

LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Six-Month Periods Ended June 30, 2007 and 2006
(Unaudited)

(in millions of Korean won)

	2007	2006
Cash flows from operating activities		
Net income (loss)	₩ 261,935	₩ 131,087
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	361,665	350,392
Amortization of discounts on debentures	1,081	12,854
Provision for severance benefits	126,938	121,757
Gain from disposal of investment securities	(30,896)	(4,483)
Loss from transfer of trade accounts and notes receivable	113,322	98,058
Bad debt expense	7,642	51,047
Loss from disposal of property, plant and equipment, net	11,712	1,514
Loss from impairment of property, plant and equipment	11,931	-
Loss from impairment of intangible assets	47,364	-
Equity in earnings (losses) of equity-method investees, net	(116,732)	167,289
Gain (loss) on valuation of derivatives, net	(2,806)	25,189
Loss (gain) on settlement of derivatives, net	1,689	(21,157)
Provision for product warranty	163,857	328,601
Others	(8,558)	(703)
	<u>688,209</u>	<u>1,130,358</u>
Changes in operating assets and liabilities		
Increase (decrease) in trade accounts and notes receivable	(285,352)	343,496
Decrease in other accounts receivable	19,466	10,543
Increase in accrued income	(10,416)	(21,094)
Decrease(increase) in advances	7,337	(61,664)
Decrease in other current assets	22,423	-
Decrease in inventories	112,654	87,042
Increase in prepaid expenses	(74,569)	(22,453)
Increase in long-term prepaid expenses	(42,268)	(19,898)
Increase in deferred income tax assets	(21,424)	(23,439)
Increase in trade accounts and notes payable	120,338	23,790
Decrease in other accounts payable	(286,974)	(218,958)
Increase in accrued expenses	382,328	132,622
Decrease (increase) in withholdings	(12,736)	25,353
Decrease(increase) in advances from customers	(63,402)	87,532
Increase(decrease) in income taxes payable	(35,161)	31,711
Payment of severance benefits	(76,098)	(140,185)
Increase in severance insurance deposits	18,549	25,304
Increase in contributions to the National Pension Fund	1,171	2,732
Increase (decrease) in deferred income tax liabilities	66,670	(6,743)
Decrease in product warranty reserve	(245,808)	(287,936)
Others	10,304	(92,328)
	<u>(392,968)</u>	<u>(124,573)</u>
Net cash provided by operating activities	<u>557,176</u>	<u>1,136,872</u>

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Cash flows from investing activities

Decrease in short-term financial instruments	20,000	-
Increase in short-term and long-term loans, net	(4,234)	(42,067)
Disposal in short-term and long-term loans, net	9,913	45,241
Disposal of long-term financial instruments	21,173	11,829
Acquisition of long-term financial instruments	(8,429)	(11,630)
Proceeds from disposal of investment securities	33,034	5,166
Acquisition of investment securities	(14,640)	(126,101)
Payment of refundable deposits, net	9,555	63,858
Proceeds from disposal of property, plant and equipment	33,584	20,280
Proceeds from disposal of derivatives	19,257	34,351
Acquisition of property, plant and equipment	(240,534)	(338,858)
Acquisition of intangible assets	(33,956)	(69,697)
Acquisition of derivatives	(15,580)	(9,605)
Others	378	63
Net cash used in investing activities	(170,479)	(417,170)

Cash flows from financing activities

Proceeds from short-term borrowings	175,382	40,000
Payment of current maturities of long-term debts	(786,248)	(607,867)
Proceeds from issuance of debentures	649,018	-
Proceeds from long-term debts	185,320	-
Payment from long-term debts	(478,104)	(43,559)
Payment of short-term borrowings	-	(40,000)
Disposal (acquisition) of treasury stock	-	-
Payment of dividends	(121,659)	(199,956)
Net cash provided by (used in) financing activities	(376,291)	(851,382)

Net increase (decrease) in cash and cash equivalents	10,406	(131,680)
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Cash and cash equivalents

Beginning of the period	490,315	581,264
End of the period	₩ 500,721	₩ 449,584

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