

LG Electronics Inc.

**Non-Consolidated Interim Financial Statements
June 30, 2008 and 2007**

LG Electronics Inc.
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June 30, 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 June 30, 2008, and the related non-consolidated statements of income for the three-month and six-month periods ended June 30, 2008 and 2007, and the statements of cash flows and changes in shareholders' equity for the six-month periods ended June 30, 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.

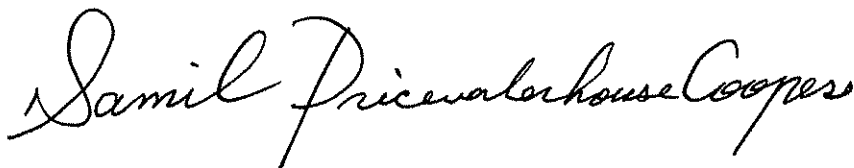
We have audited the non-consolidated balance sheet of LG Electronics Inc. as of December 31, 2007, and the related non-consolidated statements of income, appropriations of retained earnings, and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic 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.

SAMIL PRICEWATERHOUSECOOPERS

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. Instead, 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.

As discussed in Note 23 to the accompanying non-consolidated interim financial statements, on May 1, 2008, the Company transferred its Printed Circuit Board division ("PCB") to LG Micron Ltd. and acquired PDP Rear Plate division ("PRP") from LG Micron Ltd. as approved by the board of directors on February 21, 2008.

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
August 6, 2008

This report is effective as of August 6, 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
June 30, 2008 and December 31, 2007
(Unaudited)

<i>(in millions of Korean won)</i>	2008	2007
Assets		
Current assets		
Cash and cash equivalents	₩ 795,479	₩ 532,371
Short-term financial instruments	32,000	-
Trade accounts and notes receivable, net (Notes 10 and 21)	1,377,672	548,503
Inventories, net (Note 3)	1,178,761	945,570
Other accounts receivable, net	435,588	226,086
Prepaid expenses	171,267	111,101
Accrued income, net	74,165	67,283
Advances, net	54,671	73,887
Derivatives transaction debit (Note 11)	75	665
Deferred income tax assets	366,626	238,991
Other current assets, net	46,834	82,970
Total current assets	4,533,138	2,827,427
Property, plant and equipment, net (Notes 6 and 22)	3,852,169	4,037,055
Long-term financial instruments (Note 4)	12,695	14,854
Long-term investment securities	12,738	16,199
Equity method investments (Notes 2 and 5)	7,673,461	6,307,628
Refundable deposits	323,524	329,626
Long-term advance payments, net	179,915	193,540
Long-term prepaid expenses	171,880	112,189
Long-term loans receivable, net	81,991	90,302
Intangible assets, net (Notes 7 and 22)	464,564	398,481
Derivative transaction debit (Note 11)	-	5,641
Other investment assets	8,039	3,676
Total assets	₩ 17,314,114	₩ 14,336,618

LG Electronics Inc.
Non-Consolidated Balance Sheets
June 30, 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)	₩ 152,041	₩ 29,265
Current maturities of long-term net debts, net (Note 8)	89,753	370,867
Trade accounts and notes payable (Note 21)	2,463,125	1,838,402
Other accounts payable	878,728	1,051,298
Income taxes payable	218,988	42,196
Accrued expenses	1,250,306	835,332
Withholdings	52,095	46,033
Unearned income	37,195	40,132
Advances from customers	190,686	149,424
Derivatives transaction credit (Note 11)	20,995	19,682
Product warranty reserve (Note 12)	189,676	165,031
Total current liabilities	5,543,588	4,587,662
Debentures, net (Note 9)	1,482,361	1,366,043
Long-term debts, net (Note 9)	313,020	281,460
Accrued severance benefits, net	244,356	245,005
Deferred income tax liabilities	874,922	570,213
Derivative transaction credit (Note 11)	94,581	76,720
Total liabilities	8,552,828	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	407,740	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	5,089	5,359
Loss on valuation of available-for-sale securities	-	(560)
Net accumulated comprehensive income of equity method investees	635,602	242,801
Net accumulated comprehensive expense of equity method investees	(63,825)	(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	1,419,383	1,441,498
Total shareholders' equity	8,761,286	7,209,515
Total liabilities and shareholders' equity	₩ 17,314,114	₩ 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 and Six-Month Periods Ended June 30, 2008 and 2007
(Unaudited)

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

	2008		2007	
	For the three-month period ended June 30, 2008	For the six-month period ended June 30, 2008	For the three-month period ended June 30, 2007	For the six-month period ended June 30, 2007
Sales, net (Notes 18, 21 and 22)	₩ 7,233,531	₩ 14,160,763	₩ 5,903,247	₩ 11,936,956
Cost of sales (Notes 19 and 21)	5,263,703	10,405,273	4,579,879	9,272,480
Gross profit	1,969,828	3,755,490	1,323,368	2,664,476
Selling and administrative expenses (Note 20)	1,334,990	2,556,430	1,177,915	2,346,143
Operating income	634,838	1,199,060	145,453	318,333
Non-operating income				
Interest income	20,135	34,001	12,326	23,362
Rent income	8,167	16,596	7,121	14,194
Foreign exchange gains	87,387	185,058	116,883	122,112
Gain on disposal of investment securities	52,282	53,863	29,731	30,896
Gain on valuation of equity-method investments (Note 5)	534,156	980,211	309,285	248,571
Gain on settlement of derivatives (Note 11)	17,370	25,852	9,964	12,610
Gain on valuation of derivatives (Note 11)	31,987	75	10,782	13,864
Others	6,598	12,870	14,149	18,931
	758,082	1,308,526	510,241	484,540
Non-operating expenses				
Interest expense	24,274	50,941	31,949	64,255
Foreign exchange losses	252,674	492,059	17,218	50,104
Donations	2,296	3,932	3,510	5,533
Loss from disposal of property, plant and equipment	1,950	2,172	4,620	12,235
Loss from disposal of intangible assets	4,405	4,405	465	789
Loss from transfer of accounts receivable	37,693	73,489	58,954	113,323
Loss on impairment of property, plant and equipment	41,027	44,074	11,931	11,931
Loss on impairment of intangible assets	-	-	47,364	47,364
Loss on equity method investments (Note 5)	38,270	219,763	-	131,839
Loss on settlement of derivatives (Note 11)	54,052	62,141	9,086	14,299
Loss on valuation of derivatives (Note 11)	-	62,602	3,797	11,058
Loss on valuation of long-term advance payments	1,655	25,598	-	-
Other depreciation	7,830	15,877	3,042	3,042
Others	2,266	27,963	2,880	4,606
	468,392	1,085,016	194,816	470,378
Income before income tax	924,528	1,422,570	460,878	332,495
Income tax expense	217,585	293,409	76,299	70,560
Net income	₩ 706,943	₩ 1,129,161	₩ 384,579	₩ 261,935
Basic earnings per share (in won) (Note 17)	₩ 4,388	₩ 7,008	₩ 2,386	₩ 1,624

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
Six-Month periods Ended June 30, 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 income	-	-	-	-	261,935	261,935
Change in equity method investees						
with net accumulated comprehensive income	-	-	-	(36,506)	-	(36,506)
Change in equity method investees						
with net accumulated comprehensive expense	-	-	-	88,448	-	88,448
Gain on valuation of						
available-for-sale securities	-	-	-	1,679	-	1,679
Balance at						
June 30, 2007	₩ 809,169	₩ 2,559,605	₩ (44,893)	₩ (22,561)	₩ 2,826,206	₩ 6,127,526
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	-	-	-	-	1,129,161	1,129,161
Change in capital surplus	-	56,054	-	-	-	56,054
Change in equity method investees						
with net accumulated comprehensive income	-	-	-	392,801	-	392,801
Change in equity method investees						
with net accumulated comprehensive expense	-	-	-	84,807	-	84,807
Gain on valuation of						
available-for-sale securities	-	-	-	290	-	290
Balance at						
June 30, 2008	₩ 809,169	₩ 2,615,659	₩ (44,893)	₩ 576,866	₩ 4,804,485	₩ 8,761,286

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

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LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Six-Month Periods Ended June 30, 2008 and 2007
(Unaudited)

<i>(in millions of Korean won)</i>	2008	2007
Cash flows from operating activities		
Net income	₩ 1,129,161	₩ 261,935
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	282,766	297,410
Amortization	60,182	61,214
Other depreciation	15,877	3,041
Loss (gain) on foreign currency translation, net	183,005	(5,347)
Provision for severance benefits	115,472	126,938
Loss from transfer of accounts receivable	73,480	113,322
Gains on valuation of equity-method investments, net	(760,448)	(116,732)
Loss from disposal of property, plant and equipment, net	2,172	12,235
Loss from impairment of property, plant and equipment	44,074	11,931
Loss from impairment of intangible assets	-	47,364
Bad debt expense	12,334	7,642
Loss on settlement of derivatives, net	36,289	1,689
Loss (gain) on valuation of derivatives, net	62,527	(2,806)
Provision for product warranty	188,048	163,857
Loss on valuation of inventories	10,187	18,565
Loss on valuation of long-term advance payments	25,598	-
Gain on disposal of investment securities	(53,863)	(30,896)
Others	7,705	(2,653)
	<u>305,405</u>	<u>706,774</u>
Changes in operating assets and liabilities		
Increase in trade accounts and notes receivable	(906,067)	(285,352)
Increase (decrease) in other accounts receivable	(93,615)	19,466
Increase in accrued income	(17,703)	(10,416)
Decrease in advances	18,882	7,337
Decrease in other current assets	36,094	22,423
Increase (decrease) in inventories	(263,736)	94,089
Increase in prepaid expenses	(60,193)	(74,569)
Increase in long-term advance payments	(30,158)	(30,991)
Increase in long-term prepaid expenses	(59,690)	(11,277)
Increase in deferred income tax assets	(127,635)	(21,424)
Increase in trade accounts and notes payable	590,305	120,338
Decrease in other accounts payable	(185,788)	(286,974)
Increase in accrued expenses	408,352	382,328
Increase (decrease) in withholdings	6,181	(12,736)
Increase (decrease) in advances from customers	41,280	(63,402)
Increase (decrease) in income taxes payable	176,793	(35,161)
Payment of severance benefits	(104,201)	(76,098)
Increase in severance insurance deposits	5,133	18,549
Decrease in contributions to the National Pension Fund	2,027	1,171
Increase in deferred income tax liabilities	182,504	66,670
Decrease in product warranty reserve	(163,403)	(245,808)
Dividends received	108,411	5,648
	<u>(444,989)</u>	<u>(411,533)</u>
Net cash provided by operating activities	<u>989,577</u>	<u>557,176</u>

LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Six-Month Periods Ended June 30, 2008 and 2007
(Unaudited)

(in millions of Korean won)

Cash flows from investing activities

Proceeds from disposal of short-term financial instruments	₩	-	₩	20,000
Proceeds from disposal of long-term financial instruments		13,942		21,173
Disposal of short-term and long-term loans		34,538		9,913
Return of refundable deposits		27,951		31,983
Proceeds from disposal of investment securities		18,330		33,034
Proceeds from disposal of property, plant and equipment		130,953		33,584
Proceeds from disposal of intangible assets		2,272		378
Proceeds from disposal of derivatives		26,517		19,257
Acquisition of short-term financial instruments		(32,000)		-
Acquisition of long-term financial instruments		(11,783)		(8,429)
Increase in short-term and long term loans		(25,874)		(4,234)
Acquisition of investment securities		(24,507)		(14,640)
Payment of refundable deposits		(21,668)		(22,428)
Acquisition of property, plant and equipment		(430,068)		(240,534)
Acquisition of intangible assets		(20,788)		(33,956)
Acquisition of derivatives		(99,929)		(15,580)
Net cash used in investing activities		<u>(412,114)</u>		<u>(170,479)</u>

Cash flows from financing activities

Issuance of short-term borrowings		104,870		175,382
Issuance of debentures		-		649,018
Issuance of long-term debts		-		185,320
Payment of long-term debts		-		(478,104)
Payment of dividends		(137,765)		(121,659)
Payment of current maturities of long-term debts		(281,460)		(786,248)
Net cash used in financing activities		<u>(314,355)</u>		<u>(376,291)</u>
Net increase in cash and cash equivalents		263,108		10,406

Cash and cash equivalents

Beginning of the period		532,371		490,315
End of the period	₩	<u>795,479</u>	₩	<u>500,721</u>

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

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LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 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 June 30, 2008, the Company's main manufacturing facilities are in Kuro, Pyeongtaek, Chongju, Gumi and Changwon in the Republic of Korea.

As of June 30, 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 depositary 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.

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2008 and 2007, and December 31, 2007

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 February 22, 2008)*

The Company adopted Korea Accounting Institute Opinion 06-2, as revised, on February 22, 2008. The prior year financial statements have not been restated to reflect the changes in accordance with Korea Accounting Institute Opinion 06-2. Instead, 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 balances as of January 1, 2008 and 2007, are as follows:

January 1, 2008 (in millions of Korean won)	Before	Adjustment	After
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 (in millions of Korean won)	Before	Adjustment	After
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.

Reclassification of Prior Year Financial Statements

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

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LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2008 and 2007, and December 31, 2007

3. Inventories

Inventories as of June 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	2008		
	Cost	Valuation loss	Carrying value
Merchandise	₩ 56,499	₩ (3,051)	₩ 53,448
Finished products	471,492	(33,362)	438,130
Work-in-process	145,676	(5,193)	140,483
Raw materials	471,184	(17,675)	453,509
Parts and supplies	100,497	(7,306)	93,191
	<u>₩ 1,245,348</u>	<u>₩ (66,587)</u>	<u>₩1,178,761</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 June 30, 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
June 30, 2008 and 2007, and December 31, 2007

5. Equity-Method Investments

Changes in equity-method investments for the six-month period ended June 30, 2008, are as follows:

<i>(in millions of Korean won)</i>	Percentage of ownership(%) at June 30, 2008	Acquisition cost	January 1, 2008	Equity in earnings (losses) of affiliates ¹	Others	June 30, 2008
Domestic companies						
LG Micron Ltd.	52.02	₩ 192,278	₩ 99,078	₩ 924	₩ 86,262	₩ 186,264
LG Innotek Co., Ltd.	69.80	59,825	189,515	26,675	11,349	227,539
LG Display Co., Ltd.	37.90	679,218	3,072,004	560,058	(77,577)	3,554,485
LG-Nortel Co., Ltd.	50.00	153,254	231,934	81,670	942	314,546
Hankuk Electric Glass Co., Ltd.	20.00	119,282	82,608	7,890	(774)	89,724
Hi Plaza Inc.	100.00	100,511	109,100	(12,655)	-	96,445
Hi Business Logistics	100.00	8,000	21,800	2,086	1,814	25,700
Others		23,706	22,510	(421)	12	22,101
		<u>1,336,074</u>	<u>3,828,549</u>	<u>666,227</u>	<u>22,028</u>	<u>4,516,804</u>
Overseas companies						
LG Electronics European Holdings B.V. (LGEEH)	100.00	83,324	95,049	(125,109)	104,100	74,040
PT LG Electronics Indonesia. (LGEIN)	100.00	79,946	63,985	8,039	10,556	82,580
LG Electronics Huizhou Inc. (LGEHZ)	80.00	1,277	29,204	5,724	5,096	40,024
LG Electronics India Pvt. Ltd. (LGEIL)	100.00	38,476	247,944	24,252	4,332	278,255
LG Electronics Mlawa SP.Zo.O. (LGEMA)	100.00	133,618	130,831	46,509	44,867	222,207
LG Electronics Mexico S.A. de C.V. (LGEMS)	100.00	103,807	107,235	16,847	40,236	164,318
Nanjing LG-Tontru Color Display System Co., Ltd. (LGEND) (formerly LGENT)	70.00	9,367	23,928	176	3,863	27,967
LG Electronics de Sao Paulo Ltd. (LGESP)	100.00	112,491	299,314	35,429	90,310	425,053
LG Electronics Shenyang Inc.(LGESY)	78.87	11,149	33,228	8,311	7,351	48,890
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	42,948	114,618	3,464	22,229	140,311
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR)	100.00	72,129	54,370	14,652	13,620	82,642
LG Electronics U.S.A., Inc. (LGEUS)	100.00	148,109	588,990	13,126	88,520	690,636
LG Electronics Wroclaw Sp. z o.o (LGEWR)	100.00	55,364	60,987	25,282	19,998	106,267
SLD Telecom Pte. Ltd.	25.37	72,194	42,805	(2,600)	4,684	44,889
LG Holdings (HK) Ltd.	31.82	72,787	25,541	8,357	12,543	46,441
Others		611,341	561,050	11,762	111,052	682,137
		<u>1,648,327</u>	<u>2,479,079</u>	<u>94,221</u>	<u>583,357</u>	<u>3,156,657</u>
		<u>₩ 2,984,401</u>	<u>₩ 6,307,628</u>	<u>₩ 760,448</u>	<u>₩ 605,385</u>	<u>₩ 7,673,461</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 six-month period ended June 30, 2007, were as follows:

<i>(in millions of Korean won)</i>	Percentage of ownership(%) at June 30, 2007	Acquisition cost	January 1, 2007	Equity in earnings (losses) of affiliates, ¹	Others	June 30, 2007
Domestic companies						
LG Micron Ltd.	36.00	₩ 68,100	₩ 110,496	₩ (7,372)	₩ (1,201)	₩ 101,923
LG Innotek Co., Ltd.	69.80	59,825	161,850	6,848	288	168,986
LG Display Co., Ltd.	37.90	679,218	2,510,698	36,751	13,781	2,561,230
LG-Nortel Co., Ltd.	50.00	153,254	168,989	31,473	694	201,156
Hankuk Electric Glass Co., Ltd.	20.00	119,282	96,141	(16,262)	(865)	79,014
Hi Plaza Inc.	100.00	100,511	107,916	(5,786)	-	102,130
Hi Business Logistics	100.00	8,000	15,641	3,323	128	19,092
Others		19,352	17,865	(97)	5	17,773
		<u>1,207,542</u>	<u>3,189,596</u>	<u>48,878</u>	<u>12,830</u>	<u>3,251,304</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	2,439	(249)	69,701
LG Electronics Huizhou Inc. (LGEHZ)	80.00	1,277	29,580	1,323	(3,904)	26,999
LG Electronics India Pvt. Ltd. (LGEIL)	100.00	38,476	161,201	43,002	14,762	218,965
LG Electronics Mlawa SP.Zo.O. (LGEMA)	100.00	133,618	130,348	(40,524)	3,431	93,255
LG Electronics Mexico S.A. de C.V. (LGEMS)	100.00	57,644	35,916	(7,240)	(207)	28,469
Nanjing LG-Tontru Color Display System Co., Ltd. (LGEND) (formerly LGENT)	70.00	10,869	14,314	3,163	285	17,762
LG Electronics de Sao Paulo Ltd. (LGESP)	100.00	79,106	148,832	23,658	21,199	193,689
LG Electronics Shenyang Inc. (LGESY)	78.87	12,244	17,547	8,520	(546)	25,521
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	42,948	93,866	9,381	2,298	105,545
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR)	100.00	79,795	36,701	14,910	1,235	52,846
LG Electronics U.S.A., Inc. (LGEUS)	100.00	148,109	135,307	4,694	3,610	143,611
LG Electronics Wroclaw Sp.Zo.o. (LGEWR)	100.00	55,364	53,806	(346)	1,694	55,154
SLD Telecom Pte. Ltd.	25.37	72,194	47,067	(2,180)	(123)	44,764
LG Holdings (HK) Ltd.	31.82	72,787	27,031	(1,963)	678	25,746
Others		504,931	394,954	9,017	7,401	411,372
		<u>1,452,731</u>	<u>1,393,981</u>	<u>67,854</u>	<u>51,564</u>	<u>1,513,399</u>
		<u>₩ 2,660,273</u>	<u>₩ 4,583,577</u>	<u>₩ 116,732</u>	<u>₩ 64,394</u>	<u>₩ 4,764,703</u>

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

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As of June 30, 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>	<u>December 31, 2007</u>		<u>June 30, 2008</u>	
	Accumulated losses	Increase (Decrease)	Accumulated losses	Accumulated capital adjustment ¹
LG Electronics HK Ltd.(LGEHK)	₩ 1,649	₩ 78	₩ 1,727	₩ (83)
LG Electronics Overseas Trading FZE (Dubai)	28,074	(8,375)	19,699	(4,151)
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>₩ (9,823)</u>	<u>₩ 350,130</u>	<u>₩ (54,856)</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 June 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Buildings	₩ 2,061,206	₩ 1,969,588
Structures	153,555	170,230
Machinery and equipment	2,096,108	2,080,482
Tools	1,095,823	1,066,389
Furniture and fixtures	497,077	491,599
Vehicles	87,070	28,023
	<u>5,990,839</u>	<u>5,806,311</u>
Less : Accumulated depreciation	(3,015,620)	(2,804,852)
Accumulated impairment loss ¹	(41,027)	(26,355)
	<u>2,934,192</u>	<u>2,975,104</u>
Land	638,876	684,987
Trees	4,756	4,762
Construction-in-progress	273,889	372,127
Machinery-in-transit	456	75
	<u>₩ 3,852,169</u>	<u>₩ 4,037,055</u>

¹ The carrying value of certain 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 ₩41,093 million was recognized on the machinery and others.

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7. Intangible Assets

Intangible assets as of June 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	June 30, 2008		December 31, 2007	
Goodwill	₩	45,113	₩	52,129
Industrial property rights		191,001		191,774
Development costs		159,612		83,530
Others		68,838		71,048
	₩	<u>464,564</u>	₩	<u>398,481</u>

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

Short-term borrowings as of June 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at June 30, 2008	June 30, 2008		December 31, 2007	
Foreign currency loans	4.57	₩	104,340	₩	-
Foreign currency loans	3M Libor + 0.74%		47,701		29,265
		₩	<u>152,041</u>	₩	<u>29,265</u>

Current maturities of long-term debt and debentures as of June 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	June 30, 2008		December 31, 2007	
Debentures	₩	90,000	₩	90,000
Discount on debentures		(247)		(593)
		<u>89,753</u>		<u>89,407</u>
Long-term debt		-		281,460
	₩	<u>89,753</u>	₩	<u>370,867</u>

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9. Debentures and Long-Term Debts

Debentures as of June 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at June 30, 2008	June 30, 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	626,040	562,920
Floating rate notes of US \$ 500 million (2007: US \$500 million)	Libor + 0.65	521,700	469,100
		1,577,740	1,462,020
Less: Current maturities		(90,000)	(90,000)
Discount on debentures		(5,379)	(5,977)
		₩ 1,482,361	₩ 1,366,043

Long-term debts as of June 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate(%) at June 30, 2008	June 30, 2008	December 31, 2007
Foreign currency loans¹			
Kookmin Bank	6M Libor + 0.35	₩ 104,340	₩ 375,280
The Korea Development Bank	3M Libor + 0.35	208,680	187,640
		313,020	562,920
Less: Current maturities		-	(281,460)
		₩ 313,020	₩ 281,460

¹ Total face value is US \$300 million (2007: US \$600 million).

The maturities of debentures and long-term debt outstandings as of June 30, 2008, are as follows:

<i>(in millions of Korean won)</i>	For the year ending		
June 30,	Debentures	Long-term debts	Total
2010	₩ 776,040	₩ 104,340	₩ 880,380
2011	-	-	-
2012	711,700	208,680	920,380
	₩ 1,487,740	₩ 313,020	₩ 1,800,760

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10. Commitments and Contingencies

As of June 30, 2008, the Company provided a note to financial institution as collateral in relation to guarantees of indebtedness.

As of June 30, 2008, the Company has various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

As of June 30, 2008, the Company has bank overdraft facility agreements with various banks amounting to ₩260,300 million.

As of June 30, 2008, the trade bills negotiated through banks that have not matured amount to approximately ₩3,735,493 million.

As of June 30, 2008, the Company has sales agreements for export trade accounts receivable with various banks of up to ₩7,319,056 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 of up to ₩150,000 million.

As of June 30, 2008, the Company has corporate electronic settlement services contracts for payment of trade accounts payable with various banks of up to ₩1,185,450 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, of up to ₩190,000 million. With regard to the program, the Company is required to maintain the outstanding receivables transferred to the entity of at least ₩212,000 million.

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As of June 30, 2008 and December 31, 2007, the Company is contingently liable for guarantees approximating ₩3,095,010 million (equivalent to US\$ 2,966 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)	₩ 531,086	₩ 446,171
LG Electronics U.S.A., Inc.(LGEUS)	260,850	215,786
P.T. LG Electronics Indonesia(LGEIN)	242,441	233,769
LG Electronics Mlawa SP.ZO.O.(LGEMA)	212,574	151,939
LG Electronics Thailand Co.,Ltd.(LGETH)	186,137	168,409
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	191,929	134,912
LG Electronics RUS, LLC(LGERA)	143,989	129,472
LG Electronics Monterrey Mexico S.A de C.V.(LGEMM)	127,236	130,585
LG Electronics Italia S.P.A(LGEIS)	20,868	93,820
LG Electronics Nanjing Display Co., Ltd(LGEND)	96,947	90,693
LG Electronics Wroclaw Sp. Z o.o(LGEWR)	84,000	70,444
LG Electronics China Co., Ltd.(LGECH)	95,342	67,693
LG Electronics S.A. Ltd.(LGESA)	66,726	62,878
LG Electronics Columbia, Ltda.(LGECEB)	41,736	54,416
LG Electronics Chile Limitada(LGECL)	41,736	48,786
LG Electronics Peru S.A (LGEPR)	52,379	47,098
LG Electronics Shenyang Inc(LGESY)	71,190	62,386
Others	627,844	457,414
	<u>₩ 3,095,010</u>	<u>₩ 2,666,671</u>

As of June 30, 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\$126 million, US\$ 1 million and ₩10,782 million, as of June 30, 2008, excluding the claims from 14 intellectual property cases and nine cases claiming compensation for 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 on LG Electronics Canada, Inc., a subsidiary, to submit the documents related anti-competitive activities among CRT manufacturers. As of June 30, 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 June 30, 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. Further, on May 9, 2008, pursuant to a tolling agreement and a stipulated request for dismissal, the Court entered an order dismissing LG Electronics, Inc. and LG Electronics U.S.A. from the case. 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 June 30, 2008, the Company is provided with a performance guarantee of ₩86,392 million from Seoul Guarantee Insurance Company relating to the sales contracts.

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 June 30, 2008, are as follows:

(in millions of Korean won)

Period	Amount
July 1, 2008 ~ June 30, 2009	₩ 19,092
July 1, 2009 ~ June 30, 2010	21,668
July 1, 2010 ~ June 30, 2011	23,292
Total lease payments	₩ 64,052

For the six-month period ended June 30, 2008, the Company recognized gains on disposal of investment securities amounting to ₩52,091 million from the redemption of a LG-Nortel Co., Ltd. redeemable preferred stock.

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 June 30, 2008, the Company has outstanding forward contracts with Shinhan Bank and others for selling US dollars amounting to US\$128 million at contract exchange rates of ₩947.6 : US\$1 ~ ₩1,046.05 : US\$1, with contract due dates of July 2008 to December 2008. Also, the Company has outstanding forward contracts with Calyon and others for selling Euro and buying US dollars amounting to EUR 68 million at contract exchange rates of US\$ 1.4743 : EUR 1 ~ US\$ 1.5642 : EUR 1, with contract due dates of July 2008 to December 2008.

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As a result of the above foreign currency forward contracts, an unrealized valuation loss amounting to ₩ 6,031 million was charged to operations for the six-month period ended June 30, 2008.

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 ₩75 million and ₩4,050 million, respectively, were recorded for the six-month period ended June 30, 2008.

A summary of the terms of outstanding currency option contracts as of June 30, 2008, follows:

Option type	Amount (in millions)	Exercise price	Contract due date
Put	US\$61	₩ 930.0/US\$ ~ ₩ 990.0/US\$	July 23, 2008 through October 28, 2008
Call	US\$61	₩946.5/US\$ ~ ₩1,016.7/US\$	July 23, 2008 through October 28, 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 ₩52,521 million, was recorded for the six-month period ended June 30, 2008.

A summary of the terms of the outstanding cross currency swap contracts as of June 30, 2008, follows:

<i>(in millions)</i>	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
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

<i>(in millions)</i>	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 ₩25,852 million and a realized loss of ₩62,141 million were recorded as a non-operating income and expense, respectively, on transactions of derivative for the six-month period ended June 30, 2008.

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12. Product Warranty Reserve

Changes in the product warranty reserve during the six-month periods ended June 30, 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		188,048		163,857
Actual payments		(163,403)		(245,808)
Ending balance	₩	<u>189,676</u>	₩	<u>160,005</u>

As of June 30, 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 customers' claims and others. This reserve is recorded as accrued expenses.

13. Capital Stock

Capital stock as of June 30, 2008 and December 31, 2007, consists of the following:

	Par value per share	June 30, 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 763,155 shares of common stock and 4,682 shares of preferred stock as of June 30, 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.

	Number of shares under SARs
Balance, January 1, 2008	722,000
Option forfeited ¹	(361,000)
Option exercised	(47,500)
Balance, June 30, 2008	<u>313,500</u>

¹ Since the increase in the price of the Company’s share was less than the market index increase over the three-year period following the grant date, the exercisable rights decreased to 361,000 shares, or 50% of the initially granted 722,000 shares, net of canceled options.

Changes in the stock options during the six-month periods ended June 30, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008	2007
Beginning balance	₩ 11,256	₩ -
Provisions during the period	10,571	1,338
Actual payments	(2,048)	-
Ending balance	<u>₩ 19,779</u>	<u>₩ 1,338</u>

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15. Comprehensive Income

Comprehensive income for the six-month periods ended June 30, 2008 and 2007, consists of the following:

<i>(in millions of Korean won)</i>	2008	2007
Net income	₩ 1,129,161	₩ 261,935
Other comprehensive income and expense		
Decrease from equity-method investments		
Tax effects: ₩105,894 (2007: ₩12,328)	392,801	(36,506)
Increase from equity-method investments		
Tax effects: ₩7,742 (2007: ₩5,652)	84,807	88,448
Gain on valuation of available-for-sale securities		
Tax effects: ₩(102) (2007: ₩603)	(270)	1,590
Loss on valuation of available-for-sale securities		
Tax effects: ₩212 (2007: ₩34)	560	89
Comprehensive income	<u>₩ 1,607,059</u>	<u>₩ 315,556</u>

16. Retained Earnings

Retained earnings as of June 30, 2008 and December 31, 2007, consist of the following:

<i>(in million of Korean won)</i>	June 30, 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	1,419,383	1,441,498
	<u>₩ 4,804,485</u>	<u>₩ 3,786,666</u>

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17. Earnings Per Share

Basic earnings per share for the three-month and six-month periods ended June 30, 2008 and 2007, is calculated as follows:

<i>(in millions of Korean won, except per share amounts)</i>	2008		2007	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
	June 30, 2008	June 30, 2008	June 30, 2007	June 30, 2007
Net income as reported on the statement of income	₩ 706,943	₩ 1,129,161	₩ 384,579	₩ 261,935
Less: Preferred stock dividends	(3,866)	(7,732)	(3,436)	(6,873)
Additional income available for dividends allocated to preferred stock	(71,737)	(113,103)	(37,780)	(21,452)
Net income attributable to common stock	631,340	1,008,326	343,363	233,610
Weighted average number of common stock outstanding ¹	143,884,659	143,884,659	143,884,667	143,884,667
Basic earnings per share (in won)	₩ 4,388	₩ 7,008	₩ 2,386	₩ 1,624

¹ Weighted average number of common stock are as follows:

<i>(in millions of Korean won)</i>	2008		2007	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
	June 30, 2008	June 30, 2008	June 30, 2007	June 30, 2007
January 1, 2008 and 2007	144,647,814	144,647,814	144,647,814	144,647,814
Treasury shares	(763,155)	(763,155)	(763,147)	(763,147)
Weighted average number of common stocks outstanding	143,884,659	143,884,659	143,884,667	143,884,667

Basic earnings per share for the year ended December 31, 2007 and for the three-month period ended March 31, 2008, were ₩7,584 and ₩2,620, respectively.

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18. Sales

Net sales for the three-month and six-month periods ended June 30, 2008 and 2007, consist of the following:

<i>(in millions of Korean won)</i>	2008		2007	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
	June 30, 2008	June 30, 2008	June 30, 2007	June 30, 2007
Total sales	₩ 7,606,382	₩ 14,860,973	₩ 6,208,950	₩ 12,387,100
Sales deduction	(372,851)	(700,210)	(305,703)	(450,144)
Net sales	₩ 7,233,531	₩ 14,160,783	₩ 5,903,247	₩ 11,936,956

19. Cost of Sales

Cost of sales for the three-month and six-month periods ended June 30, 2008 and 2007, consists of the following:

<i>(in millions of Korean won)</i>	2008		2007	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
	June 30, 2008	June 30, 2008	June 30, 2007	June 30, 2007
Beginning balance of inventories	₩ 514,516	₩ 436,493	₩ 581,472	₩ 522,621
Cost of goods manufactured or merchandise purchased ¹	5,612,622	11,177,061	4,584,881	9,462,070
Transfer from other accounts	83,053	162,927	9,285	12,749
Total	6,210,191	11,776,481	5,175,638	9,997,440
Transfer to other accounts	(429,183)	(853,903)	(151,092)	(280,293)
Ending balance of inventories	(517,305)	(517,305)	(444,667)	(444,667)
Cost of sales	₩ 5,263,703	₩ 10,405,273	₩ 4,579,879	₩ 9,272,480

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

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20. Selling and Administrative Expenses

Selling and administrative expenses for the three-month and six-month periods ended June 30, 2008 and 2007, consist of the following:

<i>(in millions of Korean won)</i>	2008		2007	
	Three-month	Six-month	Three-month	Six-month
	period ended June 30, 2008	period ended June 30, 2008	period ended June 30, 2007	period ended June 30, 2007
Salaries	₩ 209,928	₩ 403,684	₩ 171,809	₩ 345,782
Severance benefits	25,184	49,164	28,444	58,961
Employee benefits	33,745	61,488	32,695	56,956
Freight expenses	184,679	367,101	158,435	333,415
Rental expenses	25,778	51,291	25,866	52,559
Commission expenses	177,487	323,207	107,750	294,127
Depreciation	33,361	66,671	29,208	55,766
Amortization	28,323	49,204	26,108	51,137
Taxes and dues	2,387	4,126	2,737	4,828
Advertising expenses	255,775	541,270	189,976	380,316
Promotional expenses	85,351	94,401	136,708	199,246
Research and development costs	78,119	154,221	80,603	140,284
Product warranty expenses	114,634	215,360	112,211	229,317
Others	80,239	175,242	75,365	143,449
	<u>₩ 1,334,990</u>	<u>₩ 2,556,430</u>	<u>₩ 1,177,915</u>	<u>₩ 2,346,143</u>

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 Austria GmbH(LGEAG), LG Electronics Alabama, Inc.(LGEAI), LG Electronics Almaty Kazakhstan Co.,Ltd(LGEAK), LG Electronics Australia Pty, Ltd.(LGEAP), Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT), LG Electronics Da Amazonia Ltda.(LGEAZ), LG Electronics Benelux(LGEBN), LG Electronics Colombia Ltda.(LGEGB), LG Electronics Canada, Inc.(LGECL), LG Electronics Inc. Chile Limitada (LGECL), LG Electronics Deutschland GmbH (LGEDG), LG Electronics Espana S.A. (LGEES), LG Electronics 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), LG Electronics (Kunshan) Computer Co., Ltd (LGEKS), LG Electronics European Logistics & Services B.V (LGEELS), LG Electronics Latvia, LLC(LGELV), LG Electronics Mlawa SP.Zo.O.(LGEMA), LG Electronics Morocco S.A.R.L. (LGEMC), LG Electronics Malaysia 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.

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(LGENP), LG Electronics Nanjing Display 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), 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. (LGEU) (Subsidiary of LGEUS), LG Electronics China Co., Ltd. (LGECH), LG Electronics Czech S.R.O. (LGEcZ), LG Electronics Egypt S.A.E.(LGEEG), LG Electronics Service Europe Netherlands B.V. (LGEEH), LG Electronics Mobilecomm France S.A.S.(LGE MF), LG Electronics Magyar KFT (LGE MK), LG Electronics Philippines, Inc.(LGE PH), 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. (LGS), LG Electronics Wroclaw Sp. Zo.o.(LGEWR), LG Electronics Egypt Cairo S.A.E (LGEEC), LG Electronics Africa Logistics FZE (LGEAF), LG Electronics Argentina S.A. (LGEAR), LG Electronics Ticaret A.S.(LGETK), 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 Display America, Inc. (LGDUS), LG Display Japan Co., Ltd.(LGDJP), LG Display Germany GmbH(LGD DG), LG Display Taiwan Co.,Ltd(LGDTW), LG Display Nanjing Co., Ltd.(LGD NJ), LG Display Hong-Kong Co.,Ltd.(LGDHK), LG Display Shanghai Co.,Ltd.(LGD SH), 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., 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, HLDS, LG Electronics Middle East Co., Ltd. (LGE ME), LG Mitr Electronics Co., Ltd.(LGE MT), LG Electronics RUS-Marketing, LLC(LGERM), LG-SHAKER Co. Ltd.(LGE SR), LG Electronics Ukraine Co., Ltd.(LGE UR), LG Electronics Wales Ltd.(LGEWA), ElectroMagnetica Goldstar (EMGS), Triveni, System Air-con Engineering Ltd., Hankuk Electric Glass Co.,Ltd., Korea Information Certificate Authority Inc., LG-Nortel Co.,Ltd., SLD Telecom Pte. Ltd., LG.Philips Displays Korea Co., Ltd, LG Micron(Taiwan) Ltd.

Other related parties

LG Chem, LG Telecom, LG-Dacom, LG Household & Health Care Ltd., LG Life Sciences Ltd., LG Siltron, LG CNS, LGMMA, Serveone, Rusem, LG Economic Research Institute, LG Sports, LG Solar Energy Co.,LG-Hitachi, LG international Corp. and others

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Significant transactions, which occurred in the normal course of business with related companies for the six-month periods ended June 30, 2008 and 2007, and their related balances as of June 30, 2008 and 2007, are as follows:

	Sales ¹	Purchases ¹	Receivables ²	Payables
<i>(in millions of Korean won)</i>				
Parent company	₩ 26	₩ 54,683	₩ 14,530	₩ 5,380
Subsidiaries	10,377,238	1,843,922	617,041	732,870
Equity-method investees	255,671	17,569	62,798	13,614
Other related parties	364,018	611,402	233,433	153,033
2008	<u>₩ 10,996,953</u>	<u>₩ 2,527,576</u>	<u>₩ 927,802</u>	<u>₩ 904,897</u>
2007	<u>₩ 8,456,885</u>	<u>₩ 2,065,496</u>	<u>₩ 605,077</u>	<u>₩ 748,268</u>

¹ The sales amount for 2008 above includes sale of certain property, plant and equipment to a subsidiary totaling ₩38,528 million (2007 : ₩39,042 million), while the purchases amount for 2008 above includes purchases of certain property, plant and equipment to a subsidiary totaling ₩37,342 million (2007 : ₩44,301 million)

² The receivables amount for 2008 above include receivables relating to business transfer to a subsidiary totaling ₩56,859 million (Note 23)

Details of the compensation for key management are as follows:

<i>(in millions of Korean won)</i>	2008	2007
Short-term salaries	₩ 4,883	₩ 4,035
Post-retirement benefits	1,695	3,446
Share-based compensation	3,684	599
	<u>₩ 10,262</u>	<u>₩ 8,080</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 six-month period ended June 30, 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	₩14,160,763	₩ 2,776,460	₩ 1,337,629	₩ 3,379,874	₩ 6,543,579	₩ 123,221
Inter-division sales	133,553	30,883	8,307	9,305	13,804	71,254
	<u>14,294,316</u>	<u>2,807,343</u>	<u>1,345,936</u>	<u>3,389,179</u>	<u>6,557,383</u>	<u>194,475</u>
Operating income (loss)	<u>1,199,060</u>	<u>(199,121)</u>	<u>(4,356)</u>	<u>393,089</u>	<u>1,022,191</u>	<u>(12,743)</u>
Property, plant and equipment	3,852,169	1,324,274	242,480	834,327	357,379	1,093,709
Intangible assets	464,564	41,968	18,789	54,148	70,846	278,813
	<u>4,316,733</u>	<u>1,366,242</u>	<u>261,269</u>	<u>888,475</u>	<u>428,225</u>	<u>1,372,522</u>
Depreciation and amortization	₩ 358,825	₩ 125,495	₩ 18,732	₩ 60,023	₩ 64,539	₩ 90,036

Financial data by business division as of and for the six-month period ended June 30, 2007, were 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	₩11,936,956	₩ 2,262,164	₩ 1,316,291	₩ 3,595,892	₩ 4,706,235	₩ 56,374
Inter-division sales	109,398	44,326	9,688	11,914	16,679	26,791
	<u>₩12,046,354</u>	<u>₩ 2,306,490</u>	<u>₩ 1,325,979</u>	<u>₩ 3,607,806</u>	<u>₩ 4,722,914</u>	<u>₩ 83,165</u>
Operating income (loss)	<u>₩ 318,333</u>	<u>₩ (459,110)</u>	<u>₩ (10,725)</u>	<u>₩ 390,635</u>	<u>₩ 419,098</u>	<u>₩ (21,565)</u>
Property, plant and equipment	₩ 4,125,607	₩ 1,357,133	₩ 257,738	₩ 699,732	₩ 536,739	₩ 1,274,265
Intangible assets	397,599	38,384	17,138	52,094	79,875	210,108
	<u>₩ 4,523,206</u>	<u>₩ 1,395,517</u>	<u>₩ 274,876</u>	<u>₩ 751,826</u>	<u>₩ 616,614</u>	<u>₩ 1,484,373</u>
Depreciation and amortization	₩ 361,665	₩ 141,765	₩ 20,272	₩ 57,965	₩ 69,203	₩ 72,460

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Financial data by geographic area for the six-month period ended June 30, 2008, are as follows:

<i>(in millions of Korean won)</i>			North		Central & South	Central Asia & Africa	Asia	Oceania	Others
	Total	Domestic	America	Europe	America				
Sales									
External sales	₩14,160,763	₩3,365,737	₩4,178,194	₩1,863,013	₩754,760	₩ 795,130	₩2,602,908	₩223,911	₩377,110
Inter-division sales	<u>133,553</u>	<u>133,553</u>	-	-	-	-	-	-	-
	<u>₩14,294,316</u>	<u>₩3,499,290</u>	<u>₩4,178,194</u>	<u>₩1,863,013</u>	<u>₩754,760</u>	<u>₩ 795,130</u>	<u>₩2,602,908</u>	<u>₩223,911</u>	<u>₩377,110</u>
Ratio (%)	<u>100%</u>	<u>24%</u>	<u>29%</u>	<u>13%</u>	<u>5%</u>	<u>6%</u>	<u>18%</u>	<u>2%</u>	<u>3%</u>

Financial data by geographic area for the six-month period ended June 30, 2007, were as follows:

<i>(in millions of Korean won)</i>			North		Central & South	Central Asia & Africa	Asia	Oceania	Others
	Total	Domestic	America	Europe	America				
Sales									
External sales	₩11,936,956	₩3,445,466	₩3,190,931	₩1,451,416	₩561,568	₩677,484	₩2,091,733	₩236,456	₩281,902
Inter-division sales	<u>109,398</u>	<u>109,398</u>	-	-	-	-	-	-	-
	<u>₩12,046,354</u>	<u>₩3,554,864</u>	<u>₩3,190,931</u>	<u>₩1,451,416</u>	<u>₩561,568</u>	<u>₩677,484</u>	<u>₩2,091,733</u>	<u>₩236,456</u>	<u>₩281,902</u>
Ratio (%)	<u>100%</u>	<u>29%</u>	<u>27%</u>	<u>12%</u>	<u>5%</u>	<u>6%</u>	<u>17%</u>	<u>2%</u>	<u>2%</u>

23. Business Transfer

On May 1, 2008, the Company transferred its Printed Circuit Board division ("PCB") to LG Micron Ltd. and acquired PDP Rear Plate division ("PRP") from LG Micron Ltd. as approved by the board of directors on February 21, 2008.

In accordance with Korea Accounting standards on mergers and acquisitions, the assets and liabilities acquired were recorded at their book values on the consolidated financial statements of the parent and subsidiaries.

Relative to the business transfer, the Company received 3,276,324 shares of LG Micron Ltd. and of ₩ 56,859 million in cash.

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Summaries of financial information of PCB and PRP division as of May 1, 2008, are as follows:

<i>(in millions of Korean won)</i>	PCB	PRP
Current assets		
Quick assets	₩ 192	₩ 256
Inventories	40,432	1,640
	<u>40,624</u>	<u>1,896</u>
Non current assets		
Tangible assets	145,845	102,240
Intangible assets	356	1,100
	<u>146,201</u>	<u>103,340</u>
Total assets	<u>₩ 186,825</u>	<u>₩ 105,236</u>
Current liabilities	₩ 700	₩ -
Non current liabilities	3,375	900
Total liabilities	<u>₩ 4,075</u>	<u>₩ .900</u>

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