

LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Years ended December 31, 2006 and 2005

<i>(in millions of Korean won)</i>	2006	2005
Cash flows from operating activities		
Net income	₩ 212,718	₩ 702,801
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	591,211	645,683
Amortization	115,763	165,650
Amortization of discounts on debentures	23,674	39,270
Provision for severance benefits	186,811	190,375
Loss from transfer of trade accounts and notes receivable	204,546	135,035
Bad debt expense	2,241	4
Gain on foreign currency translation, net	(76,640)	(60,020)
Gain from disposal of investment securities, net	(23,474)	(41,227)
Loss on impairment of investment securities	837	1,893
Loss from disposal of property, plant and equipment, net	10,875	29,999
Loss on impairment of intangible assets	-	89,031
Equity in losses (gains) of equity-method investees, net	174,626	(156,177)
Loss (gain) on valuation of derivatives, net	18,345	(5,133)
Gain on settlement of derivatives, net	(18,835)	(3,333)
Provision for product warranty, net	129,457	(25,091)
Loss on payment guarantees	-	50,650
Loss on redemption of debentures	-	8,238
Reversal of accounts receivables	(7,473)	(7,487)
Others	(5,142)	1,945
	<u>1,326,822</u>	<u>1,059,305</u>
Changes in operating assets and liabilities		
Decrease (increase) in trade accounts and notes receivable	296,236	(678,458)
Decrease in other accounts receivable	24,252	257,261
Increase in accrued income	(2,131)	(39,288)
(Increase) decrease in advances	(8,889)	622
(Increase) decrease in other current assets	(20,485)	142
Decrease in inventories	334,492	267,168
Increase in prepaid expenses	(6,038)	(29,967)
Increase in long-term advance payments	(11,782)	(33,277)
Increase in long-term prepaid expenses	(30,461)	(61,818)
Decrease (increase) in deferred income tax assets	200	(55,856)
(Decrease) increase trade accounts and notes payable	(24,361)	13,662
Decrease in other accounts payable	(18,268)	(5,464)
Decrease in accrued expenses	(77,616)	(123,959)
Increase (decrease) in withholdings	13,084	(13,110)
Increase in advances from customers	70,758	14,273
Increase (decrease) in income taxes payable	20,842	(64,326)
Payment of severance benefits	(210,763)	(156,161)
Decrease (increase) in severance insurance deposits	9,033	(22,151)
Decrease in contribution to the National Pension Fund	4,076	3,104
(Decrease) increase in deferred income tax liabilities	(46,747)	95,985
Dividend received	16,673	17,421
Others	(56,664)	(550)
	<u>275,441</u>	<u>(614,747)</u>
Net cash provided by operating activities	<u>1,814,981</u>	<u>1,147,359</u>

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Cash flows from investing activities		
Disposal of short-term investments assets	-	111,876
Increase in short-term and long-term loans, net	(8,939)	(49,828)
Increase in short-term financial instruments	(20,000)	-
Acquisition of long-term financial instruments, net	(9,095)	(1,166)
Proceeds from disposal of investment securities	23,912	488,411
Acquisition of investment securities	(237,320)	(235,724)
Payment of refundable deposits, net	71,211	(8,846)
Proceeds from disposal of property, plant and equipment	28,823	104,013
Proceeds from disposal of intangible assets	23,910	58,179
Proceeds from disposal of derivatives	50,685	90,844
Acquisition of property, plant and equipment	(766,181)	(1,314,944)
Acquisition of intangible assets	(153,360)	(148,893)
Purchase of derivatives	(31,102)	(38,102)
Increase from merger	-	34,575
Increase from business transfer	-	151,163
Others	-	412
Net cash used in investing activities	<u>(1,027,456)</u>	<u>(758,030)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	40,000	40,000
Repayment of short-term borrowings	(44,992)	(236,877)
Repayment of current maturities of long-term debt	(1,011,517)	(649,140)
Proceeds from issuance of debentures	-	602,258
Proceeds from long-term debt	381,550	482,938
Repayment of debentures	-	(462,937)
Repayment of long-term debt	(43,559)	-
Payment of dividends	(199,956)	(234,851)
Proceeds from disposal of treasury stock	-	2,128
Net cash used in financing activities	<u>(878,474)</u>	<u>(456,481)</u>
Net decrease in cash and cash equivalents	(90,949)	(67,152)
Cash and cash equivalents (Note 31)		
Beginning of the year	<u>581,264</u>	<u>648,416</u>
End of the year	<u>₩ 490,315</u>	<u>₩ 581,264</u>

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