumulated losses			Accumulated losses	Accumulated capital adjustment ¹
LG Electronics China Co., Ltd. (LGECH)	₩ 18,255	₩ (7,970)	₩ 10,285	₩ (4,516)	
LG Electronics HK Ltd.(LGEHK)	-	181	181	-	
LG Electronics S.A. (Pty) Ltd.(LGESA)	-	3,432	3,432	(385)	
LG Electronics Overseas Trading FZE (Dubai)	20,570	17,208	37,778	(437)	
LG Electronics European Holdings B.V.(LGEEH)(Formerly LGESE)	5,612	33,876	39,488	(4,129)	
LG Goldstar France S.A.R.L.(LGEFS) (Subsidiary of LGEEH)	-	2,062	2,062	-	
LG Electronics Espana S.A.(LGEES) (Subsidiary of LGEEH)	-	7,837	7,837	-	
LG Electronics Hellas S.A.(LGEHS) (Subsidiary of LGEEH)	-	3,010	3,010	-	
LG Electronics Nordic AB(LGESW) (Subsidiary of LGEEH)	-	5,509	5,509	-	
LG Electronics United Kingdom Ltd. (LGEUK) (Subsidiary of LGEEH)	-	14,728	14,728	-	
LG Electronics Wales Ltd. (LGEWA) (Subsidiary of LGEEH) ²	328,554	323	328,877	(63,604)	
	₩ 372,991	₩ 80,196	₩ 453,187	₩ (73,071)	

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.

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6. Property, Plant and Equipment

Property, Plant and Equipment as of March 31, 2007 and December 31, 2006, consist of the following:

<i>(in millions of Korean won)</i>	March 31, 2007		December 31, 2006	
Buildings	₩	1,900,307	₩	1,906,784
Structures		164,862		164,702
Machinery and equipment		2,062,434		2,057,869
Tools		1,035,527		1,028,933
Furniture and fixtures		512,169		510,867
Vehicles		19,776		20,185
		<u>5,695,075</u>		<u>5,689,340</u>
Less : Accumulated depreciation		<u>(2,567,969)</u>		<u>(2,444,861)</u>
		<u>3,127,106</u>		<u>3,244,479</u>
Land		700,379		700,515
Standing timber		4,301		4,352
Construction-in-progress		315,036		301,443
Machinery-in-transit		4,959		5,532
	₩	<u>4,151,781</u>	₩	<u>4,256,321</u>

7. Intangible Assets

Intangible assets as of March 31, 2007 and December 31, 2006, consist of the following:

<i>(in millions of Korean won)</i>	March 31, 2007		December 31, 2006	
Goodwill	₩	67,874	₩	73,251
Industrial property rights		218,511		226,918
Development costs		84,643		83,948
Others		75,049		78,100
	₩	<u>446,077</u>	₩	<u>462,217</u>

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

Short-term borrowings as of March 31, 2007 and December 31, 2006, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at March 31, 2007	March 31, 2007		December 31, 2006	
Foreign currency loans	3M Libor + 0.5 ~ 0.7	₩	33,499	₩	37,674

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Current maturities of long-term debts and debentures as of March 31, 2007 and December 31, 2006, consist of the following:

<i>(in millions of Korean won)</i>	March 31, 2007		December 31, 2006	
Debentures	₩	541,975	₩	661,975
Discount on debentures		(222)		(668)
Conversion rights adjustment		(2,354)		(6,848)
Premium for conversion rights		37,092		37,092
Long-term debts		110,628		101,018
	₩	<u>687,119</u>	₩	<u>792,569</u>

9. Debentures, Convertible Bonds and Long-Term Debts

Debentures and convertible bonds as of March 31, 2007 and December 31, 2006, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at March 31, 2007	March 31, 2007		December 31,2006	
Debentures					
Public, non-guaranteed payable through 2009	4.0 ~ 5.0	₩	485,000	₩	605,000
Floating rate notes of US \$600 million (2006:US \$600 million) , payable through 2010	5.0%		564,180		557,760
			<u>1,049,180</u>		<u>1,162,760</u>
Convertible Bonds					
Zero coupon rate convertible bonds of US\$ 250 million (2006 : US\$ 250 million), payable through 2007 ¹	-		296,975		296,975
			<u>296,975</u>		<u>296,975</u>
			1,346,155		1,459,735
Less: Current maturities			(541,975)		(661,975)
Discount on debentures			(5,073)		(5,563)
		₩	<u>799,107</u>	₩	<u>792,197</u>

¹ The Company issued foreign currency convertible bonds to Lehman Brothers Commercial Corporation on May 17, 2004. The terms and conditions of the convertible bonds are as follows:

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Type of bonds: Private convertible bond

Total face value of bonds: US\$250 million (fixed exchange rate of ₩1,181.5 : US\$1)

Date of issuance: May 17, 2004

Terms and conditions for issuance of bonds

- Coupon rate: 0% , Effective interest rate to maturity: 3.96%
- Maturity: May 17, 2007
- On redemption, the Company would redeem the bonds at 112.49% of the face value in a lump sum on the date of maturity.
- Call option: The Company holds the right to redeem the bonds at 106.06% of face value any time between May 18, 2006 and 60 days before maturity, provided that the market value per share of common stock remains at least 115% of the conversion price for at least 20 consecutive trading days, ending on the date on which redemption notice is given.
- Put option: The bondholder holds the right to exercise a put option, in which the bondholder may require the Company to redeem the bonds at 106.06% of face value on the day after 18 months from the date of issuance.

Terms and conditions for conversion

- Type of stock to be issued: registered common stock
- Number of shares convertible: 3,049,221 shares
- Conversion price: ₩96,869 per share. The conversion price was adjusted upwards from ₩91,840 to ₩96,869, because the average closing price of the common shares of the Company during the 20 consecutive Korea Exchange business days preceding and including the second Korea Exchange business day prior to the day falling six months after the issue date was above ₩ 65,600.
- Conversion period: May 18, 2005 through May 7, 2007

Long-term debts as of March 31, 2007 and December 31, 2006, consist of the following:

<i>(in millions of Korean won)</i>		Annual interest rate(%) at March 31, 2007	March 31, 2007	December 31, 2006
Foreign currency loans¹				
Kookmin Bank	1M LIBOR + 0.41	₩	282,090	₩ 278,880
The Korea Development Bank	3M EULIBOR + (1.02 ~ 1.75)		285,165	300,242
Shinhan Bank	3M LIBOR + 0.30		94,030	92,960
Mizuho Seoul	6M LIBOR + 0.35		188,060	185,920
Sumimoto Mitsui	3M LIBOR + 0.35		94,030	92,960
			943,825	950,962
Less: Current maturities			(110,628)	(101,018)
			₩ 833,197	₩ 849,944

¹ Representing US \$ 700 million and EUR 228 million (2006: US \$ 700 million and EUR 246 million).

The Company's property, plant and equipment as of March 31, 2007, are pledged as for above

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long-term debts.

10. Commitments and Contingencies

As of March 31, 2007, the Company provided two notes to financial institutions as collaterals in relation to guarantees of indebtedness.

As of March 31, 2007, the Company has various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

As of March 31, 2007, the Company has bank overdraft facility agreements with various banks amounting to ₩335,000 million.

As of March 31, 2007, the trade bills negotiated through banks that have not matured amount to approximately ₩3,232,789 million.

As of March 31, 2007, the Company has sales agreements for export trade accounts receivable with various banks amounting to ₩5,698,948 million. The Company has corporate electronic settlement services contracts for collection of accounts receivable with Hana Bank and others amounting to ₩130,000 million.

As of March 31, 2007, the Company has corporate electronic settlement services contracts for payment of trade accounts payable with various banks amounting to ₩1,165,450 million.

In accordance with the Asset Securitization Law, the Company entered into a sales contracts with LG Electronics 2nd Securitization Specialty L.L.C to transfer its trade receivables amounting to ₩190,000 million on May 18, 2006. Through the asset-backed securitization of trade receivables, the Company acquired the 2nd class beneficiary certificate of ₩81,368 million at March 31, 2007, included under the trade accounts receivable. In addition, the Company entered into an asset-transfer contract with Hana TX Ltd to transfer its prepaid VAT receivable amounting to ₩70,000 million on December 21, 2006. As of March 31, 2007, outstanding balance receivables amounted to ₩46,000 million.

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As of March 31, 2007, the Company is contingently liable for guarantees approximating ₩3,058,268 million (including US\$3,252 million) on the indebtedness of its subsidiaries and affiliates, as follows:

(in millions of Korean won)

LG Electronics European Shared Service Center B.V.(LGESC)	₩	414,567
LG Electronics U.S.A., Inc.(LGEUS)		263,284
P.T. LG Electronics Indonesia(LGEIN)		211,952
LG Electronics Mlawa SP.ZO.O(LGEMA)		175,552
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)		160,626
LG Electronics Monterrey Mexico S.A de C.V. (LGEMM)		147,597
LG Electronics European Holdings B.V.(LGEEH)		137,934
LG Electronics Thailand Co.,Ltd. (LGETH)		136,275
LG Electronics Wroclaw Sp. z o.o(LGEWR)		132,917
LG Electronics Nanjing Display Co., Ltd(LGEND)		124,672
LG Electronics RUS, LLC(LGERA)		101,552
LG Electronics Italia S.P.A(LGEIS)		94,030
LG Electronics Shenyang Inc.(LGESY)		89,937
LG Electronics (TaiZhou) Refrigeration Co., Ltd.(LGETR)		89,273
LG Electronics Mexico S.A. DE. C.V. (LGEMS)		76,257
LG Electronics Columbia, Ltda.(LGECEB)		70,523
LG Electronics (China) Co., Ltd.(LGECH)		64,030
Others		567,290
	₩	<u>3,058,268</u>

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, 2007, the Company has outstanding forward contracts with ABN-AMRO and others for selling US dollars amounting to US\$327 million at contract exchange rates of ₩917.95 : US\$1 ~ ₩953.60 : US\$1, with contract due dates of April to August 2007.

As of March 31, 2007, the Company has outstanding forward contracts with HSBC Bank and others for selling Euro and buying US dollars amounting to €78 million at contract exchange rates of US\$ 1.2985 : EUR 1 ~ US\$ 1.3390 :EUR 1 with contract due dates of April to September 2007.

As a result of the above foreign currency forward contracts, an unrealized valuation gain and loss amounting to ₩264 million and ₩3,473 million, respectively, were charged to operations for the three-month period ended March 31, 2007.

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 ₩342 million and ₩776 million, respectively, were recorded for the three-month period ended March 31, 2007.

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A summary of the terms of outstanding currency option contracts as of March 31, 2007, follows:

Option type	Amount (in millions)	Exercise price	Contract due date
Put	US\$150	₩910.0/US\$1.00 ~ ₩944.0/US\$1.00	April 13, 2007 through September 21, 2007
Call	US\$170	₩937.1/US\$1.00 ~ ₩968.6/US\$1.00	April 13, 2007 through September 21, 2007

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 gain and loss amounting to ₩2,476 million and ₩3,012 million, respectively, were recorded for the three-month period ended March 31, 2007.

A summary of the terms of the outstanding cross currency swap contracts as of March 31, 2007, follows:

<i>(in millions)</i>	Transaction amount		Annual interest rate (%)		Maturity
	Disbursement	Receipts	Receipts	Disbursement	
JP Morgan Chase and others	US\$300	€247	5.00%	3.70%	June 17, 2010
The Korea Development Bank	US\$100	€83	1M Libor + 0.41%	2.80%	May 27, 2008
Standard Chartered	₩49,000	US\$50	4.80%	6M USD LIBOR	March 10, 2009
First Bank Korea Ltd.					
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

As a result of the above derivatives contracts, a realized gain of ₩2,646 million and a realized loss of ₩5,213 million were recorded as a non-operating income and expense on transaction of derivative, respectively, for the three-month period ended March 31, 2007.

As of March 31, 2007, the Company is named as a defendant in various legal actions including one brought against the Company by Fisher & Paykel in New Zealand and Mahmood Saleh Abbar Co. in Saudi Arabia. In addition, the Company is named as the defendant or the plaintiff 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\$198 million and ₩11,604 million, respectively, as of March 31, 2007. 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.

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The LG. Philips LCD Co., Ltd., a subsidiary 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, 2007, the LG. Philips LCD 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 action in the United States in connection with above class actions. These matters remain in the very early stages and the Company is not in a position to predict their outcome. However, the Company intends to defend itself vigorously in these matters.

As of March 31, 2007, the Company is provided with a repayment guarantee of ₩75,152 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 2010. The Company's liabilities according to operating lease agreements as of March 31, 2007, are as follows:

(in millions of Korean won)

Period	Amount
2007.4.1 ~ 2008.3.31	₩ 17,239
2008.4.1 ~ 2009.3.31	9,534
2009.4.1 ~ 2010.3.31	3,983
Total lease payments	<u>₩ 30,756</u>

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

(in millions of Korean won)

	March 31, 2007
Balance, January 1, 2007	₩ 241,956
Provisions during the year	64,362
Actual payments	(103,305)
Balance, March 31, 2007	<u>₩ 203,103</u>

As of March 31, 2007, the Company accrues a reserve for contingent losses relating to the estimated costs of future claims, recalls and others. This reserve is recorded as a liability.

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11. Capital Stock

Capital stock as of March 31, 2007 and December 31, 2006, consists of the following:

	Par value per share	March 31, 2007		December 31, 2006	
		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 retained treasury stocks consisting of 763,147 shares of common stock and 4,682 shares of preferred stock as of March 31, 2007. The Company intends to either grant these treasury stocks to employees and directors as compensation, or to sell them in the future.

12. 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, when the increase rate of the Company's share price is the same or less than the increase rate of the Korea Composite Stock Price Index ("KOSPI") over the three-year period following the grant date, only 50% of the initially granted shares can be exercised.

The options activity under the SARs since March 22, 2005, follows:

	Number of shares under SARs
Option granted as of March 22, 2005	766,000
Option canceled ¹	(40,000)
Balance, March 31, 2007	<u>726,000</u>
Exercise price per share	<u>₩ 71,130</u>

¹ Options canceled due to the retirement of an executive officer.

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13. Comprehensive Income

Comprehensive income for the three month periods ended March 31, 2007 and 2006, consists of the following:

<i>(in millions of Korean won)</i>	March 31, 2007	March 31, 2006
Net income	₩ (122,644)	₩ 166,038
Other comprehensive Income		
Decrease from equity method investments.		
(Tax effects : ₩ 0.3 million)	37,471	23,697
Increase from equity method investments.		
(Tax effects : ₩ 567 million)	(11,726)	(42,416)
Gain on valuation of available-for-sale securities (Tax effects : ₩ 503 million)	1,327	(4,160)
Loss on valuation of available-for-sale securities (Tax effects : ₩ 34 million)	89	(65)
Comprehensive income	<u>₩ (95,483)</u>	<u>₩ 143,094</u>

14. Retained Earnings

Retained earnings as of March 31, 2007 and December 31, 2006, consist of the following:

<i>(in million of Korean won)</i>	March 31, 2007	December 31, 2006
Statutory Reserve		
Legal reserve	₩ 91,049	₩ 78,883
Reserve for improvement of Financial structure	27,772	27,772
	<u>118,821</u>	<u>106,655</u>
Voluntary reserve		
Reserve for research and manpower development	2,220,170	2,204,668
Unappropriated Retained Earnings	(161,064)	110,907
	<u>₩ 2,177,927</u>	<u>₩ 2,422,230</u>

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15. Earnings Per Share

Basic earnings per share for the three-month periods ended March 31, 2007 and 2006, is calculated as follows:

<i>(in millions of Korean won, except per share amounts)</i>	March 31, 2007	March 31, 2006
Net income as reported on the statements of income	₩ (122,644,117,703)	₩ 166,037,740,914
Less: Preferred stock dividends	(3,436,262,000)	(5,583,926,075)
Additional income available for dividends allocated to preferred stock	16,327,159,608	(12,319,591,928)
Net income allocated to common stock	(109,753,220,095)	148,134,222,911
Weighted-average number of common shares outstanding	143,884,667	143,884,668
Basic earnings per share (in won) ¹	₩ (763)	₩ 1,030

¹ Basic ordinary income per share is identical to the basic earnings per share since there was no extraordinary gain or loss.

Diluted earnings per share is computed by dividing diluted net income, which is adjusted by adding back the after-tax amount of interest expense on any convertible debt and dividends on any convertible preferred stock, by the weighted-average number of common shares and diluted securities outstanding during the year.

Diluted earnings per share for three-month periods ended March 31, 2007 and 2006, is calculated as follows:

<i>(in millions of Korean won, except per share amounts)</i>	March 31, 2007	March 31, 2006
Net income allocated to common stock	₩ (109,753,220,095)	₩ 148,134,222,911
Add: Interest expense on convertible bonds, net of tax	3,258,743,812	3,084,659,874
	(106,494,476,283)	151,218,882,785
Weighted-average number of common shares and diluted securities outstanding	146,933,888	146,933,889
Diluted earnings per share (in won) ¹	₩ (725)	₩ 1,029

¹ There was no dilutive effect as of March 31, 2007.

Earnings per share and diluted earnings per share for the three-month period ended December 31, 2006, were ₩1,480.

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16. Sales Deduction

Sales deduction for the three-month periods ended March 31, 2007 and 2006, consists of the following:

<i>(in millions of Korean won)</i>	March 31, 2007	March 31, 2006
Total sales	₩ 6,178,150	₩ 5,865,137
Sales deduction	<u>(144,441)</u>	<u>(65,358)</u>
Net sales	<u>₩ 6,033,709</u>	<u>₩ 5,799,779</u>

17. Cost of Sales

Cost of sales for the three-month periods ended March 31, 2007 and 2006, consists of the following:

<i>(in millions of Korean won)</i>	March 31, 2007	March 31, 2006
Beginning balance of inventories	₩ 522,621	₩ 548,115
Cost of goods manufactured or merchandise purchased ¹	4,877,189	4,530,966
Transfer from other accounts	<u>3,464</u>	<u>22,756</u>
Total	<u>5,403,274</u>	<u>5,101,837</u>
Transfer to other accounts	(129,201)	(146,063)
Ending balance of inventories	<u>(581,472)</u>	<u>(537,651)</u>
Cost of sales	<u>₩ 4,692,601</u>	<u>₩ 4,418,123</u>

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

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18. Selling and Administrative Expenses

Selling and administrative expenses for the three-month periods ended March 31, 2007 and 2006, consist of the following:

<i>(in millions of Korean won)</i>	March 31, 2007		March 31, 2006	
Salaries	₩	173,973	₩	189,224
Severance benefits		30,517		28,915
Employee benefits		24,261		30,351
Freight expenses		174,980		157,083
Rental expenses		26,693		27,171
Commission expenses		186,377		178,024
Depreciation		51,587		51,210
Taxes and dues		2,091		2,214
Advertising expenses		190,340		165,056
Promotional expenses		62,538		86,958
Research and development costs		59,681		62,745
Product warranty expenses		117,106		142,601
Others		68,084		69,504
	₩	<u>1,168,228</u>	₩	<u>1,191,056</u>

19. Related Party Transactions

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

Significant transactions which occurred in the normal course of business with related companies for the three-month periods ended March 31, 2007 and 2006, and the related account balances outstanding as of March 31, 2007 and December 31, 2006, are summarized as follows:

<i>(in millions of Korean won)</i>	Sales		Purchases		Receivables		Payables	
Parent company ¹	₩	2	₩	22,087	₩	13,904	₩	41,047
Subsidiaries ²		3,998,699		650,034		702,916		472,364
Equity-method investees ³		132,911		35,177		25,559		22,557
Other related parties ⁴		<u>196,561</u>		<u>262,141</u>		<u>45,837</u>		<u>106,616</u>
2007	₩	<u>4,328,173</u>	₩	<u>969,439</u>	₩	<u>788,216</u>	₩	<u>642,584</u>
2006	₩	<u>3,760,628</u>	₩	<u>787,892</u>	₩	<u>622,165</u>	₩	<u>382,587</u>

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¹ LG Corporation

² Hi Plaza Inc., Hi Business Logistics, LG Micron Ltd., LG Innotek Co., Ltd., LG. Philips LCD Co., Ltd., LG Electronics Austria GmbH(LGEAG), LG Electronics Alabama, Inc.(LGEAI), LG Electronics Almaty Kazak Co.,Ltd(LGEAK), LG Electronics Antwerp Logistics N.V(LGEAL), LG Electronics Australia Pty, Ltd.(LGEAP), LG Electronics Klima Sanayi ve Ticaret P.S.(LGEAT), LG Electronics Da Amazonia Ltda.(LGEAZ), LG Electronics Benelux(LGEBN), LG Electronics Colombia Ltda.(LGECL), LG Electronics Canada, Inc.(LGECD), LG Electronics Inc. Chile Limitada(LGECL), LG Electronics Deutschland GmbH(LGEDG), LG Electronics Espana S.A.(LGEES), LG Goldstar France S.A.R.L.(LGEFS), LG Electronics Gulf FZE (LGEFG), 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 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 Mexico S.A. DE C.V. (LGEMS), LG Electronics Mexicali S.A.D.E C.V.(LGEMX), LG Electronics (Nanjing) Plazma Co., Ltd. (LGENP), 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-Chunlan Home Appliances Co., Ltd.(LGETR) (formerly LGECT), 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), LG Electronics Wroclaw Sp.Zo.o. (LGEWR), Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT), LG Electronics MobileComm U.S.A. Inc. (LGEMU) (Subsidiary of LGEUS), LG Electronics Argentina S.A. (LGEAR), LG Electronics China Co., Ltd. (LGECH), LG Electronics Czech S.R.O. (LGECH), LG Electronics Egypt Cairo S.A.E. (LGEEC), LG Electronics Egypt S.A.E. (LGEEG), LG Electronics Service Europe Netherlands B.V. (LGEEN)(Formerly LGESE), LG Electronics Middle East Co., Ltd. (LGEME), GoldStar Mobile Comm. France S.A.S.U (LGEMF), LG Electronics Magyar Kft (LGEMK), LG Electronics Mobile Research U.S.A.,LLC(LGEMR), LG MITR Electronics Co., Ltd. (LGEMT), LG ELECTRONICS Spain Portugal Branch(LGEPB), LG Electronics Philippines, Inc. (LGEPH) (formerly LGEPM), LG Electronics Qinhuaangdao Co., Ltd., (LGEQH), LG Electronics (China) R&D Center(LGERD), LG Electronics RUS-Marketing, LLC(LGERM), LG Electronics European Shared Service Center B.V. (LGESC), LG Electronics Ukraine Co., Ltd(LGEUR), LG Software PVT, Ltd. (LGSI), LG Electronics Wales Ltd. (LGEWA), LG Electronics Wroclaw Sp. Zo.o. (LGEWR), LG Electronics Africa Logistics FZE(LGEAF), LG Innotek IN(LGITIN), LG Innoteck US(LGITUS), LG Innoteck HZ(LGITHZ), LG Innoteck Yantai co., LTD(LGITYT), LG Innoteck 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.(LGECD), EICPROPERTIES, LG. Philips LCD America, Inc., LG. Philips LCD Japan Co., Ltd., LG. Philips LCD Germany GmbH, LG. Philips LCD Taiwan Co.,Ltd., LG. Philips LCD Nanjing Co., Ltd., LG. Philips LCD Hong-Kong Co.,Ltd.,LG.Philips LCD Shanghai Co.,Ltd., LG. Philips LCD Poland Sp. zo.o., LG. Philips LCD Guang Zhou Co., Ltd, LG Micron(Fujian) Electronics Co.,Ltd., EIC PROPERTIES PTE, LTD., GoldStar Mobile Comm. France S.A.S.U, Beijing LG Building Development Company, LG large & medium & small enterprises cooperation fund, Blue ocean Inverstment Association

³ Korea Information Certificate Authority Inc, LG-SHAKER Co., LTD, LG-Nortel, HLDS, LG Philips Display, Korea electric glass Co.Ltd., SLD TELECOM pte.Ltd.,Hi Logistics China Company Limited, HI Logistics Europe B.V., LG Electronics Egypt Cairo S.A.E. (LGEEC), LG Electronics Ukraine Co., Ltd. (LGEUR), LG Electronics Latvia, LLC(LGELV), LG Electronics Middle East Co., Ltd. (LGEME), LG Electronics RUS-Marketing, LLC(LGERM), LG Electronics Argentina S.A. (LGEAR), Electromagnetia Goldstar(EMGS), Triveni

⁴ LG-Dacom, LG-Hitachi, Serverone, LG Economic Research Institute, LG Sports, LG N-sys, Rusem,

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LG International Corp., LG Chem, LG CNS, LG Telecom, LG Powercom, Dacom Multimedia Internet Corp., LG Siltron, LG Life Sciences Ltd., LG Household & Health Care Ltd., LG Petrochem, LG MMA, Paju electric glass Co., Ltd., LG Pasig (Philippines), LG Micron (Taiwan) Ltd.

Key management compensation costs for the three-month periods ended March 31, 2007 and 2006, are as follows:

	March 31, 2007	March 31, 2006
Short-term salaries	₩ 2,108	₩ 2,442
Provision for severance benefits	1,006	879
	<u>₩ 3,114</u>	<u>₩ 3,321</u>

Key management refers to the directors who have significant duties and responsibilities over planning, operations and control of the Company's business.

20. 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, 2007, are as follows:

(in millions of Korean won)	Total	Business Division				Supporting Division
		Digital Display	Digital Media	Digital Appliance	Mobile Communications	
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 business division as of and for the three-month period ended March 31, 2006, are as follows:

(in millions of Korean won)		Business Division				
		Digital Display	Digital Media	Digital Appliance	Mobile Communications	Supporting Division
Sales	Total					
External sales	₩ 5,799,779	₩ 1,419,047	₩ 765,967	₩ 1,559,421	₩ 2,041,219	₩ 14,124
Inter-division sales	79,448	26,413	3,966	3,364	8,932	36,774
	<u>₩ 5,879,227</u>	<u>₩ 1,445,460</u>	<u>₩ 769,933</u>	<u>₩ 1,562,785</u>	<u>₩ 2,050,151</u>	<u>₩ 50,898</u>
Operating income (loss)	<u>₩ 190,600</u>	<u>₩ 29,482</u>	<u>₩ 22,975</u>	<u>₩ 159,382</u>	<u>₩ (8,790)</u>	<u>₩ (12,450)</u>
Property, plant and equipment	₩ 4,115,641	₩ 1,621,752	₩ 234,778	₩ 710,627	₩ 611,625	₩ 936,859
Intangible assets	437,989	25,843	6,912	21,860	56,845	326,529
	<u>₩ 4,553,630</u>	<u>₩ 1,647,595</u>	<u>₩ 241,690</u>	<u>₩ 732,487</u>	<u>₩ 668,470</u>	<u>₩ 1,263,388</u>
Depreciation and amortization	₩ 177,583	₩ 65,660	₩ 12,507	₩ 34,135	₩ 32,922	₩ 32,359

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

(in millions of Korean won)	Total	Domestic	North America	Europe	Central & South America	Central Asia & Africa	Asia	Oceania	CIS
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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Financial data by geographic area for the three-month period ended March 31, 2006, are as follows:

<i>(in millions of Korean won)</i>					Central & South America	Central Asia & Africa			
	Total	Domestic	North America	Europe			Asia	Oceania	CIS
Sales									
External sales	₩5,799,779	₩1,453,855	₩1,224,778	₩696,179	₩286,993	₩306,746	₩1,494,191	₩140,536	₩196,501
Inter-division sales	79,448	79,448	-	-	-	-	-	-	-
	<u>₩5,879,227</u>	<u>₩1,533,303</u>	<u>₩1,224,778</u>	<u>₩696,179</u>	<u>₩286,993</u>	<u>₩306,746</u>	<u>₩1,494,191</u>	<u>₩140,536</u>	<u>₩196,501</u>
Ratio (%)	<u>100%</u>	<u>25%</u>	<u>21%</u>	<u>12%</u>	<u>5%</u>	<u>5%</u>	<u>26%</u>	<u>3%</u>	<u>3%</u>

21. Reclassification of Prior Year Financial statements

Certain amounts in the financial statements as of and for the year ended December 31, 2006, have been reclassified to conform to the March 31, 2007 financial statement presentation. These reclassifications have no effect on previously reported net income or shareholders' equity.

22. Subsequent Event

On April 11, 2007, the Company issued the 49th non-guarantee debentures amounting to ₩190,000 million which will mature on April 2012.