

LG ELECTRONICS INC.

Interim Financial Statements

As of September 30, 2003 and for the three-month and nine-month periods ended September 30, 2003, the three-month period ended September 30, 2002 and the six-month period from April 1, 2002 (spin-off date) to September 30, 2002

LG ELECTRONICS INC.

Contents

As of September 30, 2003 and for the three-month and nine-month periods ended September 30, 2003, the three-month period ended September 30, 2002, and the six-month period from April 1, 2002 (spin-off date) to September 30, 2002

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Independent Accountant's Report

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 September 30, 2003, and the related non-consolidated statements of income for the three-month and nine-month periods ended September 30, 2003, the three-month period ended September 30, 2002, and the six-month period from April 1, 2002 (spin-off date) to September 30, 2002, and the non-consolidated statements of cash flows for the three-month and nine-month periods ended September 30, 2003, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these 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 financial accounting standards generally accepted in the Republic of Korea.

We have audited the non-consolidated balance sheet of LG Electronics Inc. as of December 31, 2002, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the nine-month period from April 1, 2002 (date of spin-off) to December 31, 2002, 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 January 25, 2003. These audited financial statements are not included in this review report. The balance sheet as of December 31, 2002, presented herein for comparative purposes, is consistent, in all material respects, with the audited non-consolidated balance sheet as of December 31, 2002 referred to above.

SAMIL ACCOUNTING CORPORATION

As discussed in Note 24 to the accompanying non-consolidated financial statements, for the nine-month period ended September 30, 2003, the Company entered into various transactions with affiliated companies, including sales amounting to ₩9,336,613 million and purchases amounting to ₩1,933,934 million. As of September 30, 2003, related receivables and payables approximate ₩1,006,641 million and ₩428,600 million, respectively.

As discussed in Note 14 to the accompanying non-consolidated financial statements, upon a resolution of the Board of Directors on July 8, 2003, the Company issued foreign currency convertible bonds amounting to USD287.5 million in the Luxembourg Stock Exchange on August 11, 2003.

As discussed in Note 28 to the accompanying non-consolidated financial statements, upon a resolution of the Board of Directors on September 25, 2003, the Company participated in the issuance of new shares of Zenith Electronics Corporation (“Zenith”), a subsidiary located in the U.S.A., amounting to US\$214 million and collected senior secured notes of, loans to and other related receivables from Zenith amounting to ₩246,225 million.

As discussed in Note 2 to the accompanying non-consolidated financial statements, the Company has adopted the newly established Statements of Korean Financial Accounting Standards (“SKFAS”) No. 2 to No. 9 effective from January 1, 2003. The effect of this adoption of the new SKFAS was to decrease sales and cost of sales by ₩1,005,247 million and increase net income by ₩1,376 million for the nine-month period ended September 30, 2003, and decrease retained earnings by ₩1,895 million as of September 30, 2003.

Accounting principles and review standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations 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 non-consolidated financial statements are for use by those who are knowledgeable about Korean accounting principles or review standards and their application in practice.

Seoul, Korea
October 18, 2003

This report is effective as of October 18, 2003, 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

September 30, 2003 and December 31, 2002

(Unaudited - See Independent Accountant's Report)

<i>(in Millions of Won)</i>	2003	2002
Assets		
Current assets		
Cash and cash equivalents (Notes 3 and 7)	₩ 733,770	₩ 17,176
Short-term financial instruments (Note 4)	656	766
Short-term trading securities (Note 5)	20,843	-
Trade accounts and notes receivable, net (Notes 6, 7 and 24)	1,083,358	1,187,275
Inventories (Note 8)	1,020,486	1,180,690
Other accounts receivable, net (Notes 6 and 7)	252,978	194,404
Prepaid expenses	53,346	67,896
Accrued income (Notes 6 and 7)	189,587	143,167
Advances (Note 6)	125,427	166,951
Derivatives transaction debit (Note 17)	5,337	2,110
Other current assets (Note 6)	1,836	2,174
Total current assets	3,487,624	2,962,609
Property, plant and equipment, net of		
accumulated depreciation (Notes 11 and 25)	3,026,112	2,893,372
Long-term financial instruments (Note 4)	8,473	8,729
Long-term investment securities (Note 9)	304,719	297,601
Equity-method investment securities (Note 10)	2,612,555	2,355,029
Refundable deposits (Note 7)	308,880	293,619
Long-term trade accounts receivable (Note 6)	878	123
Long-term prepaid expenses	80,460	68,878
Deferred income tax assets, net (Note 22)	325,036	237,905
Long-term loans (Notes 6 and 24)	13,433	42,246
Intangible assets (Notes 12 and 25)	867,691	972,467
Total assets	₩ 11,035,861	₩ 10,132,578

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

LG ELECTRONICS INC.
Non-Consolidated Balance Sheets

September 30, 2003 and December 31, 2002

(Unaudited - See Independent Accountant's Report)

(in Millions of Won)

	2003	2002
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Note 13)	₩ 385,378	₩ 42,393
Current maturities of long-term debt (Note 13)	869,681	703,018
Trade accounts and notes payable (Notes 7 and 24)	1,469,161	1,954,039
Other accounts payable (Note 7)	778,245	1,051,833
Income taxes payable (Note 22)	199,352	156,609
Dividends payable	34	-
Accrued expenses (Note 7)	727,671	585,433
Withholdings	37,335	45,352
Advances from customers	228,973	197,428
Derivatives transaction credit (Note 17)	977	534
Total current liabilities	4,696,807	4,736,639
Debtures, net of current maturities and discounts on debtures (Note 14)		
	2,450,325	2,143,841
Long-term debt, net of current maturities (Note 14)	23,033	4,720
Accrued severance benefits, net (Note 16)	209,203	162,960
Product warranty provision	105,831	79,200
Other long-term liabilities	135	166
Total liabilities	7,485,334	7,127,526
Commitments and contingencies (Note 17)		
Shareholders' equity		
Capital stock (Note 18)	783,961	783,961
Capital surplus (Note 19)	1,891,986	1,876,153
Retained earnings (Note 20)	794,202	277,716
Capital adjustments (Note 21)	80,378	67,222
Total shareholders' equity	3,550,527	3,005,052
Total liabilities and shareholders' equity	₩ 11,035,861	₩ 10,132,578

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

LG ELECTRONICS INC.
Non-Consolidated Statements of Income

For the three-month and nine-month periods ended September 30, 2003 and the three-month period ended September 30, 2002 and six-month period from April 1, 2002 (spin-off date) to September 30, 2002
(Unaudited - See Independent Accountant's Report)

	2003		2002	
	For the three-month period ended September 30, 2003	For the nine-month period ended September 30, 2003	For the three-month period ended September 30, 2002	For the six-month period from April 1, 2002 (spin-off date) to September 30, 2002
<i>(in Millions of Won except for earnings per share amounts)</i>				
Sales (Notes 24 and 25)	₩ 4,916,093	₩ 14,759,459	₩ 4,401,948	₩ 9,296,125
Cost of sales (Note 24)	3,795,500	11,206,200	3,395,737	7,046,927
Gross profit	1,120,593	3,553,259	1,006,211	2,249,198
Selling and administrative expenses	935,497	2,688,760	816,147	1,629,727
Operating income (Note 25)	185,096	864,499	190,064	619,471
Non-operating income				
Interest income	10,328	23,659	9,096	17,570
Dividend income	32	5,359	-	-
Rent income	3,258	8,502	2,149	4,386
Gain on valuation of short-term trading securities	280	843	-	-
Foreign exchange gains	72,280	230,249	53,114	161,548
Gain on disposal of property, plant and equipment	3,282	3,923	390	1,203
Gain on disposal of intangible assets	-	14	-	-
Gain on disposal of investment securities	122	287	9,785	9,997
Equity in earnings of affiliates, net (Note 10)	208,527	286,312	44,125	164,171
Refund of income taxes	-	826	2,452	2,452
Gain on business transfer	-	-	79	579
Gain on derivatives transactions (Note 17)	3,355	5,822	2,183	16,338
Gain on valuation of derivatives (Note 17)	5,179	5,337	214	3,045
Others	28,722	90,857	54,290	89,093
	335,365	661,990	177,877	470,382
Non-operating expenses				
Interest expense	52,766	157,276	53,285	119,503
Foreign exchange losses	55,693	196,636	58,372	108,855
Loss from transfer of trade accounts and notes receivable	20,243	71,782	20,627	46,044
Loss from disposal of property, plant and equipment	8,355	21,257	3,364	25,225
Loss from disposal of investment securities	38	2,607	2,925	3,591
Loss on impairment of investment securities	1,835	29,273	-	-
Loss from redemption of debentures	-	-	-	1,302
Donations	2,005	5,318	1,911	3,170
Additional payment of income taxes	-	202	4,499	6,217
Other bad debt expense	44,152	106,675	17,964	58,822
Loss on derivatives transactions (Note 17)	18	2,936	1,665	5,682
Loss on valuation of derivatives (Note 17)	976	977	4,976	3,717
Others	12,698	37,228	29,337	49,033
	198,779	632,167	198,925	431,161
Ordinary income	321,682	894,322	169,016	658,692
Extraordinary gains	-	-	-	-
Extraordinary losses	-	-	-	-
Income before income taxes	321,682	894,322	169,016	658,692
Income tax expense (Note 22)	97,823	214,292	52,871	201,880
Net income	₩ 223,859	₩ 680,030	₩ 116,145	₩ 456,812
Earnings per share in Won (Note 23)	₩ 1,428	₩ 4,341	₩ 740	₩ 2,913
Ordinary income per share in Won (Note 23)	₩ 1,428	₩ 4,341	₩ 740	₩ 2,913
Diluted earnings per share in Won (Note 23)	₩ 1,406	₩ 4,318	₩ 740	₩ 2,913
Diluted ordinary income per share in Won (Note 23)	₩ 1,406	₩ 4,318	₩ 740	₩ 2,913

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

LG ELECTRONICS INC.
Non-Consolidated Statements of Cash Flows

For the three-month and nine-month periods ended September 30, 2003

(Unaudited - See Independent Accountant's Report)

<i>(in Millions of Won)</i>	For the three-month period ended September 30, 2003	For the nine-month period ended September 30, 2003
Cash flows from operating activities		
Net income	₩ 223,859	₩ 680,030
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	152,350	457,637
Amortization of discounts on debentures	3,948	11,253
Provision for severance benefits	22,893	110,178
Loss from transfer of trade accounts and notes receivable	20,243	71,782
Bad debt expense	44,552	129,312
Foreign currency translation gain, net	(5,396)	(11,001)
Gain on valuation of short-term trading securities	(280)	(843)
Loss (gain) from disposal of investment securities, net	(84)	2,320
Loss on impairment of investment securities	1,835	29,273
Loss from disposal of property, plant and equipment, net	5,073	17,334
Equity in earnings of affiliates, net	(208,527)	(286,312)
Gain on valuation of derivatives, net	(4,203)	(4,360)
Gain on derivatives transactions, net	(3,337)	(2,886)
Product warranty provision	127,233	304,912
Others	837	779
Changes in assets and liabilities		
Decrease (increase) in trade accounts and notes receivable	(124,628)	15,948
Increase in other accounts receivable	(23,899)	(81,669)
Increase in accrued income	(36,508)	(49,968)
Decrease (increase) in advances	(38,314)	41,572
Decrease in other current assets	1,001	5
Decrease in inventories	75,358	170,411
Decrease in prepaid expenses	3,868	14,573
Decrease (increase) in deferred income tax assets	18,860	(86,009)
Increase in long-term prepaid expenses	(5,189)	(11,583)
Increase (decrease) in trade accounts and notes payable	118,997	(477,118)
Increase (decrease) in other accounts payable	17,761	(274,037)
Increase in accrued expenses	143,857	144,975
Decrease in withholdings	(38,921)	(8,017)
Increase in advances from customers	33,269	31,546
Increase (decrease) in income taxes payable	(5,304)	42,742
Decrease in product warranty provision	(132,281)	(278,281)
Payment of severance benefits	(14,621)	(75,364)
Accrued severance benefits transferred-in from affiliated companies	1,352	2,619
Decrease (increase) in severance insurance deposits	(19,639)	6,342
Decrease in contributions to the National Pension Fund	429	2,468
Net cash provided by operating activities	<u>356,444</u>	<u>640,563</u>

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

LG ELECTRONICS INC.
Non-Consolidated Statements of Cash Flows

For the three-month and nine-month periods ended September 30, 2003

(Unaudited - See Independent Accountant's Report)

<i>(in Millions of Won)</i>	For the three-month period ended September 30, 2003	For the nine-month period ended September 30, 2003
Cash flows from investing activities		
Proceeds from disposal of short-term financial instruments	4	767
Acquisition of short-term trading securities	-	(20,000)
Increase in short-term and long-term loans, net	(1,323)	(396)
Disposal (acquisition) of long-term financial instruments	2,267	(399)
Proceeds from disposal of long-term investment securities	455	27,136
Acquisition of long-term investment securities	(18,892)	(111,825)
Collection (payment) of refundable deposits	417	(16,840)
Proceeds from disposal of property, plant and equipment	24,595	36,293
Proceeds from disposal of intangible assets	-	81
Proceeds from disposal of derivatives	4,709	4,462
Acquisition of property, plant and equipment	(191,792)	(493,558)
Acquisition of intangible assets	(5,269)	(59,241)
Others	-	3
Net cash used in investing activities	<u>(184,829)</u>	<u>(633,517)</u>
Cash flows from financing activities		
Proceeds from (payment of) short-term borrowings, net	(150,288)	342,080
Payment of current maturities of long-term debt	(133,898)	(514,100)
Proceeds from issuance of debentures	415,347	1,002,308
Proceeds from long-term debt	35,118	35,118
Payment of dividends	-	(157,396)
Proceeds from disposal of treasury stock	-	10,925
Acquisition of treasury stock	-	(9,400)
Others	13	13
Net cash provided by financing activities	<u>166,292</u>	<u>709,548</u>
Net increase in cash and cash equivalents	337,907	716,594
Cash and cash equivalents		
Beginning of the period (Note 27)	<u>395,863</u>	<u>17,176</u>
End of the period (Note 27)	<u>₩ 733,770</u>	<u>₩ 733,770</u>

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

LG ELECTRONICS INC.

Notes to Non-Consolidated Financial Statements

As of September 30, 2003 and December 31, 2002 and for the three-month and nine-month periods ended September 30, 2003, the three-month period ended September 30, 2002, and for the six-month period from April 1, 2002 (spin-off date) to September 30, 2002

(Unaudited - See Independent Accountant's Report)

1. The Company

As discussed in Note 26, 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.

As of September 30, 2003, the Company operates manufacturing facilities in Kuro, Pyeongtaek, Chongju, Gumi, and Changwon in the Republic of Korea.

As of September 30, 2003, the Company has outstanding capital stock amounting to ₩783,961 million, including non-voting preferred stock. The Company's stock was listed on the Korean Stock Exchange on April 22, 2002, and its depositary receipts ("DRs") were listed on the London Stock Exchange in September 2002.

As of September 30, 2003, affiliated companies comprised of the LG Group, including LG Corp., and key management personnel, including the family members of such individuals, own a total of 36.3 percent of the Company's common stock, and financial institutions, foreign investors and others own the rest of the Company's common stock.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its interim non-consolidated financial statements for the three-month and the nine-month periods ended September 30, 2003, which conform to the Financial Accounting Standards of the Republic of Korea, are similar to those adopted in the non-consolidated financial statements for the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002, except for the application of Statement of Korean Financial Accounting Standards ("SKFAS") No. 2 to No. 9 effective from the first fiscal year beginning after December 31, 2002. Consequently, the balance sheet as of December 31, 2002 and the statements of income for the three-month period ended September 30, 2002 and the six-month period from April 1, 2002 (spin-off date) to September 30, 2002, presented herein for comparative purposes, comply with Financial Accounting Standards of the Republic of Korea effective in December 31, 2002, and were not restated in accordance with SKFAS No. 2 to No. 9.

LG ELECTRONICS INC.

Notes to Non-Consolidated Financial Statements

As of September 30, 2003 and December 31, 2002 and for the three-month and nine-month periods ended September 30, 2003, the three-month period ended September 30, 2002, and for the six-month period from April 1, 2002 (spin-off date) to September 30, 2002

(Unaudited - See Independent Accountant's Report)

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with financial accounting standards generally accepted in the Republic of Korea. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. 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. Certain information attached to the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company's financial position and results of operations, is not presented in the accompanying non-consolidated financial statements.

The preparation of 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 be different from those estimates.

Spin-Off Accounting

Upon a resolution of the shareholders of LG Electronics Investment Ltd. (formerly LG Electronics Inc.) on December 28, 2001, the Company was spun off from LG Electronics Investment Ltd. on April 1, 2002. The significant accounting policies followed by the Company in the spin off are as follows:

- Assets and liabilities are transferred based on the book value.
- Capital adjustments, including gain or loss on valuation of investment securities, which are directly related to assets and liabilities transferred to the Company, are also transferred to the Company.
- The difference between the Company's net assets transferred from LG Electronics Investment Ltd. and capital, after adjustments arising from capital adjustments, is credited to paid-in capital in excess of par value.

Revenue Recognition

Revenues from finished products and merchandise are recognized when most of the risks and benefits associated with the possession of goods are substantially transferred. Accordingly, sales of finished products are recognized when inspection is completed, and sales of merchandise are recognized when delivered. Revenue from installation service contracts is recognized using the percentage-of-completion method.

LG ELECTRONICS INC.

Notes to Non-Consolidated Financial Statements

As of September 30, 2003 and December 31, 2002 and for the three-month and nine-month periods ended September 30, 2003, the three-month period ended September 30, 2002, and for the six-month period from April 1, 2002 (spin-off date) to September 30, 2002

(Unaudited - See Independent Accountant's Report)

Cash and Cash Equivalents

The Company considers cash on hand, bank deposits and highly liquid marketable securities with original maturities of three months or less to be cash and cash equivalents.

Securities

The Company accounts for equity and debt securities under the provisions of Statement of Korean Financial Accounting Standards No. 8, "Investments" (SKFAS 8). This statement requires investments in equity and debt securities to be classified into three categories: trading, available-for-sale and held-to-maturity.

Securities are initially carried at cost, including incidental expenses, with cost being determined using the weighted-average method. Debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or premiums. Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable securities classified as available-for-sale securities, which are carried at cost. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at a reasonable interest rate determined considering the credit ratings by independent credit rating agencies.

Unrealized valuation gains or losses on trading securities are charged to current operations, and those resulting from available-for-sale securities are charged to capital adjustments, the accumulated amount of which shall be charged to current operations when the related securities are sold, or when an impairment loss on the securities is recognized. Impairment losses are recognized in the statement of income when the recoverable amounts are less than the acquisition cost of securities or the adjusted cost of debt securities after the amortization of discounts or premiums.

Investments in equity securities of companies over which the Company exerts a significant control or influence (controlled investees), are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership of the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee.

The Company discontinues the equity method of accounting for investments when the Company's share in accumulated losses equals the costs of the investments, and until the subsequent cumulative proportionate net income of the investees equal its cumulative proportionate net losses not recognized during the periods when the equity method was suspended. Differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are amortized over five years using the straight-line method.

LG ELECTRONICS INC.

Notes to Non-Consolidated Financial Statements

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(Unaudited - See Independent Accountant's Report)

Unrealized profit arising from sales by the Company to the equity-method investees is fully eliminated. Unrealized profit arising from sales by the equity-method investees to the Company or sales between equity-method investees is also eliminated considering the percentage of ownership.

Foreign currency financial statements of equity-method investees are translated into Korean Won using the basic exchange rates in effect as of the balance sheet date for assets and liabilities, and annual average exchange rates for income and expenses. Any resulting translation gain or loss is included in the capital adjustments account.

Prior to January 1, 2003, marketable securities and investments in marketable equity securities of non-controlled investees were carried at fair value. Temporary changes in fair value were recorded in current operations for marketable securities and accounted for in the capital adjustments account, a component of shareholders' equity, for investments in marketable equity securities. Premiums and discounts on debt securities were amortized over the term of the debt using the effective interest rate method. Investments in debt securities, which the Company has the intent and ability to hold to maturity, were generally carried at cost, adjusted for the amortization of discounts or premiums (amortized cost). Other investments in debt securities were carried at fair value. Temporary differences between fair value and amortized cost were accounted for in the capital adjustments account. Securities in the balance sheet as of December 31, 2002, presented herein for comparative purpose, have been reclassified to conform to the presentation as of September 30, 2003. These reclassifications had no effect on previously reported net income or shareholders' equity.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable based on the aggregate estimated collectibility of the accounts and notes receivable.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined using the weighted-average method, except for inventory in-transit which is determined using the specific identification method.

LG ELECTRONICS INC.

Notes to Non-Consolidated Financial Statements

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(Unaudited - See Independent Accountant's Report)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation, except for upward revaluation in accordance with the Korean Asset Revaluation Law. Such revaluation presents land at the prevailing market price, and buildings and other production facilities at their replacement cost, net of accumulated depreciation, as of the effective date of the revaluation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets.

	Estimated useful life (years)
Buildings	20 - 40
Structures	20 - 40
Machinery and equipment	5 - 10
Tools	5
Furniture and fixtures	5
Vehicles	5

Routine maintenance and repairs are charged to current operations as incurred. Betterments and renewals which enhance the value of the assets over its most recently appraised value are capitalized.

The Company assesses the potential impairment of property, plant and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely, and recognizes an impairment loss when the carrying value of an asset exceeds the value of its future economic benefits. The carrying value of the impaired assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets would be recorded in current operations up to the cost of the assets, net of accumulated depreciation before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

Lease Transactions

Lease agreements that include a bargain purchase option, result in the transfer of ownership at the end of the lease term, have a term longer than 75 percent of the estimated economic life of the leased property, or have a present value of the minimum lease payments at the beginning of the lease term amounting to more than 90 percent of the fair value of the leased property, are accounted for as capital leases. Leases that do not meet these criteria are accounted for as operating leases, of which the total minimum lease payments are charged to expense over the lease period on a straight-line basis.

LG ELECTRONICS INC.

Notes to Non-Consolidated Financial Statements

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(Unaudited - See Independent Accountant's Report)

Research and Development Costs

Research costs are expensed as incurred. Development costs directly relating to a new technology or new products, for which the estimated future benefits are probable, are recognized as intangible assets. Amortization of development costs is computed using the straight-line method over five years from the commencement of the commercial production of the related products. Such costs are subject to continual analysis of recoverability. In the event that such amounts are not estimated to be recoverable, they are written-down to their net realizable value.

Intangible Assets

Intangible assets are stated at acquisition cost, net of accumulated amortization. Acquisition cost is the total of the production or purchase cost and other incidental expenses. Amortization is computed using the straight-line method over the estimated useful lives, which range from five to ten years.

The Company assesses the potential impairment of intangible assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. An impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets would be recorded in current operations up to the cost of the asset, net of amortization before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

Interest Capitalization

Interest expense incurred on borrowings used to acquire property, plant and equipment, intangible assets and investments are all charged to expense as incurred when at least one year is required to bring the related asset to working condition for its intended use.

Discounts (Premiums) on Debentures

Discounts (premiums) on debentures are amortized using the effective interest rate method over the repayment period of the debentures. The amortized amount is included in interest expense.

Treasury Stock

Treasury stock are stated at cost and recorded as a capital adjustment in shareholders' equity. Gain on disposal of treasury stock is recorded as a capital surplus. Any loss on disposal of treasury stock is offset against prior gains on disposal of treasury stock included in capital surplus. The remaining loss is offset against retained earnings.

Product Warranty Provision

The Company provides warranties against product defects for a specified period of time after the sale. Estimated costs of product warranties are charged to current operations at the time of sale and are included in the accompanying non-consolidated balance sheet as a product warranty provision.

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Accrued Severance Benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum severance payment upon termination of their employment with the Company, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

Contributions made under the National Pension Plan and severance insurance deposits are deducted from accrued severance benefits. Contributed amounts are refunded from the National Pension Plan and the insurance companies to employees upon their retirement.

Income Taxes

The Company recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between amounts reported for financial reporting and income tax purposes. Deferred income tax assets and liabilities are computed on such temporary differences by applying enacted statutory tax rates applicable to the years when such differences are expected to be reversed. Deferred income tax assets are recognized to the extent that it is certain that such deferred income tax assets will be realized. The total income tax provision includes current tax expenses under applicable tax regulations and the change in the balance of deferred income tax assets and liabilities.

Tax credits for investments and development of research and manpower are accounted for using the flow-through method, whereby income taxes are reduced in the period the assets giving rise to such credits are placed in service. To the extent such credits are not currently utilized, deferred income tax assets, subject to realizability as stated above, are recognized for the carry-forward amount.

Sale of Accounts and Notes Receivable

The Company sells certain accounts or notes receivable to financial institutions at a discount, and accounts for the transactions as a sale of the receivables, if the rights and obligations relating to the receivables are substantially transferred to the buyers. The gains and losses from the sale of the receivables are charged to current operations as incurred.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the basic rates in effect at the balance sheet date, and resulting translation gains and losses are recognized in current operations.

The exchange rate used to translate U.S. Dollar denominated monetary assets and liabilities as of September 30, 2003 and December 31, 2002 is ₩1,150.2: US\$1 and ₩1,200.4: US\$1, respectively.

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Derivative Financial Instruments

The Company utilizes several derivative financial instruments (“derivatives”) such as forward exchanges, swaps and option contracts to reduce its exposure resulting from fluctuations in foreign currency and interest rates. The derivatives are carried at fair market value. Unrealized gains or losses on derivatives for trading or fair value hedging purposes are recorded in current operations. Unrealized gains or losses on derivatives for cash flow hedging purposes are recorded in current operations for the portion of the hedge that is not effective. For the portions of cash flow hedges which are effective, unrealized gains or losses are accounted for in the capital adjustments account and recorded in current operations in the period when the underlying transactions have an effect on operations.

Application of the Statements of Korean Financial Accounting Standards

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements for the three-month and nine-month periods ended September 30, 2003, which conform to Financial Accounting Standards of the Republic of Korea, including Statement of Korean Financial Accounting Standards (“SKFAS”) No. 2 to No. 9 effective from the first fiscal year beginning after December 31, 2002, are similar to those adopted in the non-consolidated financial statements for the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002, except for the following items:

In accordance with the newly effective SKFAS No. 4 on revenue recognition, the Company changed its accounting policy for revenue recognition of outsourcing for assembling activities. Raw materials provided to subcontractors for assembling were previously recognized as sales when taken out of the warehouse, and recognized as purchases when the assembled materials were returned. Effective from January 1, 2003, only outsourcing fees related with assembling are recognized as manufacturing costs. Furthermore, effective from April 1, 2003, only manufacturing fees are recognized as sales for manufacturing services in which the Company does not substantially retain the risks and ownership of the raw materials purchased. The effect of this application of SKFAS No. 4 was to decrease sales and cost of sales for the nine-month period ended September 30, 2003 by approximately ₩1,005,247 million.

In accordance with the newly effective SKFAS No. 3 on intangible assets, the Company deducted its remaining balance of organization costs, which had been accounted for as an intangible asset, from retained earnings as of December 31, 2002. The effect of this application of SKFAS No. 3 was to increase net income for the nine-month period ended September 30, 2003 by ₩1,376 million and decrease retained earnings as of September 30, 2003 by ₩1,895 million.

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(Unaudited - See Independent Accountant's Report)

3. Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 2003 and December 31, 2002 consist of the following:

<i>(Millions of Won)</i>	Annual interest rate (%)		
	at September 30, 2003	2003	2002
Cash on hand	-	₩ 48	₩ 78
Checking accounts	-	4,059	914
Foreign currency checking accounts	-	44,919	7,014
Demand deposits	0.1 - 0.3	30,672	8,330
Time deposits	3.5	20,000	-
Foreign currency time deposits	0.3 - 0.7	65,072	840
Money market funds	3.7 - 4.5	319,000	-
Deposits in trust	3.20	50,000	-
Repurchase agreements	3.95 - 4.85	90,000	-
Beneficiary certificates	4.2 - 4.9	110,000	-
		₩ 733,770	₩ 17,176

4. Financial Instruments

Short-term and long-term financial instruments as of September 30, 2003 and December 31, 2002 consist of the following:

<i>(Millions of Won)</i>	Annual interest rate (%) at		
	September 30, 2003	2003	2002
<u>Short-term financial instruments</u>			
Installment deposits	6.5	₩ 656	₩ 766
<u>Long-term financial instruments</u>			
Installment deposits	-	-	429
Other deposits	0.2 - 4.5	8,473	8,300
		8,473	8,729
		₩ 9,129	₩ 9,495

As of September 30, 2003 and December 31, 2002, long-term financial instruments amounting to ₩8,473 million and ₩8,300 million, respectively, 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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(Unaudited - See Independent Accountant's Report)

5. Short-Term Trading Securities

Short-term trading securities as of September 30, 2003 consist of the following:

<i>(Millions of Won)</i>	Annual interest rate (%) at September 30, 2003	Acquisition cost	Market value	Carrying value
Beneficiary certificates	5.89	₩ 20,000	₩ 20,843	₩ 20,843

6. Receivables

Receivables, including trade accounts and notes receivable, as of September 30, 2003 and December 31, 2002 comprise the following:

<i>(Millions of Won)</i>	2003				2002			
	Original amount	Allowance for doubtful accounts	Discounts for present value	Carrying value	Original amount	Allowance for doubtful accounts	Discounts for present value	Carrying value
Trade accounts and notes receivable	₩1,172,982	₩ (86,149)	₩(3,475)	₩1,083,358	₩1,269,200	₩ (81,834)	₩ (91)	₩1,187,275
Other accounts receivable	323,399	(70,421)	-	252,978	241,688	(47,284)	-	194,404
Accrued income	190,734	(1,147)	-	189,587	145,814	(2,647)	-	143,167
Advances	129,945	(4,518)	-	125,427	171,517	(4,566)	-	166,951
Other current assets	1,843	(7)	-	1,836	2,184	(10)	-	2,174
Long-term trade accounts receivable	887	(9)	-	878	124	(1)	-	123
Long-term loans	97,706	(84,273)	-	13,433	100,011	(57,765)	-	42,246
	<u>₩1,917,496</u>	<u>₩(246,524)</u>	<u>₩(3,475)</u>	<u>₩1,667,497</u>	<u>₩1,930,538</u>	<u>₩(194,107)</u>	<u>₩ (91)</u>	<u>₩1,736,340</u>

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(Unaudited - See Independent Accountant's Report)

7. Assets and Liabilities Denominated in Foreign Currencies

As of September 30, 2003 and December 31, 2002, monetary assets and liabilities denominated in foreign currencies, other than those disclosed in Notes 13 and 14, are as follows:

	2003				2002			
	Foreign currencies		Won Equivalent		Foreign currencies		Won Equivalent	
<i>(Millions of Foreign Currencies, Millions of Won)</i>								
Cash and cash equivalents	USD	73	₩	84,262	USD	2	₩	2,589
	JPY	237		2,435	JPY	265		2,681
	EUR	12		15,490	EUR	1		1,594
	Others	-		7,804	Others	-		990
				<u>109,991</u>				<u>7,854</u>
Trade accounts receivable	USD	459		528,383	USD	427		512,160
	JPY	730		7,511	JPY	409		4,138
	EUR	30		39,623	EUR	18		22,717
	GBP	3		4,856	GBP	1		2,447
	AUD	13		10,182	AUD	4		2,813
	Others	-		3,349	Others	-		1,974
				<u>593,904</u>				<u>546,249</u>
Other accounts receivable	FRF	3		508	FRF	4		729
	USD	37		42,870	USD	34		41,412
				<u>43,378</u>				<u>42,141</u>
Accrued income	USD	96		110,373	USD	71		84,711
	Others	-		104	Others	-		148
				<u>110,477</u>				<u>84,859</u>
Refundable deposits	JPY	32		330	JPY	58		582
	USD	2		1,763	USD	2		1,920
	Others	-		288	Others	-		62
				<u>2,381</u>				<u>2,564</u>
Trade accounts payable	USD	518		595,526	USD	457	₩	549,010
	JPY	12,615		129,803	JPY	20,880		211,491
	EUR	9		11,764	EUR	3		3,606
	Others	-		256	Others	-		282
				<u>737,349</u>				<u>764,389</u>

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<i>(Millions of Foreign Currencies, Millions of Won)</i>	2003			2002		
	Foreign currencies		Won Equivalent	Foreign currencies		Won Equivalent
Other accounts payable	AUD	11	8,496	AUD	14	9,541
	CAD	4	3,461	CAD	5	3,912
	EUR	28	37,231	EUR	26	32,100
	JPY	3,600	37,046	JPY	4,063	41,151
	USD	75	86,786	USD	140	168,555
	Others	-	2,990	Others	-	3,479
			<u>176,010</u>			<u>258,738</u>
Accrued expenses	USD	54	61,769	USD	42	50,078
	Others	-	6,256	Others	-	1,465
			<u>₩ 68,025</u>			<u>₩ 51,543</u>

8. Inventories

Inventories as of September 30, 2003 and December 31, 2002 comprise the following:

<i>(Millions of Won)</i>	2003	2002
Merchandise	₩ 24,612	₩ 26,795
Finished products	257,612	479,835
Work-in-process	271,658	244,200
Raw materials	364,751	325,494
Parts and supplies	101,853	104,366
	<u>₩ 1,020,486</u>	<u>₩ 1,180,690</u>

See Note 11 for inventories insured against various property risks.

9. Long-Term Investment Securities

Long-term investment securities as of September 30, 2003 and December 31, 2002 are as follows:

<i>(Millions of Won)</i>	2003	2002
Available-for-sale securities	₩ 289,153	₩ 199,740
Held-to-maturity securities	15,566	97,861
	<u>₩ 304,719</u>	<u>₩ 297,601</u>

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Available-for-sale securities as of September 30, 2003 and December 31, 2002 are as follows:

	Percentage of ownership (%) at September 30, 2003	2003			2002		
		Acquisition cost	Net asset value /Market value	Carrying value	Acquisition cost	Net asset value /Market value	Carrying value
<i>(Millions of Won)</i>							
<Marketable equity securities>							
Hynix Semiconductor Inc.	0.02	₩ 376	₩ 601	₩ 601	₩ 24,298	₩ 527	₩ 527
KT Corp.	0.76	127,441	106,909	106,909	127,441	119,653	119,653
LG Card Co., Ltd.	-	-	-	-	1,820	10,842	10,842
LG Investment & Securities Co., Ltd. (*1)	7.17	262,432	109,950	109,950	-	-	-
NARA MOLD & DIE Co., Ltd.	12.34	812	3,142	3,142	812	3,570	3,570
Voiceware Co., Ltd.	13.08	206	2,934	2,934	206	1,844	1,844
Vodavi Technology Inc.	19.86	2,928	3,541	3,541	2,928	1,853	1,853
		<u>394,195</u>	<u>227,077</u>	<u>227,077</u>	<u>157,505</u>	<u>138,289</u>	<u>138,289</u>
<Non-marketable equity securities>							
<u>Domestic Companies</u>							
Innopla Co., Ltd.	19.90	245	555	245	245	645	245
Castec Korea Co., Ltd.	5.00	182	489	182	150	489	150
Msoltech	10.00	635	242	635	635	242	635
Airlinktek	10.00	589	245	589	589	245	589
Korea Information							
Certificate Authority Inc.	9.35	1,852	1,695	1,852	1,852	1,774	1,852
STIC VENTURES Co., Ltd.	94.00	28,200	29,370	28,200	28,200	29,959	28,200
Association of Electronics							
Environment	36.04	4,349	1,795	4,349	4,349	1,795	4,349
Megaround Co., Ltd.	19.90	318	315	318	318	315	318
TEMCO, Inc.	13.04	1,200	1,200	1,200	1,200	1,200	1,200
Netgenetech. Co., Ltd.	15.01	176	176	176	176	176	176
MACHI	-	-	-	-	150	150	150
Manager Society, Inc.	3.70	200	200	200	200	200	200
Mobisys Telecom	-	-	-	-	279	279	279
Thermo Metrix Technology	19.90	158	158	158	158	158	158
WOWLINUX	8.33	100	100	100	100	100	100
Silicon Works	12.00	501	501	501	-	-	-
Others	-	1,534	1,534	1,534	952	952	952
<u>Overseas Companies</u>							
Gemfire Corp. (*2)	4.41	1,835	-	-	1,835	170	1,835
Erlang Technology Inc.	8.40	1,129	237	1,129	1,129	187	1,129
Mainstreet Networks (*2)	5.45	1,468	-	-	1,468	-	-
iTV Corporation (*2)	13.08	1,957	-	-	1,957	-	-
Pocket Science (*2)	4.42	473	-	-	473	-	-
Neopoint Inc. (*2)	16.62	1,604	-	-	1,604	-	-
E2OPEN.COM	6.25	15,694	1,899	15,694	12,751	3,606	12,751
Cenix Inc. (*2)	2.07	3,272	-	-	3,272	958	3,272
Monet Mobile Networks	1.90	1,299	871	1,299	1,299	871	1,299
SUNPOWER.INC	10.35	1,257	258	1,257	1,257	219	1,257
Others	-	252	252	252	346	346	346
		<u>70,479</u>	<u>42,092</u>	<u>59,870</u>	<u>66,944</u>	<u>45,036</u>	<u>61,442</u>

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(Millions of Won)	2003			2002		
	Acquisition cost	Market value	Carrying value	Acquisition cost	Market value	Carrying value
<Debt securities>						
Bonds issued by the government	2	2	2	11	9	9
Convertible bonds issued by NeoDis Ltd.	2,204	2,204	2,204	-	-	-
	2,206	2,206	2,206	11	9	9
Available-for-sale securities total	₩ 466,880	₩ 271,375	₩ 289,153	₩ 224,460	₩ 183,334	₩ 199,740

(*1) This investment carried using the equity method in 2002 was reclassified to available-for-sale securities in 2003.

(*2) Acquisition cost was written off due to the negative net book value of the investment as of September 30, 2003.

Held-to-maturity securities as of September 30, 2003 and December 31, 2002 are as follows:

(Millions of Won)	2003		2002	
Senior secured note issued by Zenith	₩	15,522	₩	97,817
Others		44		44
Held-to-maturity securities total	₩	15,566	₩	97,861

The senior secured note issued by Zenith, outstanding on September 30, 2003, was converted from the Company's receivables from Zenith in accordance with the reorganization plan of Zenith approved by a legal court in the United States of America on November 5, 1999. The note's terms and conditions are as follows (Note 17):

Interest: LIBOR + 1.0 percent per annum to be paid on the maturity date

Maturity of principal: November 1, 2009

The annual maturities of debt securities classified as available-for-sale securities and held-to-maturity securities as of September 30, 2003 and December 31, 2002 are as follows:

(Millions of Won)	Available-for-sale securities				Held-to-maturity securities			
	2003		2002		2003		2002	
Due In								
Less than 5 years	₩	2,206	₩	9	₩	-	₩	-
5 years ~ 10 years		-		-		15,566		97,861
	₩	2,206	₩	9	₩	15,566	₩	97,861

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The details of changes in accumulated gains (losses) on valuation of available-for-sale securities for the nine-month period ended September 30, 2003 are as follows:

<i>(Millions of Won)</i>	January 1, 2003	Gain (Loss)	Disposal	September 30, 2003
Hynix Semiconductor Inc.	₩ (23,771)	₩ 74	₩ (23,922)	₩ 225
KT Corp.	(7,788)	(12,744)	-	(20,532)
LG Card Co., Ltd.	9,022	(5,262)	3,760	-
NARA MOLD & DIE Co., Ltd.	2,758	(428)	-	2,330
Voiceware Co., Ltd.	1,638	1,090	-	2,728
LG Investment & Securities Co., Ltd. (*1)	-	(50,543)	-	(50,543)
Vodavi Technology Inc.	(1,075)	1,688	-	613
Bonds issued by the government	(2)	(4)	(6)	-
	<u>₩ (19,218)</u>	<u>₩ (66,129)</u>	<u>₩ (20,168)</u>	<u>₩ (65,179)</u>

(*1) This investment carried using the equity method in 2002 was reclassified to available-for-sale securities in 2003.

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10. Equity-Method Investment Securities

Equity-method investment securities as of September 30, 2003 and December 31, 2002 are as follows:

	Percentage of ownership (%) at September 30, 2003	2003			2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
<i>(Millions of Won)</i>							
<u>Domestic Companies</u>							
LG Micron Ltd.	37.41	₩ 52,315	₩ 83,357	₩ 83,357	₩ 5,000	₩ 35,541	₩ 35,541
LG Sports Ltd.	25.00	1,404	2,626	2,626	2,204	1,916	1,916
LG Innotek Co., Ltd.	69.80	59,308	128,096	128,096	59,308	117,645	117,645
LG Investment & Securities Co., Ltd. (*3)	-	-	-	-	262,432	145,270	145,270
LG.Philips LCD Co., Ltd.	50.00	726,169	990,703	990,703	726,169	715,488	715,488
LG IBM PC Co., Ltd.	49.00	11,907	14,635	14,635	11,907	15,133	15,133
Hi Plaza Inc.	100.00	70,511	39,772	39,772	70,511	55,685	55,685
<u>Overseas Companies</u>							
Goldstar Electronics Thailand Co., Ltd. (G.S.T.) (*2)	49.00	36	36	36	36	36	36
Hitachi-LG Data Storage Inc. (HLDS)	49.00	7,684	28,787	28,787	7,684	18,094	18,094
LG Electronics Austria GmbH (LGEAG) (*2)	100.00	116	116	116	116	116	116
LG Electronics Alabama, Inc. (LGEAL)	100.00	63,940	85,403	85,403	63,940	58,736	58,736
LG Electronics Almaty Kazak Co., Ltd. (LGEAK)	100.00	3,746	12,409	12,409	3,746	11,368	11,368
LG Electronics Antwerp Logistics N.V. (LGEAL)	100.00	967	456	456	967	224	224
LG Electronics Australia PTY, Ltd. (LGEAP) (*1)	100.00	1,558	-	-	1,558	-	-
LG Electronics Argentina S.A. (LGEAR) (*1)	100.00	7,410	-	-	7,410	-	-
Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT)	50.00	14,718	18,125	18,125	14,718	12,856	12,856
LG Electronics Colombia, Ltda. (LGECEB)	60.00	3,330	2,327	2,327	3,330	1,445	1,445
LG Electronics China Co., Ltd. (LGECH)	100.00	37,614	33,282	33,282	37,614	35,635	35,635

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(Unaudited - See Independent Accountant's Report)

	Percentage of ownership (%) at September 30, 2003	2003			2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
<i>(Millions of Won)</i>							
LG Electronics Canada, Inc. (LGECI)	100.00	13,779	10,453	10,453	13,779	10,173	10,173
LG Collins Electronics Manila Inc. (LGECEM)	92.25	23,524	4,936	4,936	20,302	6,187	6,187
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	100.00	59,205	53,222	53,222	59,205	48,420	48,420
LG Electronics Deutschland GmbH (LGEDG)	100.00	26,938	12,450	12,450	26,938	9,989	9,989
PT LG Electronics Display Devices Indonesia (LGEDI)	100.00	32,085	45,394	45,394	32,085	46,436	46,436
LG Electronics Design Tech, Ltd. (LGEDT) (*2)	100.00	1,002	1,002	1,002	1,002	1,002	1,002
LG Electronics Egypt Cairo S.A.E. (LGEEC)	100.00	4,382	2,085	2,085	4,382	3,292	3,292
LG Electronics Egypt S.A.E. (LGEEG)	78.00	2,630	631	631	2,630	2,519	2,519
LG Electronics Espana S.A. (LGEES) (*1)	100.00	3,374	-	-	3,374	-	-
LG Electronics Gulf FZE (LGEGF) (*1)	100.00	2,489	-	-	2,489	1,453	1,453
LG Electronics HK Limited (LGEHK)	100.00	4,316	4,494	4,494	4,316	3,944	3,944
LG Electronics Hellas S.A. (LGEHS)	100.00	6,063	4,037	4,037	6,063	6,063	6,063
LG Electronics Huizhou Inc. (LGEHZ)	80.00	2,319	21,928	21,928	2,319	14,938	14,938
LG Electronics India Pvt. Ltd. (LGEIL) (*4)	100.00	38,476	101,737	101,737	32,076	77,191	77,191
PT LG Electronics Indonesia (LGEIN)	100.00	29,431	26,424	26,424	29,431	16,434	16,434
LG Electronics Italy S.P.A. (LGEIS) (*1)	100.00	14,136	-	-	14,136	3,627	3,627
LG Electronics Japan Inc. (LGEJP)	100.00	12,978	2,469	2,469	12,978	2,635	2,635
LG Electronics Mlawa SP.Zo.O. (LGEMA)	100.00	7,066	14,075	14,075	7,066	11,586	11,586

LG ELECTRONICS INC.

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(Unaudited - See Independent Accountant's Report)

	Percentage of ownership (%) at September 30, 2003	2003			2002		
		Acquisition	Net asset	Carrying	Acquisition	Net asset	Carrying
		cost	value	value	cost	value	value
<i>(Millions of Won)</i>							
LG Electronics Morocco S.A.R.L. (LGEMC)	100.00	3,532	4,355	4,355	3,532	2,677	2,677
LG Electronics Middle East Co., Ltd. (LGEME) (*2)	100.00	462	462	462	462	462	462
LG-MECA Electronics Haiphong, Inc. (LGEMH)	70.00	1,690	2,481	2,481	1,690	1,259	1,259
LG Electronics Magyar Kft. (LGEMK)	100.00	5,575	5,472	5,472	5,575	7,501	7,501
LG Electronics (M) SDN.BHD (LGEML) (*2)	100.00	11	11	11	11	11	11
LG Electronics Monterrey Mexico S.A. de C.V. (LGEMM)	100.00	19,800	7,662	7,662	19,800	18,850	18,850
LG Electronics Mexico S.A. de C.V. (LGEMS) (*1)	100.00	1,936	-	-	1,936	-	-
LG MITR Electronics Co., Ltd. (LGEMT)	87.74	15,925	7,916	7,916	15,925	7,344	7,344
LG Electronics North of England Ltd. (LGENE)	100.00	11,229	15,539	15,539	11,229	12,430	12,430
LG Electronics (Nanjing) Plazma Co., Ltd. (LGEPN) (*2)	100.00	10,401	10,401	10,401	-	-	-
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	70.00	14,571	11,984	11,984	14,571	10,520	10,520
LG Electronics Polska SP.Zo.O. (LGEPL)	100.00	4,117	6,820	6,820	4,117	5,819	5,819
Nanjing LG Panda Appliance Co., Ltd. (LGEPN)	70.00	9,465	10,437	10,437	9,465	12,422	12,422
LG Electronics Peru S.A. (LGEPR) (*1)	100.00	1,879	-	-	1,879	-	-
LG Electronics Panama S.A. (LGEPS) (*1)	100.00	2,333	-	-	2,333	2,142	2,142
LG Electronics Portugal (LGEPT)	100.00	6,822	2,114	2,114	-	-	-
LG Electronics Qinhuangdao Co., Ltd. (LGEQH)	100.00	4,104	6,142	6,142	4,104	6,064	6,064
Triveni Digital Inc. (*2)	100.00	899	899	899	899	899	899
LG Electronics Russia Inc. (LGERI)	95.00	391	2,671	2,671	391	391	391
LG Electronics S.A. Pty Ltd. (LGESA)	100.00	3,382	17,587	17,587	3,382	6,341	6,341

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(Unaudited - See Independent Accountant's Report)

	Percentage of ownership (%) at September 30, 2003	2003			2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
<i>(Millions of Won)</i>							
LG Electronics Service Europe Netherlands B.V. (LGESE)	100.00	10,470	20,443	20,443	10,470	23,498	23,498
Shanghai LG Electronics Co., Ltd. (LGESH) (*1)	70.00	4,229	2,322	2,322	4,229	3,763	3,763
LG Electronics de Sao Paulo Ltda. (LGESP)	100.00	28,481	35,114	35,114	28,481	-	-
LG SEL Electronics Vietnam Inc. (LGEVN)	100.00	6,035	10,092	10,092	6,035	9,240	9,240
LG Electronics Sweden AB (LGESW)	100.00	5,668	3,094	3,094	5,668	4,642	4,642
LG Electronics Shenyang Inc. (LGESY)	78.87	15,139	5,830	5,830	15,139	8,205	8,205
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	49,479	106,746	106,746	49,479	99,315	99,315
LG Electronics Thailand Co., Ltd. (LGETH)	93.75	7,122	22,736	22,736	7,122	17,840	17,840
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	100.00	8,439	2,928	2,928	5,609	380	380
LG Electronics United Kingdom Ltd. (LGEUK) (*1)	100.00	10,486	-	-	10,486	-	-
LG Electronics Ukraine Co., Ltd. (LGEUR) (*2)	100.00	1,041	1,041	1,041	1,041	1,041	1,041
LG Electronics U.S.A., Inc. (LGEUS)	100.00	37,985	39,271	39,271	37,985	39,822	39,822
LG Electronics Wales Ltd. (LGEWA)	100.00	101,812	10,665	10,665	101,812	54,262	54,262
Langchao LG (Yantai) Digital Mobile Technology Research & Development Co., Ltd. (LGEYT) (*2)	49.00	824	824	824	824	824	824
Langchao LG Digital Mobile Communication Co., Ltd.	49.00	9,669	6,728	6,728	9,669	9,669	9,669
LG Soft India PVT, Ltd. (LGS1)	88.00	2,920	2,951	2,951	2,920	2,920	2,920
EIC Properties PTE, Ltd.	38.20	9,636	8,618	8,618	9,636	8,618	8,618
Zenith Electronics Corporation (Zenith) (*1)	100.00	236,860	-	-	236,860	-	-

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(Unaudited - See Independent Accountant's Report)

	Percentage of ownership (%) at September 30, 2003	2003			2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
<i>(Millions of Won)</i>							
LG Infocomm U.S.A. Inc.							
(LGICUS) (*1)	100.00	4,673	-	-	4,673	2,522	2,522
LG Infocomm Thailand, Inc.							
(LGICTH)	60.00	3,246	5,170	5,170	3,246	4,356	4,356
Vietnam Korea Exchange, Ltd.							
(V.K.X.)	40.00	1,736	2,069	2,069	1,736	2,316	2,316
LG TOPS	40.00	2,699	929	929	2,699	1,267	1,267
LG Electronics System India, Ltd.							
(LGSYS) (*1, *4)	-	-	-	-	6,400	-	-
LGE (China) R&D Center (*2)	100.00	4,202	4,202	4,202	-	-	-
Electromagnetica Goldstar S.R.L.							
(*2)	50.00	508	508	508	508	508	508
SLD Telecom Pte. Ltd.	44.00	29,001	28,462	28,462	10,042	10,042	10,042
LG.Philips Displays Holding B.V.	50.00	1,086,431	392,804	392,804	1,086,431	433,819	433,819
LG (Yantai) Information & Communication Technology Co., Ltd. (*2)	100.00	2,720	2,720	2,720	2,720	2,720	2,720
COMMIT Incorporated (*2)	100.00	4,990	4,990	4,990	4,990	4,990	4,990
LG Holdings (HK) Ltd.	31.82	23,448	22,216	22,216	23,448	22,241	22,241
Kunshan LGMS Computer Co., Ltd.							
(LGEKS)(*2)	100.00	1,155	1,155	1,155	-	-	-
Qingdao LG Langchao Digital Communication Co., Ltd. (*2)	100.00	2,973	2,973	2,973	-	-	-
LGECZ S.R.O. (LGECZ) (*2)	100.00	6,534	6,534	6,534	-	-	-
Investments using the equity method of accounting total		<u>₩3,186,061</u>	<u>₩2,612,555</u>	<u>₩2,612,555</u>	<u>₩3,344,880</u>	<u>₩2,355,029</u>	<u>₩2,355,029</u>

(*1) The equity method of accounting has been suspended due to accumulated losses.

(*2) Investments in small-sized subsidiaries and affiliates whose total assets as of the previous year-end amounted to less than ₩7,000 million or which are newly established in the current period are stated at cost, in accordance with financial accounting standards generally accepted in the Republic of Korea.

(*3) This investment carried using the equity method in 2002 was reclassified to available-for-sale securities in 2003.

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(Unaudited - See Independent Accountant's Report)

(*4) LG Electronics System India, Ltd. (LGSYS) was merged into LG Electronics India Pvt. Ltd. (LGEIL) in 2003.

The equity method of accounting is applied based on the affiliates' unaudited financial statements.

For the nine-month period ended September 30, 2003 and the six-month period from April 1, 2002 (spin-off date) to September 30, 2002, the details of changes in differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are as follows:

<i>(Millions of Won)</i>	For the nine-month period ended September 30, 2003			
	January 1, 2003	Addition	Amortization	September 30, 2003
<u>Domestic Companies</u>				
LG Micron Ltd.	₩ -	₩ 2,947	₩ (147)	₩ 2,800
LG Sports Ltd.	(3)	1	1	(1)
LG Innotek Co., Ltd.	112	-	312	424
LG Investment & Securities Co., Ltd.	25,571	(25,571)	-	-
LG.Philips LCD Co., Ltd.	1,572	-	(1,179)	393
Hi Plaza Inc.	(2,963)	-	516	(2,447)
<u>Overseas Companies</u>				
LG Electronics Mlawa SP. Zo. O. (LGEMA)	(1,550)	-	581	(969)
LG Electronics Service Europe Netherlands B.V. (LGESE)	(105)	-	39	(66)
LG Electronics Shenyang Inc. (LGESY)	380	-	(114)	266
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	13,395	-	(2,009)	11,386
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	1,459	2,079	(452)	3,086
LG.Philips Displays Holding B.V.	(175,839)	-	37,680	(138,159)
Others	7,202	17,002	(14,485)	9,719
	<u>₩ (130,769)</u>	<u>₩ (3,542)</u>	<u>₩ 20,743</u>	<u>₩ (113,568)</u>

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(Unaudited - See Independent Accountant's Report)

<i>(Millions of Won)</i>	For the six-month period from April 1, 2002 to September 30, 2002			
	April 1, 2002	Addition	Amortization	September 30, 2002
<u>Domestic Companies</u>				
LG Sports Ltd.	₩ (4)	₩ -	₩ 1	₩ (3)
LG Innotek Co., Ltd.	(995)	757	246	8
LG Investment & Securities Co., Ltd.	36,707	-	(7,424)	29,283
LG.Philips LCD Co., Ltd.	2,495	-	(366)	2,129
Hi Plaza Inc.	(2,591)	-	267	(2,324)
<u>Overseas Companies</u>				
LG Electronics Mlawa SP. Zo. O. (LGEMA)	(2,132)	-	388	(1,744)
LG Electronics India Pvt. Ltd. (LGEIL)	375	-	(250)	125
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	13	-	(9)	4
LG Electronics Service Europe Netherlands B.V. (LGESE)	(144)	-	26	(118)
LG Electronics Shenyang Inc. (LGESY)	494	-	(76)	418
LG.Philips Displays Holding B.V.	(213,519)	-	25,120	(188,399)
Others	8,550	992	(5,740)	3,802
	<u>₩ (170,751)</u>	<u>₩ 1,749</u>	<u>₩ 12,183</u>	<u>₩ (156,819)</u>

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As of September 30, 2003 and December 31, 2002 and for the three-month and nine-month periods ended September 30, 2003, the three-month period ended September 30, 2002, and for the six-month period from April 1, 2002 (spin-off date) to September 30, 2002

(Unaudited - See Independent Accountant's Report)

For the nine-month period ended September 30, 2003 and the six-month period from April 1, 2002 (spin-off date) to September 30, 2002, the details of the elimination of unrealized gain or loss arising from the equity method of accounting are as follows:

	For the nine-month period ended September 30, 2003				
	Inventories	Property, plant and equipment	Intangible assets	Investment securities	Total
<i>(Millions of Won)</i>					
<u>Domestic Companies</u>					
LG Micron Ltd.	₩ 223	₩ (2,730)	₩ -	₩ -	₩ (2,507)
LG Innotek Co., Ltd.	(3,297)	-	-	6,250	2,953
LG.Philips LCD Co., Ltd.	(1,511)	(1,001)	28,872	-	26,360
LG IBM PC Co., Ltd.	(167)	-	-	-	(167)
Hi Plaza Inc.	(4,412)	-	-	-	(4,412)
<u>Overseas Companies</u>					
LG Electronics Alabama, Inc. (LGEAI)	1,611	-	-	-	1,611
LG Electronics Huizhou Inc. (LGEHZ)	6,243	-	-	-	6,243
LG Electronics India Pvt. Ltd. (LGEIL)	(1,726)	-	-	-	(1,726)
PT LG Electronics Indonesia (LGEIN)	164	195	-	-	359
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	(1,508)	105	-	-	(1,403)
LG Electronics Service Europe Netherlands B.V. (LGESE)	(9,955)	-	-	-	(9,955)
LG Electronics Shenyang Inc. (LGESY)	(4,282)	42	-	-	(4,240)
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	(499)	240	-	-	(259)
LG Electronics U.S.A., Inc. (LGEUS)	(531)	-	-	-	(531)
LG.Philips Displays Holding B.V.	(290)	(2,914)	-	-	(3,204)
Others	(21,814)	491	-	-	(21,323)
	<u>₩ (41,751)</u>	<u>₩ (5,572)</u>	<u>₩ 28,872</u>	<u>₩ 6,250</u>	<u>₩ (12,201)</u>

(*) In the above table, positive numbers represent equity in earnings of affiliates and negative numbers represent equity in losses of affiliates.

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As of September 30, 2003 and December 31, 2002 and for the three-month and nine-month periods ended September 30, 2003, the three-month period ended September 30, 2002, and for the six-month period from April 1, 2002 (spin-off date) to September 30, 2002

(Unaudited - See Independent Accountant's Report)

<i>(Millions of Won)</i>	For the six-month period from April 1, 2002 to September 30, 2002			
	Inventories	Property, plant and equipment	Intangible assets	Total
<u>Domestic Companies</u>				
LG Micron Ltd.	₩ (59)	₩ -	₩ -	₩ (59)
LG Innotek Co., Ltd.	4,605	-	-	4,605
LG.Philips LCD Co., Ltd.	142	1,010	19,249	20,401
LG IBM PC Co., Ltd.	748	-	-	748
Hi Plaza Inc.	(1,956)	-	-	(1,956)
<u>Overseas Companies</u>				
LG Electronics Alabama, Inc. (LGEAI)	3,144	-	-	3,144
LG Electronics Huizhou Inc. (LGEHZ)	(3,491)	-	-	(3,491)
LG Electronics India Pvt. Ltd. (LGEIL)	987	-	-	987
PT LG Electronics Indonesia (LGEIN)	2,249	130	-	2,379
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	(3,581)	70	-	(3,511)
LG Electronics Service Europe Netherlands B.V. (LGESE)	7,668	-	-	7,668
LG Electronics Shenyang Inc. (LGESY)	(4,363)	28	-	(4,335)
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	(2,965)	161	-	(2,804)
LG Electronics U.S.A., Inc. (LGEUS)	3,588	-	-	3,588
LG.Philips Displays Holding B.V.	282	-	-	282
Others	(14,040)	327	-	(13,713)
	₩ (7,042)	₩ 1,726	₩ 19,249	₩ 13,933

(*) In the above table, positive numbers represent equity in earnings of affiliates and negative numbers represent equity in losses of affiliates.

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Changes in investments in subsidiaries and affiliates accounted for using the equity method for the nine-month period ended September 30, 2003 and the six-month period from April 1, 2002 (spin-off date) to September 30, 2002 are as follows:

	For the nine-month period ended September 30, 2003				
	January 1, 2003	Equity in earnings (losses) of affiliates, net			September 30, 2003
		for the six-month period ended June 30, 2003	for the three-month period ended September 30, 2003	Others	
<i>(Millions of Won)</i>					
<u>Domestic Companies</u>					
LG Micron Ltd.	₩ 35,541	₩ 2,346	₩ (548)	₩ 46,018	₩ 83,357
LG Sports Ltd.	1,916	444	1,442	(1,176)	2,626
LG Innotek Co., Ltd.	117,645	2,426	2,967	5,058	128,096
LG Investment & Security Co., Ltd.	145,270	-	-	(145,270)	-
LG.Philips LCD Co., Ltd.	715,488	84,537	177,218	13,460	990,703
LG IBM PC Co., Ltd.	15,133	3,017	1,149	(4,664)	14,635
Hi Plaza Inc.	55,685	(11,437)	(4,477)	1	39,772
<u>Overseas Companies</u>					
LG Electronics Alabama, Inc. (LGEAI)	58,736	4,535	6,241	15,891	85,403
LG Electronics Huizhou Inc. (LGEHZ)	14,938	(702)	10,208	(2,516)	21,928
LG Electronics India Pvt. Ltd. (LGEIL)	77,191	21,463	10,221	(7,138)	101,737
PT LG Electronics Indonesia (LGEIN)	16,434	4,307	5,180	503	26,424
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	10,520	6,106	(3,758)	(884)	11,984
LG Electronics Service Europe Netherlands B.V. (LGESE)	23,498	12,881	(16,100)	164	20,443
LG Electronics Shenyang Inc. (LGESY)	8,205	2,097	(3,408)	(1,064)	5,830
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	99,315	4,952	7,993	(5,514)	106,746
LG Electronics U.S.A., Inc. (LGEUS)	39,822	(9,879)	10,814	(1,486)	39,271
LG.Philips Displays Holding B.V.	433,819	(50,396)	(22,859)	32,240	392,804
Others	485,873	1,088	26,244	27,591	540,796
	<u>₩2,355,029</u>	<u>₩ 77,785</u>	<u>₩ 208,527</u>	<u>₩(28,786)</u>	<u>₩2,612,555</u>

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	For the six-month period from April 1, 2002 to September 30, 2002				
	Equity in earnings (losses) of affiliates, net, for the three-month period ended				
<i>(Millions of Won)</i>	April 1, 2002	June 30, 2002	September 30, 2002	Others	September 30, 2002
<u>Domestic Companies</u>					
LG Micron Ltd.	₩ 31,870	₩ 2,151	₩ 1,514	₩ (1,000)	₩ 34,535
LG Sports Ltd.	4,118	(2,187)	1,957	-	3,888
LG Innotek Co., Ltd.	78,482	6,727	1,945	28,706	115,860
LG Investment & Security Co., Ltd.	151,959	(3,455)	1,482	(1,290)	148,696
LG.Philips LCD Co., Ltd.	572,202	143,025	30,012	(475)	744,764
LG IBM PC Co., Ltd.	11,120	31	1,486	-	12,637
Hi Plaza Inc.	53,508	1,454	573	-	55,535
LG Card Co., Ltd.	7,183	-	-	(7,183)	-
<u>Overseas Companies</u>					
LG Electronics Alabama, Inc. (LGEAI)	48,491	4,910	6,842	-	60,243
LG Electronics Huizhou Inc. (LGEHZ)	14,173	(7,023)	4,347	(1,745)	9,752
LG Electronics India Pvt. Ltd. (LGEIL)	63,878	11,048	8,911	(4,672)	79,165
PT LG Electronics Indonesia (LGEIN)	7,953	5,187	3,400	87	16,627
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	7,779	919	(1,617)	(1,052)	6,029
LG Electronics Service Europe Netherlands B.V. (LGESE)	1,611	2,227	10,641	2,202	16,681
LG Electronics Shenyang Inc. (LGESY)	9,570	(2,198)	470	(1,336)	6,506
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	99,287	7,148	(2,378)	(9,331)	94,726
LG Electronics U.S.A., Inc. (LGEUS)	36,277	97	(11,111)	(1,647)	23,616
LG.Philips Displays Holding B.V.	507,773	(26,560)	(14,186)	141,650	608,677
Others	445,245	(23,455)	(163)	10,638	432,265
	<u>₩2,152,479</u>	<u>₩ 120,046</u>	<u>₩ 44,125</u>	<u>₩ 153,552</u>	<u>₩ 2,470,202</u>

LG ELECTRONICS INC.

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(Unaudited - See Independent Accountant's Report)

As of September 30, 2003, accumulated losses of equity investees to which the equity method of accounting has been suspended due to accumulated losses are follows:

(Millions of Won)

LG Electronics Espana S.A. (LGEES)	₩	2,187
LG Goldstar France S.A.R.L. (LGEFS)		3,037
LG Electronics Mexico S.A. de C. V. (LGEMS)		988
LG Electronics Panama S.A. (LGEPS)		1,280
LG Electronics United Kingdom Ltd. (LGEUK)		16,869
Zenith Electronics Corporation (Zenith)		291,750
Others		24,832
	₩	<u>340,943</u>

During the three-month period ended September 30, 2003, the Company purchased additional shares of common stock of LG Collins Electronics Manila Inc. ("LGECM") for US\$2.75 million (₩3,222 million).

During the three-month period ended September 30, 2003, the Company purchased additional shares of common stock of LG Electronics (Nanjing) Plazma Co., Ltd. ("LGENP") for US\$5 million (₩5,859 million).

During the three-month period ended September 30, 2003, the Company purchased shares of common stock of the newly established LGECZ, S.R.O. ("LGECZ") for EUR5 million (₩6,534 million).

During the nine-month period ended September 30, 2003, the Company purchased additional shares of common stock of SLD Telecom Pte. Ltd. for US\$16 million (₩18,959 million) and of LG Micron Ltd. for ₩47,315 million.

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(Unaudited - See Independent Accountant's Report)

11. Property, Plant and Equipment

Changes in property, plant and equipment for the nine-month period ended September 30, 2003 are as follows:

(Millions of Won)	Land	Buildings	Structures	Machinery	Tools	Furnitures	Vehicles	Construction	Machinery	Total
				and equipment		and fixtures		in-progress	in-transit	
Balance as of January 1, 2003	₩705,980	₩882,219	₩67,740	₩563,864	₩345,816	₩205,579	₩ 7,052	₩105,662	₩ 9,460	₩2,893,372
Acquisitions and capital expenditure	12,496	21,834	2,809	52,328	111,870	47,524	2,819	147,086	94,790	493,556
Transfer-in (out)	(5)	34,627	(50)	118,607	21,618	9,029	273	(115,949)	(78,357)	(10,207)
Disposals	(10,788)	(9,574)	(651)	(16,792)	(10,977)	(3,838)	(234)	(775)	-	(53,629)
Depreciation	-	(19,690)	(3,649)	(121,243)	(95,762)	(54,607)	(2,029)	-	-	(296,980)
Balance as of September 30, 2003	₩707,683	₩909,416	₩66,199	₩596,764	₩372,565	₩203,687	₩ 7,881	₩136,024	₩25,893	₩3,026,112
Accumulated depreciation as of September 30, 2003	₩ -	₩151,500	₩31,240	₩633,606	₩430,731	₩330,471	₩14,502	₩ -	₩ -	₩1,592,050

Changes in property, plant and equipment for the six-month period from April 1, 2002 (spin-off date) to September 30, 2002 are as follows:

(Millions of Won)	Land	Buildings	Structures	Machinery and	Tools	Furnitures	Vehicles	Construction	Machinery	Total
				equipment		and fixtures		in-progress	in-transit	
Balance as of April 1, 2002	₩696,946	₩ 850,507	₩ 65,687	₩ 572,005	₩308,081	₩ 196,678	₩ 6,868	₩ 87,898	₩ 8,311	₩2,792,981
Acquisitions and capital expenditure	610	13,814	1,666	53,005	66,596	31,203	1,606	76,226	35,417	280,143
Transfer-in (out)	-	26,906	86	18,832	9,235	1,428	1	(35,603)	(28,895)	(8,010)
Disposals	(67)	(617)	(62)	(8,770)	(20,399)	(2,004)	(189)	(1)	(273)	(32,382)
Depreciation	-	(12,637)	(2,192)	(85,259)	(53,586)	(34,667)	(1,239)	-	-	(189,580)
Balance as of September 30, 2002	₩697,489	₩ 877,973	₩ 65,185	₩ 549,813	₩309,927	₩ 192,638	₩ 7,047	₩ 128,520	₩ 14,560	₩2,843,152
Accumulated depreciation as of September 30, 2002	₩ -	₩ 127,138	₩ 27,311	₩ 539,642	₩347,551	₩ 306,533	₩ 14,076	₩ -	₩ -	₩1,362,251

As of September 30, 2003 and December 31, 2002, the value of the Company's land, as determined by the local government in Korea for property tax assessment purpose, approximates ₩676,051 million and ₩598,235 million, respectively.

As of September 30, 2003 and December 31, 2002, property, plant and equipment, other than land and certain construction in-progress, and inventories are insured against fire and other casualty losses up to approximately ₩4,919,210 million and ₩4,538,583 million, respectively.

A substantial portion of property, plant and equipment as of September 30, 2003 is pledged as collateral for various loans from banks, including Korea Development Bank, up to a maximum Won equivalent amount of approximately ₩300,733 million (Notes 13 and 14).

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(Unaudited - See Independent Accountant's Report)

12. Intangible Assets

Changes in intangible assets for the nine-month period ended September 30, 2003 are as follows:

<i>(Millions of Won)</i>	Goodwill	Industrial property rights	Development costs	Organization costs	Other intangible assets	Total
Balance as of January 1, 2003	₩ 296,012	₩ 415,497	₩183,877	₩ 3,271	₩73,810	₩972,467
Additions	546	44,856	-	-	13,840	59,242
Disposals	(90)	-	-	-	-	(90)
Amortization	(30,146)	(62,417)	(51,244)	-	(16,850)	(160,657)
Other reductions (*1)	-	-	-	(3,271)	-	(3,271)
Balance as of September 30, 2003	<u>₩266,322</u>	<u>₩397,936</u>	<u>₩132,633</u>	<u>₩ -</u>	<u>₩70,800</u>	<u>₩867,691</u>
Accumulated amortization as of September 30, 2003	<u>₩131,952</u>	<u>₩264,080</u>	<u>₩208,995</u>	<u>₩ -</u>	<u>₩55,175</u>	<u>₩660,202</u>

(*1) In accordance with SKFAS No. 3, the remaining balance of organization costs was deducted from retained earnings.

Changes in intangible assets for the six-month period from April 1, 2002 (spin-off date) to September 30, 2002 are as follows:

<i>(Millions of Won)</i>	Goodwill	Industrial property rights	Development costs	Organization costs	Other intangible assets	Total
Balance as of April 1, 2002	₩326,343	₩464,735	₩ 180,433	₩ -	₩ 59,341	₩1,030,852
Additions	443	552	23,161	3,848	8,069	36,073
Disposals	(508)	(51)	-	-	(134)	(693)
Amortization	(20,180)	(39,650)	(33,040)	(384)	(8,957)	(102,211)
Balance as of September 30, 2002	<u>₩306,098</u>	<u>₩425,586</u>	<u>₩ 170,554</u>	<u>₩ 3,464</u>	<u>₩ 58,319</u>	<u>₩ 964,021</u>
Accumulated amortization as of September 30, 2002	<u>₩ 91,766</u>	<u>₩181,672</u>	<u>₩ 139,722</u>	<u>₩ 384</u>	<u>₩ 33,058</u>	<u>₩ 446,602</u>

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(Unaudited - See Independent Accountant's Report)

Amortization of intangible assets for the nine-month period ended September 30, 2003 consist of the following:

(Millions of Won)

Manufacturing costs	₩ 25,610
Selling and administrative expenses	135,047
	<u>₩ 160,657</u>

The carrying value of material intangible assets as of September 30, 2003 and December 31, 2002 consist of the following:

(Millions of Won)	2003	2002	Remaining years for amortization
Goodwill (*2)	₩ 264,244	₩ 293,781	7
Industrial property rights (*2)	328,426	387,890	2 ~7

(*2) As a result of LG Electronics Investment Ltd. (formerly LG Electronics Inc.)'s merger with LG Information & Communications, Ltd. in September 2000, LG Electronics Investment Ltd. recognized goodwill amounting to ₩393,820 million and acquired industrial property rights amounting to ₩578,788 million. At the time of spin-off, such goodwill and industrial property rights were transferred to the Company. Related amortization expenses of goodwill and industrial property rights approximate ₩29,537 million and ₩59,464 million, respectively, for the nine-month period ended September 30, 2003.

All research and development costs incurred for the nine-month period ended September 30, 2003 and the six-month period from April 1, 2002 (spin-off date) to September 30, 2002 were expensed as follows:

(Millions of Won)	For the nine-month period ended September 30, 2003	For the six-month period ended September 30, 2002
Ordinary research and development costs	₩ 92,691	₩ 51,868
Research costs	477,797	260,724
Development costs capitalized	-	23,161
	<u>₩ 570,488</u>	<u>₩ 335,753</u>

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(Unaudited - See Independent Accountant's Report)

13. Short-Term Borrowings

Short-term borrowings as of September 30, 2003 and December 31, 2002 comprise the following:

<i>(Millions of Won)</i>	Annual interest	<u>2003</u>	<u>2002</u>
	rate (%) at		
	September 30, 2003		
Bank overdrafts	1.0 - 6.7	₩ -	₩ 34,393
General term loans	CD + 0.8 - 5.9 (*)	32,000	8,000
Commercial papers	4.6 - 5.8	250,525	-
Foreign currency loans	0.35 - 3.08	102,853	-
		<u>₩ 385,378</u>	<u>₩ 42,393</u>

(*) CD represents the annual interest rate for certificates of deposits.

See Note 11 for collateral arrangements for these borrowings.

Current maturities of long-term debt as of September 30, 2003 and December 31, 2002 comprise the following:

<i>(Millions of Won)</i>	<u>2003</u>	<u>2002</u>
Debentures	₩ 864,858	₩ 690,040
Discount on debentures	(1,881)	(2,441)
Long-term debt	<u>6,704</u>	<u>15,419</u>
	<u>₩ 869,681</u>	<u>₩ 703,018</u>

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(Unaudited - See Independent Accountant's Report)

14. Long-Term Debt

Long-term debt as of September 30, 2003 and December 31, 2002 comprise the following:

<i>(In Millions)</i>	Annual interest rate (%) at		
	September 30, 2003	2003	2002
<u>Debentures</u>			
Private, non-guaranteed payable through 2006	7.4 - 16.5	₩ 380,000	₩ 380,000
Public, non-guaranteed payable through 2006	5.0 - 8.0	1,990,000	1,760,000
Floating rate notes in foreign currency, payable through 2006	LIBOR + 0.5 - 1.9	655,614	720,240
Zero coupon rate convertible bonds in foreign currency, payable through 2006	-	339,796	-
		(US\$ 858)	(US\$ 600)
		3,365,410	2,860,240
Less: Current maturities		(864,858)	(690,040)
Discount on debentures		(35,096)	(26,359)
Conversion rights adjustment		(15,131)	-
		<u>₩2,450,325</u>	<u>₩2,143,841</u>

Upon a resolution of the Board of Directors on July 8, 2003, the Company issued foreign currency convertible bonds in the Luxembourg Stock Exchange on August 11, 2003. The terms and conditions of issuance are as follows:

- Type of bonds: Public convertible bond
- Total face value of bonds: USD287.5 million (fixed exchange rate of ₩1,179.2: US\$1)
- Date of issuance: August 11, 2003
- Terms and conditions for issuance of bonds
 - Coupon rate: 0 percent
 - Maturity: August 11, 2006
 - Call option: The Company holds the right to redeem the bonds at face value on or at any time after August 12, 2005, provided that the market value per share of common stock on the trading day immediately prior to the date of the redemption notice, for at least 20 consecutive trading days within a 30 trading day period ending on the trading day immediately prior to the date of the redemption notice, is at least 115 percent of the conversion price.
 - 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 face value on the day 18 months from the date of issuance.

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(Unaudited - See Independent Accountant's Report)

- Terms and conditions for conversion
 - Type of stock to be issued: registered common stock
 - Number of shares convertible: 4,887,500 shares
 - Conversion price: ₩68,900 per share
 - Conversion period: September 12, 2003 through July 28, 2006

<i>(In Millions)</i>	Annual interest rate (%) at		
	September 30, 2003	2003	2002
<u>Won currency loans</u>			
Kookmin Bank	3.0	₩ 244	₩ 249
<u>Foreign currency loans</u>			
Woori Bank	-	-	976
Korea First Bank	-	-	2,620
Export-Import Bank of Korea	-	-	2,260
Banque Paribas	LIBOR + 0.7	2,828	3,934
Societe General	LIBOR + 0.6	4,811	7,532
Bank of Tokyo-Mitsubishi	-	-	2,568
Kookmin Bank and others	LIBOR + 1.25	21,854	-
		29,737	20,139
		(US\$ 26)	(US\$ 17)
Less: Current maturities		(6,704)	(15,419)
		₩ 23,033	₩ 4,720

See Note 11 for the related collateral arrangements for the Company's long-term debt.

The maturities of long-term debt outstanding as of September 30, 2003 are as follows:

(Millions of Won)

	For the year			
	ending September 30,	Debentures	Long-term debt	Total
2005		₩ 745,060	₩ 952	₩ 746,012
2006		1,640,472	21,864	1,662,336
2007		115,020	12	115,032
2008		-	13	13
2009 and thereafter		-	192	192
		₩ 2,500,552	₩ 23,033	₩ 2,523,585

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(Unaudited - See Independent Accountant's Report)

15. Leases

The Company has entered into various lease agreements for the rental of certain machinery and equipment. The Company accounts for these leases as operating leases under which lease payments are charged to expense as incurred.

As of September 30, 2003, future lease payments under operating lease agreements are as follows:

(Millions of Won)

Period	
October 1, 2003 ~ September 30, 2004	₩ 5,989
October 1, 2004 ~ September 30, 2005	3,626
October 1, 2005 ~ September 30, 2006	689
	<u>₩ 10,304</u>

16. Accrued Severance Benefits

Changes in accrued severance benefits for the nine-month period ended September 30, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 are as follows:

(Millions of Won)	For the nine-month period ended September 30, 2003	For the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002
Beginning balance	₩ 500,909	₩ 483,591
Severance payments	(75,364)	(81,561)
Transfer-in (out) from (to) affiliated companies, net	2,619	(4,802)
Provisions	110,178	103,681
Ending balance	538,342	500,909
Severance insurance deposits	(309,535)	(315,876)
Contributions to the National Pension Fund	(19,604)	(22,073)
	<u>₩ 209,203</u>	<u>₩ 162,960</u>

As of April 1, 2002 (date of spin-off), ₩483,591 million of accrued severance benefits for all employees of the Company was transferred from LG Electronics Investment Ltd.

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As of September 30, 2003 and December 31, 2002, the severance benefits are funded at approximately 57.5 percent and 63.1 percent, respectively, through employee severance insurance plans with Kyobo Life Insurance Co., Ltd. and other life insurance companies. The amounts funded under employee severance insurance plans (severance insurance deposits) are presented as a deduction from accrued severance benefits.

17. Commitments and Contingencies

As of September 30, 2003, the Company provided several notes and checks to financial institutions as collateral in relation to various borrowings and guarantees of indebtedness.

As of September 30, 2003, the Company has entered into bank overdraft facility agreements with various banks amounting to ₩530,500 million.

As of September 30, 2003, the outstanding balance of export trade accounts receivable sold at a discount to various financial institutions with recourse amounted to ₩3,632,638 million.

As of September 30, 2003, the Company was a party to various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

As of September 30, 2003, the Company has entered into factoring agreements for domestic trade accounts receivable with Hana Bank. However, in relation to the agreements, as of September 30, 2003, there is no outstanding balance of factored accounts receivable.

As of September 30, 2003, the Company has entered into sales contracts with several companies, the undelivered portions of which amounted to approximately ₩823 million for KT Freetel Co., Ltd., ₩19,724 million for LG Telecom, Ltd., ₩10,464 million for KT Corp., and ₩11,107 million for SK Telecom Co. and others.

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(Unaudited - See Independent Accountant's Report)

As of September 30, 2003, the Company was contingently liable for guarantees approximating ₩1,487,937 million on indebtedness of its subsidiaries and affiliates as follows:

(Millions of Won)

Domestic Companies

Woosung Corp.	₩	920
Others		506
		<u>1,426</u>

Overseas Companies

LG Electronics Wales Ltd.		87,482
PT LG Electronics Display Device Indonesia		67,862
LG Electronics da Amazonia Ltda.		59,810
LG Electronics Italy S.P.A.		39,357
LG Electronics Japan Inc.		59,680
LG Electronics Mexico S.A. de C.V.		110,277
LG Electronics Monterrey Mexico S.A. de C.V.		73,235
LG Electronics Service Europe Netherlands B.V.		63,261
LG Electronics de Sao Paulo Ltda.		63,447
LG Electronics Tianjin Appliance Co., Ltd.		106,992
LG Electronics U.S.A., Inc.		56,360
LG.Philips Displays Holding B.V.		230,040
Zenith Electronics Corporation		2,300
Others		466,408
		<u>1,486,511</u>
Total	₩	<u>1,487,937</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 September 30, 2003, the Company has outstanding forward contracts with Woori Bank and others for selling US dollars amounting to US\$15 million (contract rates: ₩1,213.00: US\$1 ~ ₩1,217.40: US\$1, contract due dates: November through December 2003).

As of September 30, 2003, the Company has outstanding forward contracts with Citi Bank for selling Euro and buying US Dollars amounting to € 25 million (contract rates: € 1.0818: US\$1 ~ € 1.1655: US\$1, contract due dates: October through December 2003).

As of September 30, 2003, the Company has outstanding forward contracts with UFJ Bank and others for selling US Dollars and buying Japanese Yen amounting to US\$25 million (contract rates: ¥ 110.60: US\$1 ~ ¥ 119.02: US\$1, contract due dates: October through December 2003).

As a result of the above foreign currency forward contracts, an unrealized valuation gain and loss amounting to ₩2,059 million and ₩977 million, respectively, were charged to current operations for the nine-month period ended September 30, 2003.

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In order to reduce the impact of changes in exchange rates, the Company has entered into foreign currency option contracts. An unrealized valuation gain amounting to ₩3,278 million was credited to current operations for the nine-month period ended September 30, 2003. A summary of the terms of outstanding currency option contracts as of September 30, 2003 is as follows:

	<u>Option type</u>	<u>Amount (In millions)</u>	<u>Exercise price</u>	<u>Contract due date</u>
Deutsche Bank	Put	US\$ 10.0	₩ 1,180.0/US\$	October 20, 2003
	Call	US\$ 10.0	₩ 1,201.0/US\$	October 20, 2003
	Put	US\$ 5.0	₩ 1,190.0/US\$	November 19, 2003
	Call	US\$ 5.0	₩ 1,224.1/US\$	November 19, 2003
	Put	US\$ 10.0	₩ 1,175.0/US\$	November 26, 2003
	Call	US\$ 10.0	₩ 1,186.2/US\$	November 26, 2003
	Put	US\$ 10.0	₩ 1,180.0/US\$	February 11, 2004
	Call	US\$ 10.0	₩ 1,208.35/US\$	February 11, 2004
	Put	US\$ 10.0	₩ 1,175.0/US\$	March 4, 2004
	Call	US\$ 10.0	₩ 1,199.0/US\$	March 4, 2004
Credit Lyonnais	Put	US\$ 10.0	₩ 1,180.0/US\$	December 26, 2003
	Call	US\$ 10.0	₩ 1,207.0/US\$	December 26, 2003
UBS Warburg	Put	US\$ 10.0	₩ 1,180.0/US\$	November 26, 2003
	Call	US\$ 10.0	₩ 1,191.15/US\$	November 26, 2003
	Put	US\$ 10.0	₩ 1,180.0/US\$	December 26, 2003
	Call	US\$ 10.0	₩ 1,206.62/US\$	December 26, 2003
	Put	US\$ 10.0	₩ 1,180.0/US\$	February 18, 2004
	Call	US\$ 10.0	₩ 1,192.66/US\$	February 18, 2004
	Put	US\$ 10.0	₩ 1,170.0/US\$	January 20, 2004
Standard Chartered Bank	Call	US\$ 10.0	₩ 1,189.6/US\$	January 20, 2004
	Put	US\$ 10.0	₩ 1,150.0/US\$	January 28, 2004
Citi Bank	Call	US\$ 10.0	₩ 1,168.0/US\$	January 28, 2004
	Put	US\$ 10.0	₩ 1,180.0/US\$	October 17, 2003
KorAm Bank	Call	US\$ 10.0	₩ 1,198.0/US\$	October 17, 2003
	Put	US\$ 10.0	₩ 1,210.0/US\$	November 28, 2003
	call	US\$ 10.0	₩ 1,234.6/US\$	November 28, 2003
	Put	US\$ 10.0	₩ 1,175.0/US\$	February 18, 2004
	Call	US\$ 10.0	₩ 1,207.8/US\$	February 18, 2004
	Put	US\$ 10.0	₩ 1,170.0/US\$	March 12, 2004
	Call	US\$ 10.0	₩ 1,199.1/US\$	March 12, 2004
	Put	US\$ 10.0	₩ 1,150.0/US\$	January 28, 2004
	Call	US\$ 10.0	₩ 1,168.0/US\$	January 28, 2004
	Korea Development Bank	Put	US\$ 10.0	₩ 1,180.0/US\$
Call		US\$ 10.0	₩ 1,202.0/US\$	October 22, 2003

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(Unaudited - See Independent Accountant's Report)

As a result of the above derivatives contracts, a realized gain amounting to ₩5,822 million and a realized loss amounting to ₩2,936 million were recognized as a non-operating income and expense, respectively, for the nine-month period ended September 30, 2003.

As of September 30, 2003, the Company is named as the defendant in legal actions which were brought against the Company by AVS Corporation in Canada 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 domestic claims as the defendant and the plaintiff amounted to approximately ₩2,837 million in eighteen cases and ₩1,921 million in seventeen cases, respectively, as of September 30, 2003. The Company believes that the outcome of these matters is uncertain but, in any event, they would not result in a material ultimate loss for the Company. Accordingly, no provision for potential losses arising from these claims is reflected in the accompanying non-consolidated financial statements.

Zenith Electronics Corporation ("Zenith"), a subsidiary, has experienced significant financial difficulties resulting from continuous losses. Zenith filed a pre-packaged plan of reorganization under Chapter 11 of the Bankruptcy Code of the United States of America, and the reorganization plan was approved by a legal court in November 1999. As a result of the reorganization plan, the Company owns 100percent of equity in the restructured Zenith. However, due to continuous losses and accumulated deficits, as of September 30, 2003, Zenith's total liabilities are greater than its total assets by ₩259,789 million (US\$226 million). As of September 30, 2003, the Company has ₩132,785 million (US\$115 million) of senior secured notes issued by Zenith, ₩69,012 million (US\$60 million) of loans to Zenith, and ₩2,300 million (US\$2 million) of guarantees provided to Zenith. As of September 30, 2003, the Company provided bad debt allowance amounting to ₩179,764 million for the above senior secured notes and loans (Note 9).

In response to the generally unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Company may be either directly or indirectly affected by these generally unstable economic conditions and the reform program described above. The accompanying non-consolidated financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

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(Unaudited - See Independent Accountant's Report)

18. Capital Stock

Capital stock as of September 30, 2003 is as follows:

	<u>Number of shares issued</u>	<u>Par value per share</u>	<u>Millions of Won</u>
Common stock	139,606,263	₩ 5,000	₩ 698,031
Preferred stock (*)	17,185,992	5,000	85,930
	<u>156,792,255</u>		<u>₩ 783,961</u>

As of September 30, 2003, the number of shares authorized is 600,000,000 shares.

(*) As of September 30, 2003, 17,185,992 shares of non-voting preferred stock are issued and outstanding. The preferred shareholders have no voting rights and are entitled to non-participating and non-cumulative preferred dividends at a rate of one percentage point over those for common stock. This preferred dividend rate is not applicable to stock dividends.

19. Capital Surplus

As a result of the spin-off, on April 1, 2002, ₩1,876,153 million was recorded as capital surplus representing the difference between net assets transferred from LG Electronics Investment Ltd. amounting to ₩2,815,707 million and capital stock amounting to ₩783,961 million and capital adjustments transferred from LG Electronics Investment Ltd. amounting to ₩155,593 million.

As a result of the issuance of foreign currency convertible bonds on August 11, 2003, a premium for conversion rights amounting to ₩15,833 million was recorded as a capital surplus representing the difference between the issuance price of convertible bonds and the present value of bonds under identical conditions without conversion rights.

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(Unaudited - See Independent Accountant's Report)

20. Retained Earnings

Retained earnings as of September 30, 2003 and December 31, 2002 are as follows:

<i>(Millions of Won)</i>	2003		2002	
Legal reserve	₩	15,743	₩	-
Other reserves				
Reserve for improvement of financial structure		27,771		-
Reserve for research and manpower development		76,590		-
		104,361		-
Unappropriated retained earnings to be carried forward to the subsequent period		674,098		277,716
	₩	794,202	₩	277,716

The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10 percent of cash dividends paid until such reserve equals 50 percent of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock through an appropriate resolution by the Company's Board of Directors or used to reduce accumulated deficit, if any, through an appropriate resolution by the Company's shareholders.

In accordance with the regulations regarding securities' issuance and disclosure, the Company is required to appropriate, as a reserve for improvement of financial structure, a portion of retained earnings equal to a minimum of 10 percent of its annual income plus at least 50 percent of the net gain from the disposal of property, plant and equipment after deducting related taxes, until equity equals 30 percent of total assets. This reserve is not available for the payment of dividends, but may be transferred to capital stock through an appropriate resolution by the Company's Board of Directors or used to reduce accumulated deficit, if any, through an appropriate resolution by the Company's shareholders.

Pursuant to the Special Tax Treatment Control Law, the Company is allowed to appropriate retained earnings as a reserve for research and manpower development. This reserve is not available for the payment of dividends until used for the specified purposes or reversed.

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(Unaudited - See Independent Accountant's Report)

21. Capital Adjustments

Capital adjustments as of September 30, 2003 and December 31, 2002 are as follows:

<i>(Millions of Won)</i>	<u>2003</u>	<u>2002</u>
Treasury stock	₩ (9,858)	₩ (11,850)
Gain on valuation of equity method investment securities	155,755	98,456
Loss on valuation of available-for-sale securities	(65,179)	(19,218)
Loss from disposal of treasury stock	(340)	(166)
	<u>₩ 80,378</u>	<u>₩ 67,222</u>

The Company retains treasury stock consisting of 214,443 shares of common stock and 4,678 shares of preferred stock as of September 30, 2003, and 215,973 shares of common stock and 4,678 shares of preferred stock as of December 31, 2002. The Company intends to grant the treasury stock to employees as compensation or to sell these in the future.

22. Income Taxes

Income tax expense for the nine-month period ended September 30, 2003 and the six-month period from April 1, 2002 (spin-off date) to September 30, 2002 are as follows:

<i>(Millions of Won)</i>	<u>For the nine-month period ended September 30, 2003</u>	<u>For the six-month period from April 1, 2002 (spin-off date) to September 30, 2002</u>
Current income taxes	₩ 301,278	₩ 182,696
Deferred income taxes	(86,986)	19,184
	<u>₩ 214,292</u>	<u>₩ 201,880</u>

The statutory income tax rate applicable to the Company, including resident tax surcharges, is approximately 29.7 percent. The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company:

<i>(Millions of Won)</i>	<u>For the nine-month period ended September 30, 2003</u>	<u>For the six-month period from April 1, 2002 (spin-off date) to September 30, 2002</u>
Income before taxes	₩ 894,322	₩ 658,692
Statutory tax rate	29.70%	29.70%
Expected taxes at statutory rate	265,604	195,632
Permanent differences and others	13,212	6,848
Tax credits	(64,524)	(600)
Actual taxes	<u>₩ 214,292</u>	<u>₩ 201,880</u>
Effective tax rate	<u>23.96%</u>	<u>30.65%</u>

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(Unaudited - See Independent Accountant's Report)

Changes in the components of deferred income taxes for the nine-month period ended September 30, 2003 are as follows:

<i>(Millions of Won)</i>	<u>As of</u> <u>January 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>As of</u> <u>September 30, 2003</u>
<u>Deferred income tax assets</u>				
Deferred foreign exchange loss, net	₩ 2,410	₩ -	₩ 1,354	₩ 1,056
Investments using the equity method of accounting	318,492	9,246	87,902	239,836
Bad debt expense	61,771	67,790	51,760	77,801
Product warranty provision	23,522	7,910	-	31,432
Others	27,506	79,298	1,212	105,592
	<u>433,701</u>	<u>164,244</u>	<u>142,228</u>	<u>455,717</u>
<u>Deferred income tax liabilities</u>				
Amortization of intangible assets	(38,055)	800	(11,834)	(25,421)
Estimated customs duty drawback	(5,321)	(5,580)	(5,321)	(5,580)
Reserve for technological development	(62,489)	-	(62,489)	-
Deferred income tax for investment securities	(89,815)	-	30	(89,845)
Others	(116)	(9,835)	(116)	(9,835)
	<u>(195,796)</u>	<u>(14,615)</u>	<u>(79,730)</u>	<u>(130,681)</u>
Net deferred income tax assets	<u>₩ 237,905</u>	<u>₩ 149,629</u>	<u>₩ 62,498</u>	<u>₩ 325,036</u>

The Company periodically assesses its ability to recover deferred income tax assets. In the event of a significant uncertainty regarding the Company's ultimate ability to recover such assets, a valuation allowance is recorded to reduce the assets to its estimated net realizable value.

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23. Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding during the period. Basic ordinary income per share is computed by dividing ordinary income allocated to common stock, which is net income allocated to common stock as adjusted by extraordinary gains or losses, net of related income taxes, by the weighted-average number of common shares outstanding during the period.

Basic earnings per share for the three-month and nine-month periods ended September 30, 2003 are calculated as follows:

<i>(Millions of Won, except for earnings per share data)</i>	Three-month period ended September 30, 2003	Nine-month period ended September 30, 2003
<u>Basic earnings per share</u>		
Net income as reported on the statement of income	₩ 223,859	₩ 680,030
Less: Preferred stock dividends	(4,547)	(13,493)
Additional income available for dividends allocated to preferred stock	(20,210)	(61,701)
Net income allocated to common stock	199,102	604,836
Weighted-average number of common shares outstanding	139,390,374	139,340,182
Basic earnings per share (in Korean Won)	₩ 1,428	₩ 4,341

Basic ordinary income per share for the three-month and nine-month periods ended September 30, 2003 are the same as basic earnings per share, because there were no extraordinary gains or losses.

Basic earnings per share and basic ordinary income per share for the three-month period ended September 30, 2002 amounted to ₩740, and basic earnings per share and basic ordinary income per share for the six-month period from April 1, 2002 (spin-off date) to September 30, 2002 amounted to ₩2,913.

Basic earnings per share and basic ordinary income per share for the six-month period ended June 30, 2003 amounted to ₩2,912, and basic earnings per share and basic ordinary income per share for the nine-month period from April 1, 2002 to December 31, 2002 amounted to ₩1,768.

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(Unaudited - See Independent Accountant's Report)

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 period. Diluted ordinary income per share is computed by dividing diluted ordinary income allocated to common stock, which is diluted net income allocated to common stock as adjusted by extraordinary gains or losses, net of related income taxes, by the weighted-average number of common shares and diluted securities outstanding during the period.

Diluted earnings per share for the three-month and nine-month periods ended September 30, 2003 are calculated as follows:

<i>(Millions of Won, except for earnings per share data)</i>	Three-month period ended September 30, 2003	Nine-month period ended September 30, 2003
Net income allocated to common stock	₩ 199,102	₩ 604,836
Add: Interest expense on convertible bonds, net of tax (*)	659	720
	<u>199,761</u>	<u>605,556</u>
Weighted-average number of common shares and diluted securities outstanding	<u>142,099,749</u>	<u>140,253,231</u>
Diluted earnings per share and ordinary income per share	<u>₩ 1,406</u>	<u>₩ 4,318</u>

(*) This is computed based on the effective tax rate.

Diluted ordinary income per share for the three-month and nine-month periods ended September 30, 2003 is the same as diluted earnings per share, because there were no extraordinary gains or losses.

The diluted securities outstanding as of September 30, 2003 are as follows:

Diluted security	Face value	Conversion period	Number of shares of common stock to be issued	Conversion price
Foreign currency denominated convertible bonds, issued in 2003	₩339,796 million (US\$287.5 million)	September 12, 2003 through July 28, 2006	4,887,500 shares	₩68,900 per share

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24. Transactions with Related Parties

Significant transactions entered into in the ordinary course of business with related parties for the nine-month period ended September 30, 2003 and the six-month period from April 1, 2002 (spin-off date) to September 30, 2002 and the related account balances outstanding as of September 30, 2003 and 2002 are summarized as follows:

<i>(Millions of Won)</i>	<u>Sales</u>	<u>Purchases</u>	<u>Receivables</u>	<u>Payables</u>
LG Telecom, Ltd.	₩ 312,309	₩ 30,926	₩ 110,712	₩ 1,411
LG Chem, Ltd.	6,754	171,615	1,862	31,838
Hi Plaza Inc.	634,894	11,800	7,469	1,723
LG IBM PC Co., Ltd.	119,735	101,463	24,789	17,710
LG MRO	2,590	202,772	31,801	6,434
Hitachi-LG Data Storage Inc. (HLDS)	571,600	4,598	52,681	596
LG Electronics Australia PTY, Ltd. (LGEAP)	265,962	4,063	10,536	5,764
PT LG Electronics Display Devices Indonesia (LGEDI)	237,841	4,766	75,615	2,402
LG Electronics Huizhou Inc. (LGEHZ)	475,384	3,490	5,550	14,552
LG Electronics Italy S.P.A. (LGEIS)	144,879	12,238	4,281	9,309
LG Electronics Service Europe Netherlands B.V. (LGESE)	654,555	13,748	27,745	60,002
LG Electronics U.S.A. Inc. (LGEUS)	555,611	29,832	1,556	5,259
Zenith Electronics Corporation (Zenith)	122,404	573	252,933	5,712
LG Infocomm U.S.A. Inc. (LGICUS)	1,568,407	3,985	68,908	783
LG International Corp.	108,962	11,982	41,019	572
Others	3,554,726	1,326,083	289,184	264,533
As of and for the nine-month period ended September 30, 2003	<u>₩9,336,613</u>	<u>₩1,933,934</u>	<u>₩1,006,641</u>	<u>₩428,600</u>
As of and for the six-month period ended September 30, 2002	<u>₩4,857,179</u>	<u>₩1,249,756</u>	<u>₩1,037,238</u>	<u>₩652,003</u>

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(Unaudited - See Independent Accountant's Report)

25. Segment Information

The Company has organized three reportable business divisions: Digital Display & Media division, Digital Appliance division and Telecommunication Equipment & Handset 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.

The main products that each business division manufactures and sells are as follows:

Digital Display & Media division:	VCR, CD-ROM, audio, TV, monitor and PDP
Digital Appliance division:	Refrigerator, washing machine, air conditioner, microwave oven and vacuum cleaner
Telecommunication Equipment & Handset division:	CDMA handset, GSM handset, wireless telephone, WLL handset, mobile telecommunication, transmitter, switchboard, keyphone system and PC

Financial Data by Business Division as of and for the nine-month period ended September 30, 2003.

(Millions of Won)	Total	Business Division			Supporting Division
		Digital Display & Media	Digital Appliance	Telecommunication Equipment & Handset (*1)	
Sales					
External sales	₩ 14,759,459	₩ 4,957,882	₩ 4,446,231	₩ 5,203,530	₩ 151,816
Inter-division sales	169,539	63,503	12,058	25,334	68,644
	<u>14,928,998</u>	<u>5,021,385</u>	<u>4,458,289</u>	<u>5,228,864</u>	<u>220,460</u>
Operating income (loss)	<u>864,499</u>	<u>306,605</u>	<u>429,715</u>	<u>192,433</u>	<u>(64,254)</u>
Fixed assets					
Property, plant and equipment	3,026,112	883,280	852,647	500,957	789,228
Intangible assets	867,691	52,160	14,921	386,262	414,348
Total	<u>3,893,803</u>	<u>935,440</u>	<u>867,568</u>	<u>887,219</u>	<u>1,203,576</u>
Depreciation and amortization	₩ 457,637	₩ 124,307	₩ 93,463	₩ 122,952	₩ 116,915

(*1) As of January 1, 2003, the Company reorganized its business structure and transferred the PC business from the Digital Display & Media division to the Telecommunication Equipment & Handset division.

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Financial Data by Business Division as of and for the six-month period ended September 30, 2002.

(Millions of Won)	Total	Business Division			
		Digital Display & Media	Digital Appliance	Telecommunication Equipment & Handset	Supporting Division
Sales					
External sales	₩ 9,296,125	₩ 3,989,020	₩ 2,979,408	₩ 2,212,369	₩ 115,328
Inter-division sales	115,812	38,587	11,490	24,774	40,961
	<u>9,411,937</u>	<u>4,027,607</u>	<u>2,990,898</u>	<u>2,237,143</u>	<u>156,289</u>
Operating income (loss)	<u>619,471</u>	<u>183,548</u>	<u>308,041</u>	<u>160,497</u>	<u>(32,615)</u>
Fixed assets					
Property, plant and equipment	2,843,152	833,898	820,279	429,876	759,099
Intangible assets	964,021	74,501	12,766	433,190	443,564
Total	<u>3,807,173</u>	<u>908,399</u>	<u>833,045</u>	<u>863,066</u>	<u>1,202,663</u>
Depreciation and amortization	₩ 291,790	₩ 83,569	₩ 56,706	₩ 78,285	₩ 73,230

Financial Data by Geographic Area for the nine-month period ended September 30, 2003.

(Millions of Won)	Total	Domestic	Central &						
			North America	Europe	South America	Central Asia	Asia	Oceania	Others
Sales									
External sales	₩14,759,459	₩3,607,754	₩4,216,947	₩1,288,268	₩290,251	₩687,047	₩3,539,582	₩320,627	₩808,983
Ratio (%)	100%	24%	29%	9%	2%	5%	24%	2%	5%
Inter-division sales	169,539	169,539	-	-	-	-	-	-	-
	<u>₩14,928,998</u>	<u>₩3,777,293</u>	<u>₩4,216,947</u>	<u>₩1,288,268</u>	<u>₩290,251</u>	<u>₩687,047</u>	<u>₩3,539,582</u>	<u>₩320,627</u>	<u>₩808,983</u>

Financial Data by Geographic Area for the six-month period ended September 30, 2002.

(Millions of Won)	Total	Domestic	Central &						
			North America	Europe	South America	Central Asia	Asia	Oceania	Others
Sales									
External sales	₩9,296,125	₩3,412,035	₩2,175,824	₩865,643	₩186,231	₩380,859	₩1,978,453	₩166,447	₩130,633
Ratio (%)	100%	37%	24%	9%	2%	4%	21%	2%	1%
Inter-division sales	115,812	115,812	-	-	-	-	-	-	-
	<u>₩9,411,937</u>	<u>₩3,527,847</u>	<u>₩2,175,824</u>	<u>₩865,643</u>	<u>₩186,231</u>	<u>₩380,859</u>	<u>₩1,978,453</u>	<u>₩166,447</u>	<u>₩130,633</u>

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26. Spin-Off

Upon a resolution of the Board of Directors on November 15, 2001 and a resolution of the shareholders on December 28, 2001, the Company was spun off from LG Electronics Investment Ltd. on April 1, 2002. On April 2, 2002, the Company completed the registration process required for new companies, in accordance with the Commercial Code of the Republic of Korea. In addition, on March 1, 2003, LG Electronics Investment Ltd. was legally merged into LG Chem Investment Ltd. (LGCI), which changed its name into LG Corp. after the merger.

In accordance with the provisions in the Commercial Code Article No. 530-2, LG Electronics Investment Ltd. established the Company to engage in the electronics and information and communications businesses.

The Company issued shares within the amount of net assets, which is the difference between the transferred assets and liabilities, and the shares were distributed to the shareholders of LG Electronics Investment Ltd. in proportion to their shares.

Accrued severance liabilities for employees working for the Company were transferred effective April 1, 2002.

The Company and LG Corp. jointly and severally hold a guarantee for the obligations before the spin-off.

Condensed financial information as of April 1, 2002 of the two companies after the spin-off is as follows:

<i>(Millions of Won)</i>	Prior to spin-off	Post spin-off	
		LG Electronics Investment Ltd.	LG Electronics Inc.
Assets	₩ 11,982,532	₩ 2,972,213	₩ 9,443,488
Liabilities	7,514,855	887,074	6,627,781
Equity	4,467,677	2,085,139	2,815,707

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27. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the nine-month period ended September 30, 2003 are as follows:

(Millions of Won)

Transfer to building, machinery and others from construction in-progress	₩ 116,781
Transfer to machinery and equipment from machinery in-transit	62,364
Reclassification of current maturities of debentures	897,498
Reclassification of current maturities of long-term debt	17,680
Changes in capital adjustments arising from the equity method of accounting for investments	35,655
Changes in retained earnings arising from the equity method of accounting for investments	3,807

28. Subsequent Event

Upon a resolution of the Board of Directors on September 25, 2003, the Company participated in the issuance of new shares of Zenith, a subsidiary located in the U.S.A., amounting to US\$214 million and collected senior secured notes of, loans to and other related receivables from Zenith amounting to ₩246,225 million.

29. Reclassification of Prior Year Financial Statement Presentation

Certain amounts in the balance sheet as of December 31, 2002, presented herein for comparative purpose, have been reclassified to conform to the presentation applied to the balance sheet as of September 30, 2003. These reclassifications had no effect on previously reported net income or shareholders equity.