

 **LG Electronics Inc.**

**Non-Consolidated Interim Financial Statements
September 30, 2005 and 2004**

LG Electronics Inc.

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September 30, 2005 and 2004, and December 31, 2004

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Report of Independent Accountants

To the Board of Directors and Shareholders of
LG Electronics Inc.

We have reviewed the accompanying non-consolidated balance sheet of LG Electronics Inc. (the "Company") as of September 30, 2005, and the related non-consolidated statements of income and cash flows for the three-month and nine-month periods ended September 30, 2005 and 2004, expressed in Korean won. These interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim financial statements based on our reviews.

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the non-consolidated interim financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

We have audited the non-consolidated balance sheet of LG Electronics Inc. as of December 31, 2004, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated January 28, 2005. These financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2004, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2004.

As discussed in Note 27 to the accompanying non-consolidated financial statements, on January 1, 2005, the Company absorbed a part of PC division of LG IBM PC Co., Ltd., a joint venture with IBM Korea Inc. This absorption is aimed to optimize business efficiency, align operational strategies, and maximize profitability. On January 4, 2005, LG IBM PC Co., Ltd. was dissolved.

As discussed in Note 29 to the accompanying non-consolidated financial statements, on August 16, 2005, the Board of Directors approved the establishment of a joint venture between the Company and Nortel Corporation.

Accounting principles and review standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or review standards and their application in practice.

Samil PricewaterhouseCoopers

Seoul, Korea
October 14, 2005

This report is effective as of October 14, 2005, 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, 2005 and December 31, 2004
(Unaudited)

<i>(in millions of Korean won)</i>	2005	2004
Assets		
Current assets		
Cash and cash equivalents (Notes 3 and 7)	₩ 578,735	₩ 648,416
Short-term investments (Note 5)	89,501	89,501
Trade accounts and notes receivable, net (Notes 6, 7 and 25)	1,709,528	999,023
Inventories, net (Notes 8 and 12)	1,493,256	1,675,031
Other accounts receivable, net (Notes 6 and 7)	334,809	544,885
Prepaid expenses	63,536	40,116
Accrued income, net (Note 6)	20,332	12,751
Advances, net (Note 6)	63,912	46,650
Derivatives transaction debit (Note 17)	15,449	51,475
Deferred income tax assets (Note 23)	161,345	-
Other current assets, net (Note 6)	5,214	2,795
Total current assets	4,535,617	4,110,643
Property, plant and equipment, net (Notes 11, 12 and 26)	4,069,095	3,629,549
Long-term financial instruments (Note 4)	15,428	17,961
Long-term investment securities (Note 9)	53,999	65,234
Equity method investments (Note 10)	4,326,582	4,096,263
Refundable deposits (Note 7)	385,691	380,128
Long-term prepaid expenses	179,285	141,459
Deferred income tax assets (Note 23)	-	104,765
Long-term loans receivable, net (Notes 6 and 25)	96,226	52,305
Intangible assets, net (Notes 13 and 26)	447,302	635,532
Long-term other accounts receivable (Note 6)	20,907	-
Other non-current assets (Note 17)	13,103	402
Total assets	₩ 14,143,235	₩ 13,234,241

LG Electronics Inc.
Non-Consolidated Balance Sheets
September 30, 2005 and December 31, 2004
(Unaudited)

(in millions of Korean won)

	2005	2004
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Note 14)	₩ 73,080	₩ 209,890
Current maturities of long-term debts, net (Note 14)	1,576,375	646,783
Trade accounts and notes payable (Notes 7 and 25)	1,848,853	1,758,233
Other accounts payable (Note 7)	869,293	1,118,603
Income taxes payable (Note 23)	-	9,119
Accrued expenses (Note 7)	1,034,529	993,225
Withholdings	5,222	19,110
Unearned income	1,972	1,644
Advances from customers	225,321	200,150
Derivatives transaction credit (Note 17)	7,627	2,066
Total current liabilities	5,642,272	4,958,823
Debtures and convertible bonds, net of current maturities and discounts on debtures (Note 15)		
	1,627,061	2,593,616
Long-term debts, net of current maturities (Note 15)	696,177	286,655
Accrued severance benefits, net (Note 16)	264,480	233,246
Product warranty reserve	138,743	145,657
Deferred income tax liabilities (Note 23)	219,625	-
Other long-term liabilities (Note 17)	5,841	77
Total liabilities	8,594,199	8,218,074
Commitments and contingencies (Note 17)		
Shareholders' equity		
Capital stock (Notes 1 and 18)	784,618	783,961
Capital surplus (Note 19)	1,907,716	1,907,543
Retained earnings (Note 20)	2,198,632	2,063,631
Capital adjustments (Note 21)	658,070	261,032
Total shareholders' equity	5,549,036	5,016,167
Total liabilities and shareholders' equity	₩ 14,143,235	₩ 13,234,241

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

See Report of Independent Accountants

LG Electronics Inc.
Non-Consolidated Statements of Income
Three-Month and Nine-Month Periods Ended September 30, 2005 and 2004
(Unaudited)

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

	2005		2004	
	For the three-month period ended September 30, 2005	For the nine-month period ended September 30, 2005	For the three-month period ended September 30, 2004	For the nine-month period ended September 30, 2004
Sales (Notes 25 and 26)	₩ 6,018,331	₩ 17,592,057	₩ 6,112,546	₩ 18,137,968
Cost of sales (Note 25)	4,410,335	13,092,836	4,575,630	13,670,416
Gross profit	1,607,996	4,499,221	1,536,916	4,467,552
Selling and administrative expenses	1,328,117	3,795,635	1,181,566	3,312,727
Operating income	279,879	703,586	355,350	1,154,825
Non-operating income				
Equity in earnings of equity-method investees (Note 10)	126,385	257,235	161,337	829,740
Foreign exchange gains	77,686	222,288	40,873	231,245
Interest income	17,874	41,385	16,674	59,930
Refund of income taxes	-	38,767	5,045	58,645
Gain on valuation of derivatives (Note 17)	2,245	1,979	-	13,440
Gain on disposal of investment securities	1,764	22,921	825	46,955
Gain on settlement of derivatives (Note 17)	4,661	17,999	243	15,620
Reversal of allowance for doubtful accounts	9,082	7,886	3,609	27,827
Rent income	5,440	15,022	3,348	9,980
Dividend income	22	893	2,533	7,426
Gain on disposal of property, plant and equipment	2,343	3,482	2,482	5,782
Others	12,973	40,328	15,260	64,971
	260,475	670,185	252,229	1,371,561
Non-operating expenses				
Foreign exchange losses	103,672	200,272	30,975	176,672
Interest expense	54,176	151,286	50,359	149,433
Loss from transfer of trade accounts and notes receivable	33,954	98,774	26,995	84,831
Loss from disposal of property, plant and equipment	12,259	26,536	17,276	86,164
Loss from disposal of investment securities	3,964	5,950	-	71,885
Loss on impairment of investment securities	-	1,893	1,879	35,097
Additional payment of income taxes	-	7,995	19,949	19,949
Loss on settlement of derivatives (Note 17)	4,380	9,476	640	10,832
Donations	3,084	7,232	2,555	7,070
Loss on valuation of derivatives (Note 17)	11,603	16,678	1,310	1,310
Other bad debt expense	-	4	726	1,047
Equity in losses of equity-method investees (Note 10)	44,509	256,876	-	-
Loss on impairment of intangible assets (Notes 13 and 29)	89,031	89,031	-	-
Others	51,616	81,301	13,182	35,607
	412,248	953,304	165,846	679,897
Income before income taxes	128,106	420,467	441,733	1,846,489
Income tax expense (Note 23)	(28,759)	29,817	137,324	463,916
Net income	₩ 156,865	₩ 390,650	₩ 304,409	₩ 1,382,573
Basic earnings per share and				
ordinary income per share (in won) (Note 24)	₩ 819	₩ 2,498	₩ 1,950	₩ 8,842
Diluted earnings per share and				
diluted ordinary income per share (in won) (Note 24)	₩ 804	₩ 2,447	₩ 1,869	₩ 8,502

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

See Report of Independent Accountants

LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Three-Month and Nine-Month Periods Ended September 30, 2005 and 2004
(Unaudited)

(in millions of Korean won)

	2005		2004	
	For the three-month period ended September 30, 2005	For the nine-month period ended September 30, 2005	For the three-month period ended September 30, 2004	For the nine-month period ended September 30, 2004
Cash flows from operating activities				
Net income	₩ 156,865	₩ 390,650	₩ 304,409	₩ 1,382,573
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization	187,622	622,502	169,446	489,109
Amortization of discounts on debentures	10,077	29,784	8,675	22,060
Provision for severance benefits	35,187	158,275	18,918	150,360
Loss from transfer of trade accounts and notes receivable	33,954	98,774	26,995	84,831
Bad debt expense	-	4	888	1,209
Loss (gain) on foreign currency translation, net	24,429	(3,733)	1,926	(30,132)
Loss (gain) from disposal of investment securities, net	2,200	(16,971)	(825)	24,930
Loss on impairment of investment securities	-	1,893	1,879	35,097
Loss from disposal of property, plant and equipment, net	9,916	23,054	14,794	80,382
Equity in gains of equity-method investees, net	(81,876)	(359)	(161,337)	(829,740)
Loss (gain) on valuation of derivatives, net	9,358	14,699	1,310	(12,130)
Loss (gain) on settlement of derivatives, net	(281)	(8,523)	397	(4,788)
Provision for product warranty	(28,152)	(6,913)	31,431	36,141
Reversal of allowance for doubtful accounts	(9,082)	(7,886)	(3,609)	(27,827)
Others	70,916	70,655	-	(2,838)
	<u>264,268</u>	<u>975,255</u>	<u>110,888</u>	<u>16,664</u>
Changes in operating assets and liabilities				
Increase in trade accounts and notes receivable	(475,667)	(765,067)	(33,801)	(342,980)
Decrease (increase) in other accounts receivable	(25,685)	189,988	(236,892)	(175,380)
Decrease (increase) in accrued income	218	(7,238)	154,160	145,743
Decrease (increase) in advances	42,250	(17,048)	8,635	(27,438)
Decrease (increase) in other current assets	2	141	(26)	33
Decrease (increase) in inventories	(40,375)	153,715	(41,472)	(167,620)
Decrease (increase) in prepaid expenses	9,332	(23,310)	23,761	(17,351)
Increase in long-term prepaid expenses	(21,349)	(37,827)	(4,609)	(18,643)
Decrease (increase) in deferred income tax assets	5,177	(55,377)	63,590	249,728
Increase in trade accounts and notes payable	109,170	26,336	163,020	98,106
Decrease in other accounts payable	(376,670)	(252,903)	(210,238)	(211,756)
Increase in accrued expenses	51,674	40,136	111,123	368,525
Decrease in withholdings	(6,196)	(15,615)	(6,041)	(15,463)
Increase (decrease) in advances from customers	(23,182)	24,647	16,827	44,081
Decrease in income taxes payable	(71,854)	(9,310)	(99,094)	(13,501)
Payment of severance benefits	(30,884)	(134,811)	(19,783)	(88,510)
Decrease (increase) in severance insurance deposits	(20,371)	2,010	(1,115)	8,505
Decrease in contributions to the National Pension Fund	647	2,686	561	2,358
Increase in deferred income tax liabilities	92,394	125,173	70,261	70,261
Others	(2,943)	23,313	31,773	52,625
	<u>(784,312)</u>	<u>(730,361)</u>	<u>(9,360)</u>	<u>(38,677)</u>
Net cash provided by (used in) operating activities	<u>(363,179)</u>	<u>635,544</u>	<u>405,937</u>	<u>1,360,560</u>

LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Three-Month and Nine-Month Periods Ended September 30, 2005 and 2004
(Unaudited)

(in millions of Korean won)

	2005		2004	
	For the three-month period ended September 30, 2005	For the nine-month period ended September 30, 2005	For the three-month period ended September 30, 2004	For the nine-month period ended September 30, 2004
Cash flows from investing activities				
Disposal of short-term financial instruments	-	-	883	40,732
Increase in short-term and long-term loans, net	(10,099)	(46,363)	(16,857)	(7,428)
Disposal of long-term financial instruments	-	3,221	1,073	-
Acquisition of long-term financial instruments	(687)	(687)	-	(928)
Proceeds from disposal of investment securities	427,214	474,060	1,031	228,266
Acquisition of investment securities	(22,766)	(170,521)	(424,248)	(748,750)
Payment of refundable deposits, net	33,204	(3,827)	(7,143)	(33,458)
Proceeds from disposal of property, plant and equipment	21,875	36,876	10,165	27,793
Proceeds from disposal of derivatives	1,274	61,745	935	6,081
Proceeds from disposal of intangible assets	64,824	64,824	192	465
Acquisition of property, plant and equipment	(239,364)	(985,556)	(207,581)	(809,144)
Acquisition of intangible assets	(92,279)	(118,611)	(3,544)	(23,538)
Acquisition of derivatives	(6,370)	(33,696)	(1,996)	(8,816)
Others	-	412	612	-
Net cash provided by (used in) investing activities	176,826	(718,123)	(646,478)	(1,328,725)
Cash flows from financing activities				
Proceeds from short-term borrowings	285,103	285,103	474,126	599,982
Payment of current maturities of long-term debts	(200,000)	(408,760)	(61,875)	(669,233)
Proceeds from issuance of debentures	-	602,258	165,865	906,581
Proceeds from long-term debts	-	482,938	5,671	275,492
Payment of short-term borrowings	(311,555)	(421,890)	(625,316)	(625,316)
Payment of issuance of debentures	(328,603)	(328,603)	-	-
Disposal (acquisition) of treasury stock	-	2,128	-	(34,949)
Payment of dividends	-	(234,851)	-	(196,634)
Net cash provided by (used in) financing activities	(555,055)	(21,677)	(41,529)	255,923
Cash inflow from merger				
	-	34,575	-	-
Net increase (decrease) in cash and cash equivalents	(741,408)	(69,681)	(282,070)	287,758
Cash and cash equivalents (Note 28)				
Beginning of the period	1,320,143	648,416	1,106,681	536,853
End of the period	₩ 578,735	₩ 578,735	₩ 824,611	₩ 824,611

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

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
September 30, 2005 and 2004, and December 31, 2004
(Unaudited)

1. The Company

LG Electronics Inc. (the “Company”) was spun off from LG Electronics Investment Ltd. (formerly LG Electronics Inc.) on April 1, 2002, to engage in the manufacture and sale of electronics, and information and communication products. Former LG Electronics Inc. was incorporated in February 1959 under the Commercial Code of the Republic of Korea to manufacture and sell electronics, and information and communication products, and had its shares listed on the Korea Stock Exchange in April 1970.

As of September 30, 2005, the Company operates manufacturing facilities mainly in Kuro, Pyeongtaek, Chongju, Gumi and Changwon in the Republic of Korea.

As of September 30, 2005, the Company has outstanding capital stock amounting to ₩784,618 million, including non-voting preferred stock. The Company’s stock was relisted on the Korean Stock Exchange on April 22, 2002, and its depository receipts (“DRs”) were relisted on the London Stock Exchange in September 2002.

As of September 30, 2005, LG Corp. and its related parties own 32.1% of the Company’s total stocks including common stock and preferred stock, while financial institutions, foreign investors and others own the rest of the Company’s stocks.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below.

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain information attached to the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company’s financial position, results of operations or cash flows, is not presented in the accompanying non-consolidated financial statements

Accounting Estimates

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

LG Electronics Inc.
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Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (“SKFAS”), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS Nos. 10, 12 and 13 became applicable to the Company on January 1, 2004, the Company adopted these Standards in its financial statements covering periods beginning on or after this date.

And as SKFAS No. 15 through 17 became applicable to the Company on January 1, 2005, the Company adopted these Standards in its financial statements as of and for the nine-month period ended September 30, 2005.

Revenue Recognition

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

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.

Allowance for Doubtful Accounts

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

Inventories

Inventories are stated at the lower of cost or market, with cost being determined using the weighted-average method, except for inventories-in-transit which is determined using the specific identification method. If the net realizable value of inventory is less than its cost, a contra inventory account representing the valuation loss, is presented to reduce the inventory to its net realizable value. The said valuation loss is recorded as cost of sales. If, however, the circumstances which caused the valuation loss ceased to exist, causing the market value to rise above the carrying amount, the valuation loss is reversed limited to the original carrying amount before valuation. The said reversal is a deduction from cost of sales.

Investments in Securities

The Company accounts for equity and debt securities under the provisions of SKFAS No. 8, *Investments in Securities*. This statement requires investments in equity and debt securities to be classified into three categories: trading, available-for-sale and held-to-maturity.

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
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(Unaudited)

Securities are initially carried at cost, including incidental expenses, with cost being determined using the gross 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 whose fair value may not be determined, 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 adjusted cost of debt securities after the amortization of discounts or premiums.

Equity Method Investments

Investments in equity securities of companies, over which the Company exercises significant control or influence, are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership in 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 the accumulated losses of the investees equals the costs of the investments, and until the subsequent cumulative changes in its 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 in the net book value of the investee are amortized over five years using the straight-line method, and the amortization is charged to current operations. In addition, proportionate share in the difference between fair value of the investee's identifiable assets (liabilities) and book value is amortized according to the investee's accounting for the assets and liabilities.

Unrealized profit included in inventories and property, plant and equipment from transaction between the Company and equity method investees is calculated based on gross margin by product and eliminated considering the percentage of ownership. However, unrealized profit arising from sales by the Company to equity method investees which are its consolidated subsidiaries is fully eliminated. Unrealized profit arising from sales between equity method investees is also eliminated considering the percentage of ownership.

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

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets, as described below.

	Estimated useful life
Buildings	20 - 40 years
Structures	20 - 40 years
Machinery and equipment	5 - 10 years
Tools	2 - 5 years
Furniture, fixtures and vehicles	5 years

In 2005, the Company reduced its estimate of the useful life of moulds included in tools from five years to two years to better reflect their economic useful life. This change resulted in an increase in depreciation expense for the nine-month period ended September 30, 2005, by ₩86,479 million.

Routine maintenance and repairs are charged to current operations as incurred. Betterments and renewals which enhance the value of the assets over their 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.

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.

LG Electronics Inc.
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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.

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.

Borrowing Costs

Interest and other financial costs incurred on borrowings used to acquire property, plant and equipment, intangible assets and investments are all charged to expense as incurred.

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

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 sheets as a product warranty reserve.

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.

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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 almost 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 that gave 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 carryforward amount.

According to SKFAS No. 16, *Deferred Income Taxes*, which became effective on January 1, 2005, the Company classified deferred income tax assets and liabilities into current portion and non-current portion based on net amount. Deferred income tax is recognized on unrealized gains or losses resulting from valuation of investment securities. However, previous financial statements presented for comparative purpose are not restated according to addendum of SKFAS No. 16.

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 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 exchange rate in effect at the balance sheet date (₩1,038.0: US\$1 as of September 30, 2005, ₩1,043.8: US\$1 as of December 31, 2004), and resulting translation gains or losses are recognized in current operations. However, convertible bonds in foreign currency are translated into Korean won at the agreed rate of exchange, considering the exercise of conversion rights by the creditors.

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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.

Convertible Bonds

The Company records a premium for conversion rights 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. The Company offsets conversion rights adjustment by the face value of convertible bonds and adds a call premium to the face value of convertible bonds.

Present Value Discount

The difference between the nominal value and present value of the long-term receivables and payables is amortized using the effective interest rate method with interest income or expense adjusted accordingly.

Government grants

The Company recognizes government grants, which are to be repaid, as liabilities. The government grants, which are intended to be used for the acquisition of certain assets, are deducted from the cost of the acquired assets. Before the acquisition of the assets specified by the grant, the amounts are recognized as a deduction from the account under which the asset to be acquired is to be recorded, or from the other assets acquired as a temporary investment of the grant received.

The government grants, received to compensate for specific expenses, are offset against the related expenses. Other government grants, for which the use or purpose is not specified, are recorded as gains from assets contributed, and are recognized in current operations.

Stock Appreciations plan

Compensation costs for stock options granted to employees and executives are recognized on the basis of intrinsic value. Under the intrinsic value basis method, compensation costs for stock option plans are determined by calculating the difference between the exercise price and the market price of the underlying stock. Stock-based compensation cost is remeasured at each reporting date, based on the intrinsic value of the award, and is recognized as expense over the agreed minimum service period.

Duty Refunds

The Company records duty refunds as a deduction from cost of sales.

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3. Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%)		
	at September 30, 2005	2005	2004
Cash on hand	-	₩ 22	₩ 27
Checking accounts	-	4,185	3,569
Foreign currency checking accounts	-	4,229	26,921
Demand deposits	0.01	4,597	11,863
Time deposits	3.30	100,000	-
Foreign currency time deposits	1.36 – 3.05	12,702	74,036
Money market funds	2.94 – 3.50	423,000	502,000
Beneficiary certificates	3.42	30,000	30,000
		₩ 578,735	₩ 648,416

4. Financial Instruments

Long-term financial instruments as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%)		
	at September 30, 2005	2005	2004
Long-term financial instruments			
Other deposits	0.20 - 4.50	₩ 15,428	₩ 17,961

As of September 30, 2005, long-term financial instruments of ₩15,428 million (2004 : ₩17,961 million) 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.

5. Short-term investments

Short-term investments as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	2005			2004
	Acquisition cost	Market value	Carrying value	Carrying value
Commercial papers issued by LG Card Co., Ltd.	₩ 111,876	₩ 89,501	₩ 89,501	₩ 89,501

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As approved by the Board of Directors on February 6, 2004, the Company purchased LG card Co., Ltd. (LG Card)'s commercial papers with a face value of ₩150,000 million as part of the fulfillment of LG Card's business normalization agreement with the creditor financial institutions. The commercial papers amounting to ₩111,876 million classified as short-term investments are scheduled to mature before December 31, 2005. The remaining amount of ₩38,124 million were converted into equity securities in January 2005 and sold in May 2005 (Note 9).

6. Receivables

Receivables, including trade accounts and notes receivable, as of September 30, 2005 and December 31, 2004, consist of the following:

	2005			
	Original amount	Allowance for doubtful accounts	Discounts for present value	Carrying value
<i>(in millions of Korean won)</i>				
Trade accounts and notes receivable	₩ 1,777,934	₩ (68,406)	₩ -	₩ 1,709,528
Other accounts receivable ¹	365,874	(9,263)	(895)	355,716
Accrued income	20,537	(205)	-	20,332
Advances	68,057	(4,145)	-	63,912
Other current assets	5,256	(42)	-	5,214
Long-term loans receivable	97,198	(972)	-	96,226
	<u>₩ 2,334,856</u>	<u>₩ (83,033)</u>	<u>₩ (895)</u>	<u>₩ 2,250,928</u>
	2004			
	Original amount	Allowance for doubtful accounts	Discounts for present value	Carrying value
<i>(in millions of Korean won)</i>				
Trade accounts and notes receivable	₩ 1,072,150	₩ (73,127)	₩ -	₩ 999,023
Other accounts receivable	554,436	(8,377)	(1,174)	544,885
Accrued income	12,970	(219)	-	12,751
Advances	50,650	(4,000)	-	46,650
Other current assets	2,810	(15)	-	2,795
Long-term loans receivable	52,810	(505)	-	52,305
	<u>₩ 1,745,826</u>	<u>₩ (86,243)</u>	<u>₩ (1,174)</u>	<u>₩ 1,658,409</u>

¹ Includes the long-term other accounts receivable.

As of September 30, 2005, trade bills negotiated through banks that have not yet matured amount to approximately ₩3,088,622 million, which includes US\$2,965 million (Note 17).

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7. Assets and Liabilities Denominated in Foreign Currencies

As of September 30, 2005 and December 31, 2004, monetary assets and liabilities denominated in foreign currencies, other than those disclosed in Notes 14 and 15, are as follows:

<i>(in millions)</i>	2005				2004			
	Foreign currency		Korean won Equivalent		Foreign Currency		Korean won equivalent	
Cash and cash equivalents	US\$	1	₩	1,179	US\$	65	₩	67,779
	JP ¥	23		213	JP ¥	185		1,877
	EUR	1		1,111	EUR	11		16,072
	Others	-		1,644	Others	-		15,229
				<u>₩</u>	<u>4,147</u>			<u>₩</u>
Trade accounts receivable	US\$	647	₩	671,320	US\$	275	₩	287,355
	JP ¥	580		5,312	JP ¥	96		973
	EUR	92		114,993	EUR	16		23,126
	GBP	26		48,019	GBP	-		844
	AUD	139		109,733	AUD	-		84
	Others	-		39,008	Others	-		1,143
				<u>₩</u>	<u>988,385</u>			<u>₩</u>
Other accounts receivable	US\$	106	₩	110,129	US\$	128	₩	133,168
	EUR	2		2,105	EUR	12		17,685
	Others	-		3,812	Others	-		13,993
				<u>₩</u>	<u>116,046</u>			<u>₩</u>
Refundable deposits	JP ¥	59	₩	538	JP ¥	58	₩	587
	US\$	2		2,157	US\$	2		1,913
	Others	-		192	Others	-		371
				<u>₩</u>	<u>2,887</u>			<u>₩</u>
Trade accounts payable	US\$	1,076	₩	1,117,005	US\$	609	₩	635,306
	JP ¥	3,847		35,237	JP ¥	12,036		121,816
	EUR	21		25,601	EUR	13		17,916
	Others	-		538	Others	-		279
				<u>₩</u>	<u>1,178,381</u>			<u>₩</u>
Other accounts payable	AUD	4	₩	3,165	AUD	4	₩	2,946
	CAD	1		1,143	CAD	1		1,114
	EUR	23		29,292	EUR	22		30,704
	JP ¥	577		5,289	JP ¥	441		4,467
	US\$	125		129,794	US\$	127		132,399
	Others	-		7,424	Others	-		11,715
				<u>₩</u>	<u>176,107</u>			<u>₩</u>
Accrued expenses	US\$	131	₩	136,355	US\$	36	₩	37,593
	Others	-		58	Others	-		640
				<u>₩</u>	<u>136,413</u>			<u>₩</u>

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8. Inventories

Inventories as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	2005			2004
	Acquisition cost	Inventory valuation allowance	Carrying value	Carrying value
Merchandise	₩ 24,143	₩ (1,864)	₩ 22,279	₩ 28,213
Finished products	471,281	(30,135)	441,146	608,420
Work-in-process	454,142	(3,790)	450,352	313,023
Raw materials	499,294	(22,726)	476,568	589,463
Parts and supplies	108,076	(5,165)	102,911	135,912
	<u>₩1,556,936</u>	<u>₩ (63,680)</u>	<u>₩ 1,493,256</u>	<u>₩ 1,675,031</u>

See Note 12 for inventory insurance.

9. Long-Term Investment Securities

Long-term investment securities as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	2005	2004
Available-for-sale securities	₩ 53,148	₩ 64,383
Held-to-maturity securities	851	851
	<u>₩ 53,999</u>	<u>₩ 65,234</u>

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Available-for-sale securities as of September 30, 2005 and December 31, 2004, are as follows:

	Percentage of ownership (%) at September 30, 2005	2005			2004		
		Acquisition cost	Net asset value/Market value	Carrying value	Acquisition cost	Net asset value/Market value	Carrying value
<i>(in millions of Korean won)</i>							
Marketable equity securities							
Nara Mold & Die Co., Ltd.	12.57	₩ 812	₩ 4,873	₩ 4,873	₩ 812	₩ 2,918	₩ 2,918
Tube Media Co., Ltd. ⁴	-	-	-	-	142	604	604
Odicorp Co., Ltd.	8.83	318	1,817	1,817	318	1,568	1,568
Vodavi Technology Inc. ³	-	-	-	-	2,928	6,761	6,761
Hutchison Telephone ⁴	-	-	-	-	3,462	3,622	3,622
ADP Engineering Co., Ltd. ⁵	7.03	75	11,300	11,300	-	-	-
Digital Device, Inc. ⁷	1.35	229	164	164	-	-	-
		1,434	18,154	18,154	7,662	15,473	15,473
Non-marketable equity securities							
Domestic companies							
Innopla Co., Ltd.	19.90	245	853	245	245	854	245
Castec Korea Co., Ltd.	5.00	182	766	182	182	859	182
Msoltech ¹	10.00	635	-	-	635	-	-
AL Tech Inc.	8.53	589	247	589	589	272	589
Korea Information							
Certificate Authority Inc.	9.35	1,852	1,230	1,852	1,852	1,230	1,852
Association of Electronics							
Environment	36.04	4,698	5,127	4,698	4,698	4,309	4,698
Temco, Inc. ¹	13.04	1,200	-	-	1,200	1,200	1,200
Netgenetech. Co., Ltd.	7.50	176	215	176	176	35	176
Manager Society, Inc.	3.70	200	5	200	200	14	200
Silicon Works	12.00	501	824	501	501	504	501
LG fund for small and medium							
Enterprises ³	-	-	-	-	2,500	2,435	2,500
TU Media Corp.	4.74	6,500	5,762	6,500	6,500	5,765	6,500
Eonex Technologies, Inc. ^{6,7}	2.77	2,680	1,286	2,680	600	600	600
ADS Technologies Co., Ltd. ⁶	15.00	150	150	150	-	-	-
Planet ⁷	9.18	574	194	574	69	69	69
Neo-Cyon, Inc. ⁷	19.90	68	54	68	60	60	60
Micro Circuit							
Technology CO., LTD ⁷	4.05	700	779	700	-	-	-
IDS ⁷	5.64	608	2,034	608	-	-	-
Reakosys Inc. ⁷	8.04	569	578	569	-	-	-
Pentamicro Inc. ⁷	6.64	525	236	525	-	-	-
Microgate, Inc. ⁷	9.49	500	191	500	-	-	-
Bigbeam ⁷	9.76	500	481	500	-	-	-
XcureNet ⁷	6.26	438	230	438	-	-	-
ATMS Co., Ltd. ⁷	5.20	438	294	438	-	-	-
shinAn SNP Co., Ltd. ⁷	5.76	473	433	473	-	-	-
IND Tek Inc. ⁷	7.77	300	635	300	-	-	-
Amtel Corp. ⁷	7.41	300	180	300	-	-	-
Maxwave ⁷	16.02	250	138	250	-	-	-
Pulsus Technologies, Inc. ⁷	3.27	121	121	121	-	-	-
Meksan Co., Ltd. ⁷	4.71	69	101	69	-	-	-
iTEC technologies Ltd. ⁷	5.26	68	68	68	-	-	-
Macro Image Technology, Inc. ⁷	1.81	64	74	64	-	-	-
Display Technology Ltd. ⁷	8.95	53	53	53	-	-	-
Plushub, Inc. ⁷	12.03	47	47	47	-	-	-
3ALogics Inc. ⁷	10.00	32	32	32	-	-	-
PaxComm, Inc ⁷	4.00	9	9	9	-	-	-
Comtecs Cor., Ltd ⁷	1.27	5	5	5	-	-	-
Interactivity Co., Ltd. ⁷	5.53	5	10	5	-	-	-
JMP Systems Co., Ltd. ^{1,7}	18.75	-	-	-	-	-	-
Rapidus, Inc. ^{1,7}	1.35	-	-	-	-	-	-
Others	-	1,416	3,450	1,416	3,525	1,491	1,491

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(in millions of Korean won)	Percentage of ownership (%) at September 30, 2005	2005			2004		
		Acquisition cost	Net asset value/Market value	Carrying value	Acquisition cost	Net asset value/Market value	Carrying value
Overseas companies							
Erlang Technology Inc. ¹	6.90	1,129	-	-	1,129	-	-
Neopoint Inc. ^{1,8}	-	-	-	-	1,604	-	-
E2OPEN.COM ¹	3.64	15,694	-	-	15,694	-	-
COMMIT Incorporated	13.47	4,990	4,990	4,990	4,990	4,990	4,990
Monet Mobile Networks ¹	1.90	1,299	-	-	1,299	-	-
SUNPOWER.INC	10.35	1,257	169	1,257	1,257	231	1,257
Others	-	507	507	507	507	507	507
		<u>52,616</u>	<u>32,558</u>	<u>32,659</u>	<u>50,012</u>	<u>25,425</u>	<u>27,617</u>
Debt securities							
Bonds issued by the government ⁸		-	-	-	27	27	27
Convertible bonds issued by NeoDis Co., Ltd.		2,204	2,204	2,204	2,204	2,204	2,204
Commercial papers issued by LG Card Co., Ltd ²		-	-	-	38,124	19,062	19,062
Rapidus, Inc ^{1,7}		-	-	-	-	-	-
Pentamicro Inc. ⁷		131	131	131	-	-	-
		<u>2,335</u>	<u>2,335</u>	<u>2,335</u>	<u>40,355</u>	<u>21,293</u>	<u>21,293</u>
		<u>₩ 56,385</u>	<u>₩ 53,048</u>	<u>₩ 53,148</u>	<u>₩ 98,029</u>	<u>₩ 62,191</u>	<u>₩ 64,383</u>

¹ Carrying value was fully written down due to the negative net book value or bankruptcy of the investee company as of September 30, 2005.

² In January 2005, the commercial papers of LG Card Co., Ltd. as of December 31, 2004, were converted into equity securities of LG Card. In May 2005, the Company sold these investment securities and recorded a gain on disposal of investment securities of ₩17,116 million.

³ For the nine-month period ended September 30, 2005, the investments were reclassified as equity method investment securities.

⁴ For the nine-month period ended September 30, 2005, the Company sold the investment securities.

⁵ For the nine-month period ended September 30, 2005, ADP Engineering Co., Ltd. listed its common stock on the KOSDAQ market.

⁶ New or additional investments made during the nine-month period ended September 30, 2005.

⁷ For the nine-month period ended September 30, 2005, the Company newly or additionally acquired the investment due to the liquidation of STIC Ventures Co., Ltd.

⁸ For the nine-month period ended September 30, 2005, Noepoint, Inc. was liquidated and bonds issued by government were sold.

The annual maturities of debt securities classified as available-for-sale securities and

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held-to-maturity securities as of September 30, 2005 and December 31, 2004, are as follows:

(in millions of Korean won)

Due in	2005		2004	
	Available-for-sale securities	Held-to-maturity securities	Available-for-sale securities	Held-to-maturity securities
Less than one year and one year ¹	₩ 89,501	₩ -	₩ 89,501	₩ -
Over one year through five years	2,335	807	21,293	807
Over five years through ten years	-	44	-	44
	<u>₩ 91,836</u>	<u>₩ 851</u>	<u>₩ 110,794</u>	<u>₩ 851</u>

¹ These are classified as short-term investments (Note 5).

The details of changes in accumulated gains (losses) on valuation of available-for-sale securities is recorded as capital adjustments for nine-month periods ended September 30, 2005 and 2004, are as follows (Note 21):

(in millions of Korean won)	January 1, 2005	Gain (loss)	Disposal	Tax effect	September 30, 2005
Nara Mold & Die Co., Ltd.	₩ 2,107	₩ 1,954	₩ -	₩ (1,118)	₩ 2,943
Tube Media Co., Ltd.	462	331	793	-	-
Odicorp Co., Ltd. (formerly Jindoo Network Inc.)	1,250	250	-	(414)	1,086
Vodavi Technology Inc.	3,833	-	3,833	-	-
Hutchison Telephone Co., Ltd	160	-	160	-	-
ADP Engineering Co., Ltd.	-	11,224	-	(3,088)	8,136
LG Card Co., Ltd.	-	13,804	13,804	-	-
Digital Device, Inc.	-	(12)	-	3	(9)
	<u>₩ 7,812</u>	<u>₩ 27,551</u>	<u>₩ 18,590</u>	<u>₩ (4,617)</u>	<u>₩ 12,156</u>

(in millions of Korean won)

January 1, 2004

Gain (loss)

Disposal

September 30, 2004

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KT Corp.	₩ (22,184)	₩ -	₩ (22,184)	₩ -
NARA MOLD & DIE Co., Ltd.	2,187	(89)	-	2,098
Voiceware Co., Ltd.	1,157	(183)	222	752
Odicorp Co., Ltd. (formerly Jindoo Network Inc.)	-	1,272	-	1,272
LG Investment & Securities Co., Ltd.	(75,994)	23,534	(52,460)	-
Vodavi Technology Inc.	3,063	(249)	-	2,814
E2OPEN.COM	-	(15,190)	-	(15,190)
Bonds issued by the government	(241)	-	(241)	-
	<u>₩ (92,012)</u>	<u>₩ 9,095</u>	<u>₩ (74,663)</u>	<u>₩ (8,254)</u>

Interest income from investments in securities amounts to ₩3,196 million for the nine-month period ended September 30, 2005.

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10. Equity Method Investments

Equity method investments as of September 30, 2005 and December 31, 2004, are as follows:

	Percentage of ownership (%) at	2005			2004		
		September 30,2005	Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value
<i>(in millions of Korean won)</i>							
Domestic companies							
LG Micron Ltd.	36.00	₩ 68,100	₩ 129,293	₩ 114,460	₩ 68,100	₩ 120,716	₩ 111,651
LG Innotek Co., Ltd.	69.80	59,494	156,643	160,838	59,308	148,963	154,651
Hankuk Electric Glass Co., Ltd.	20.00	119,282	132,928	120,494	119,282	140,549	125,082
LG.Philips LCD Co., Ltd. ¹⁰	37.90	679,218	2,773,859	2,607,865	726,169	2,572,987	2,399,076
LG IBM PC Co., Ltd. ⁷	-	-	-	-	11,907	16,689	16,522
Hi Plaza Inc.	100.00	100,511	118,475	108,561	100,511	108,965	99,275
STIC Ventures Co., Ltd. ¹¹	-	-	-	-	28,200	28,264	28,264
Hi Business Logistics ⁴	100.00	8,000	11,838	11,952	4,500	6,115	6,114
LG fund for small and medium Enterprises ^{2,6}	50.00	5,000	4,790	5,000	-	-	-
Blue Ocean Investment Fund ²	83.33	5,000	5,000	5,000	-	-	-
Overseas companies							
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	21,405	28,700	7,684	22,350	30,823
LG Electronics Austria GmbH (LGEAG) ²	100.00	116	116	116	116	116	116
LG Electronics Almaty Kazak Co., Ltd. (LGEAK)	100.00	3,746	14,531	12,807	3,746	15,508	11,438
LG Electronics Antwerp Logistics N.V. (LGEAL) ^{1,8}	100.00	-	-	-	967	1,637	356
LG Electronics Australia Pty, Ltd. (LGEAP) ¹	100.00	1,558	6,795	-	1,558	7,305	-
LG Electronics Argentina S.A. (LGEAR) ³	100.00	7,410	-	-	7,410	-	-
Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT)	50.00	14,718	27,315	25,249	14,718	21,869	20,621
LG Electronics Colombia, Ltda. (LGECEB)	100.00	3,330	10,403	6,719	3,330	5,038	3,786
LG Electronics China Co., Ltd. (LGECH) ¹	100.00	57,696	19,624	-	56,154	22,484	-

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<i>(in millions of Korean won)</i>	Percentage of ownership (%) at September 30, 2005	2005			2004		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG Electronics Canada, Inc. (LGECI)	100.00	13,779	16,013	9,552	13,779	16,562	9,888
LG Electronics Inc. Chile Limitada (LGECL)	100.00	5,856	9,247	8,035	5,856	7,659	6,960
LG Electronics Czech S.R.O. (LGE CZ) ⁸	100.00	-	-	-	6,534	6,993	6,106
LG Electronics Deutschland GmbH (LGEDG) ⁸	100.00	-	-	-	26,938	24,465	9,370
PT LG Electronics Display Devices Indonesia (LGEDI)	100.00	32,085	67,037	52,072	32,085	66,687	48,348
LG Electronics Design Tech, Ltd. (LGEDT)	-	-	-	-	1,002	1,002	1,002
LG Electronics Egypt Cairo S.A.E. (LGE EC)	100.00	4,382	1,993	3,133	4,382	1,467	3,032
LG Electronics Egypt S.A.E. (LGE EG)	83.97	2,860	3,063	2,777	2,860	1,603	1,085
LG Electronics Espana S.A. (LGE ES) ^{1,8}	100.00	-	-	-	17,408	13,368	-
LG Goldstar France S.A.R.L. (LGE FS) ^{1,8}	100.00	-	-	-	7,139	952	-
LG Electronics Gulf FZE (LGE GF)	100.00	8,312	6,544	3,931	8,312	7,918	4,522
LG Electronics HK Limited (LGE HK) ⁴	100.00	9,398	9,026	7,951	4,316	4,445	4,445
LG Electronics Nature (Hangzhou) Recording Media Co., Ltd. (LGE HN) ⁴	70.00	7,608	6,554	6,481	4,031	3,087	3,037
LG Electronics Hellas S.A. (LGE HS) ⁸	100.00	-	-	-	6,063	6,820	5,402
LG Electronics Huizhou Inc. (LGE HZ)	80.00	1,277	19,156	10,912	1,277	28,405	22,038
LG Electronics India Pvt. Ltd. (LGE IL)	100.00	38,476	148,898	144,883	38,476	120,896	121,544
PT LG Electronics Indonesia (LGE IN)	100.00	29,431	10,587	12,582	29,431	18,560	18,052
LG Electronics Italy S.P.A. (LGE IS) ⁸	100.00	-	-	-	28,170	21,075	8,047
LG Electronics Japan Inc. (LGE JP) ¹	100.00	12,978	(2,917)	-	12,978	1,954	583
Kunshan LGMS Computer Co., Ltd. (LGE KS)	100.00	2,649	3,549	3,715	2,649	3,027	2,649
LG Electronics Mlawa SP.Zo.O. (LGE MA) ⁴	100.00	92,401	95,413	79,723	36,024	48,791	45,869
LG Electronics Morocco S.A.R.L. (LGE MC)	100.00	3,352	2,863	1,635	3,352	3,806	1,171
LG Electronics Middle East Co., Ltd. (LGE ME) ²	100.00	462	462	462	462	462	462
Goldstar Mobilecomm France SASU (LGE MF) ²	100.00	5,621	5,621	5,621	5,621	5,621	5,621

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<i>(in millions of Korean won)</i>	Percentage of ownership (%) at September 30, 2005	2005			2004		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG-MECA Electronics Haiphong, Inc. (LGEMH) ⁹	-	-	-	-	1,690	3,007	2,782
LG Electronics Magyar Kft. (LGEMK) ⁸	100.00	-	-	-	5,575	9,170	3,991
LG Electronics (M) SDN.BHD (LGEML)	100.00	7,869	5,536	5,225	7,869	7,869	7,869
LG Electronics Monterrey Mexico S.A. de C.V. (LGEMM) ¹	100.00	31,439	(8,130)	-	31,439	4,928	1,066
LG Electronics Mexico S.A. de C.V. (LGEMS)	100.00	13,575	32,053	27,076	13,575	23,076	21,169
LG MITR Electronics Co., Ltd. (LGEMT) ⁴	100.00	22,838	7,249	-	15,925	10,447	6,098
LG Electronics North of England Ltd. (LGENE) ³	100.00	16,844	901	706	11,229	9,981	10,052
LG Electronics (Nanjing) Plazma Co., Ltd. (LGENP)	100.00	13,241	11,990	2,958	13,241	(1,822)	5,057
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	70.00	9,367	14,967	11,489	9,367	20,516	16,518
LG Electronics Philippines, Inc. (LGEPH) (formerly LGECEM)	100.00	23,524	264	2,876	23,524	1,713	3,000
LG Electronics Polska SP.Zo.O. (LGEPL) ⁸	100.00	-	-	-	4,117	11,217	9,000
Nanjing LG Panda Appliance Co., Ltd. (LGEPN)	70.00	7,596	15,321	11,758	7,596	12,672	11,843
LG Electronics Peru S.A. (LGEPR)	100.00	7,699	4,462	3,094	7,699	3,744	2,784
LG Electronics Panama S.A. (LGEPS)	100.00	2,333	13,628	13,707	2,333	6,144	3,755
LG Electronics Portugal (LGEPT) ⁸	100.00	-	-	-	20,927	20,338	17,528
LG Electronics Qinhuangdao Co., Ltd. (LGEQH)	100.00	3,284	9,072	7,316	3,284	7,160	6,587
LG Electronics RUS, LLC (LGERA) ^{2,4}	100.00	10,621	10,621	10,621	5,411	5,411	5,411
LG Electronics Russia Inc. (LGERI)	95.00	391	10,472	10,472	391	9,785	9,785
LG Electronics Romania S.R.L (LGERO) ⁸	100.00	-	-	-	7,350	8,427	8,256
LG Electronics S.A. Pty Ltd. (LGESA) ⁴	100.00	13,525	34,356	27,220	3,382	33,045	29,028
LG Electronics Service Europe Netherlands B.V. (LGESE) ^{1,8}	100.00	57,446	76,436	39,837	10,470	14,372	-
Shanghai LG Electronics Co., Ltd. (LGESH)	70.00	4,899	11,836	5,897	4,899	9,170	7,704
LG Electronics Singapore Pte Ltd. (LGESL) ⁵	100.00	7,027	5,527	4,881	-	-	-
LG Electronics de Sao Paulo Ltd. (LGESP) ⁴	100.00	79,106	222,227	196,629	28,481	78,801	68,234
LG Electronics Sweden AB (LGESW) ^{1,8}	100.00	-	-	-	5,668	5,780	2,581

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<i>(in millions of Korean won)</i>	Percentage of ownership (%) at September 30, 2005	2005			2004		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG Electronics Shenyang Inc. (LGEYSY)	78.87	11,267	24,344	14,359	11,267	16,765	13,474
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	42,948	130,763	109,254	42,948	109,743	100,046
LG Electronics Thailand Co., Ltd. (LGETH)	100.00	3,407	20,883	20,144	3,407	21,650	21,708
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	100.00	59,205	11,829	12,571	59,205	16,369	27,001
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	100.00	19,846	13,365	12,849	19,846	12,174	10,935
LG Electronics United Kingdom Ltd. (LGEUK) ^{1,8}	100.00	-	-	-	34,723	7,501	-
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	148,109	148,863	78,410	148,109	134,835	108,995
LG Electronics Vietnam Co., Ltd. (LGEVN)	100.00	13,141	12,036	11,852	6,035	9,846	8,546
LG Electronics Wales Ltd. (LGEWA) ⁸	100.00	-	-	-	963,757	149,207	69,650
Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT)	54.00	9,167	13,702	-	10,188	11,067	6,821
Kunshan LGMS Computer Co., Ltd. (LGMSK)	-	-	-	-	1,690	1,690	1,690
LG Soft India PVT, Ltd. (LGSI)	100.00	5,084	10,272	11,597	5,084	7,543	9,338
EIC Properties PTE, Ltd.	38.20	9,636	2,110	2,110	9,636	2,198	2,198
LG Infocomm Thailand, Inc. (LGICTH)	60.00	3,246	5,563	3,386	3,246	5,651	4,094
Vietnam Korea Exchange, Ltd. (V.K.X.)	40.00	1,736	2,251	2,251	1,736	2,040	2,064
LG TOPS ³	40.00	2,699	930	930	2,699	902	930
Langchao LG (Yantai) Digital Mobile Technology Research & Development Co., Ltd. ²	53.00	824	824	824	824	824	824
LGE (China) R&D Center	100.00	8,201	5,929	5,929	8,201	6,544	6,544
Electromagnetica Goldstar S.R.L. ²	50.00	508	508	508	508	508	508
SLD Telecom Pte. Ltd.	42.74	68,487	48,712	49,252	68,487	51,711	52,279
Triveni Digital Inc. ²	88.00	899	899	899	899	899	899
LG (Yantai) Information & Communication Technology Co., Ltd. ²	100.00	2,720	2,720	2,720	2,720	2,720	2,720
LG Holdings (HK) Ltd.	31.82	53,378	38,109	34,374	53,378	46,437	42,906
Qingdao LG Langchao Digital Communication Co., Ltd.	60.00	8,749	9,321	-	8,749	8,215	3,910

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(in millions of Korean won)	Percentage of ownership (%) at September 30, 2005	2005			2004		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG Electronics RUS-Marketing, LLC (LGERM) ^{2,5}	100.00	204	204	204	-	-	-
Hi Logistics China Company Limited ⁵	100.00	1,294	5,351	1,338	-	-	-
Vodavi Technology Inc. ⁶	23.22	6,761	3,237	6,445	-	-	-
LG Electronics Overseas Trading FZE(Dubai) ⁵	100.00	311	311	311	-	-	-
		<u>₩2,227,318</u>	<u>₩4,829,025</u>	<u>₩4,326,582</u>	<u>₩3,226,666</u>	<u>₩4,598,247</u>	<u>₩4,096,263</u>

¹ The equity method of accounting has been suspended due to the investee's accumulated losses.

² The equity method was suspended for 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 have just been established in the current period, in accordance with accounting principles generally accepted in the Republic of Korea.

³ The operations of this subsidiary were suspended as of September 30, 2005.

⁴ For the nine-month period ended September 30, 2005, the Company purchased additional shares of these subsidiaries.

⁵ This subsidiary was established during the nine-month period ended September 30, 2005.

⁶ During the nine-month period ended September 30, 2005, the investments were reclassified into equity method investment securities.

⁷ The Company and IBM Korea Inc. dissolved their joint venture company, LG IBM PC Co., Ltd. and on January 1, 2005, the Company absorbed with a portion of the PC division from dissolved joint venture.

⁸ During the nine-month period ended September 30, 2005, the Company contributed these securities as investment in kind to LG Electronics Service Europe Netherlands B.V. (LGESE) which became the holding company for most of the European subsidiaries.

⁹ During the nine-month period ended September 30, 2005, this subsidiary was merged with LG Electronics Vietnam Co., Ltd. (LGEVN)

¹⁰ During the nine-month period ended September 30, 2005, the Company sold 9,375,000 shares of LG.Philips LCD Co., Ltd. at ₩44,077 per share, with total proceeds of ₩413,224 million. The said shares had a book value of ₩153,143 million with related capital adjustment before disposal of ₩19,508 million. The resulting gain on the said sale, recorded as a capital adjustment, amounted to ₩202,702 million, net of income tax of ₩76,887 million.

¹¹ During the nine-month period ended September 30, 2005, this subsidiary was liquidated.

The equity method of accounting is applied based on the affiliates' most recent available

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financial statements which may or may not have been reviewed.

For the nine-month period ended September 30, 2005, the details of changes in differences between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investee are as follows:

<i>(in millions of Korean won)</i>	January 1, 2005	Addition	Amortization	September 30, 2005
Domestic companies				
LG Micron Ltd.	₩ 2,064	₩ -	₩ (442)	₩ 1,622
LG Innotek Co., Ltd.	378	-	(113)	265
Hi Plaza Inc.	(1,587)	-	516	(1,071)
Hankuk Electric Glass Co., Ltd.	<u>(13,608)</u>	<u>-</u>	<u>2,551</u>	<u>(11,057)</u>
	<u>(12,753)</u>	<u>-</u>	<u>2,512</u>	<u>(10,241)</u>
Overseas companies				
LG Electronics India Pvt. Ltd. (LGEIL)	4,201	-	(1,260)	2,941
LG Electronics Philippines, Inc. (LGEPH) (formerly LGECEM)	2,291	-	(458)	1,833
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECEM)	8,037	-	(2,009)	6,028
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	2,161	-	(555)	1,606
LG Electronics Wales Ltd. (LGEWA)	(70,377)	-	35,188	(35,189)
LG Software PVT, LTD. (LGSI)	1,795	-	(469)	1,326
LG Holdings (HK) Ltd.	4,660	-	(1,398)	3,262
Vodavi Technology Inc.	-	3,775	(566)	3,209
Others	<u>3,462</u>	<u>(10)</u>	<u>(947)</u>	<u>2,505</u>
	<u>(43,770)</u>	<u>3,765</u>	<u>27,526</u>	<u>(12,479)</u>
	<u>₩ (56,523)</u>	<u>₩ 3,765</u>	<u>₩ 30,038</u>	<u>₩ (22,720)</u>

On the above table, positive numbers represent goodwill while negative numbers represent negative goodwill.

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For the nine-month period ended September 30, 2004, the details of changes in differences between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investee were as follows:

<i>(in millions of Korean won)</i>	January 1, 2004	Addition	Amortization	September 30, 2004
Domestic companies				
LG Micron Ltd.	₩ 2,653	₩ -	₩ (442)	₩ 2,211
LG Innotek Co., Ltd.	528	-	(113)	415
Hi Plaza Inc.	(2,275)	-	516	(1,759)
Hankuk Electric Glass Co., Ltd.	-	(17,010)	2,552	(14,458)
	<u>906</u>	<u>(17,010)</u>	<u>2,513</u>	<u>(13,591)</u>
Overseas companies				
LG Electronics Mlawa SP. Zo. O. (LGEMA)	(775)	-	581	(194)
LG Electronics Service Europe Netherlands B.V. (LGESE)	(53)	-	39	(14)
LG Electronics Shenyang Inc. (LGESY)	228	-	(114)	114
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	10,716	-	(2,009)	8,707
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	2,901	-	(555)	2,346
LG Electronics Wales Ltd. (LGEWA)	(125,599)	8,305	35,188	(82,106)
Others	18,169	3,216	(4,181)	17,204
	<u>(94,413)</u>	<u>11,521</u>	<u>28,949</u>	<u>(53,943)</u>
	<u>₩ (93,507)</u>	<u>₩ (5,489)</u>	<u>₩ 31,462</u>	<u>₩ (67,534)</u>

On the above table, positive numbers represent goodwill while negative numbers represent negative goodwill.

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For the nine-month period ended September 30, 2005, the details of the elimination of unrealized gain or loss arising from intercompany transactions according to the equity method of accounting are as follows:

<i>(in millions of Korean won)</i>	Inventories	Property, plant and equipment	Intangible assets	Total
Domestic companies				
LG Micron Ltd.	₩ 627	₩ (5,947)	₩ (7)	₩ (5,327)
LG Innotek Co., Ltd.	(1,508)	(57)	-	(1,565)
LG.Philips LCD Co., Ltd.	342	(15,160)	28,873	14,055
LG IBM PC Co., Ltd.	124	3	-	127
Hankuk Electric Glass Co., Ltd.	1,858	-	-	1,858
Hi Plaza Inc.	(724)	(17)	-	(741)
Hi Business Logistics	1	-	-	1
	<u>720</u>	<u>(21,178)</u>	<u>28,866</u>	<u>8,408</u>
Overseas companies				
LG Electronics China Co., Ltd. (LGECH)	(8,491)	305	-	(8,186)
LG Electronics Espana S.A. (LGEES)	810	-	-	810
LG Electronics Huizhou Inc. (LGEHZ)	(5,120)	27	-	(5,093)
LG Electronics India Pvt. Ltd. (LGEIL)	(2,483)	65	-	(2,418)
LG Electronics Italy S.P.A. (LGEIS)	62	-	-	62
LG Electronics Mlawa SP. Zo. O. (LGEMA)	(11,796)	(973)	-	(12,769)
LG Electronics (Nanjing) Plasma Co., Ltd. (LGENP)	(1,387)	299	-	(1,088)
LG Electronics Service Europe Netherlands B.V. (LGESE)	21,142	22	-	21,164
LG Electronics De Sao Paulo Ltd. (LGESP)	(12,411)	(799)	-	(13,210)
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	(3,726)	382	-	(3,344)
LG Electronics U.S.A., Inc. (LGEUS)	(45,708)	(1,716)	-	(47,424)
LG Electronics Wales Ltd. (LGEWA)	5,691	(76)	-	5,615
Langcho LG Digital Mobile Communication Co., Ltd. (LGEYT)	(11,163)	(317)	-	(11,480)
Others	9,558	2,143	-	11,701
	<u>(65,022)</u>	<u>(638)</u>	<u>-</u>	<u>(65,660)</u>
	<u>₩ (64,302)</u>	<u>₩ (21,816)</u>	<u>₩ 28,866</u>	<u>₩ (57,252)</u>

On the above table, positive numbers represent equity in earnings of affiliates while negative numbers represent equity in losses of affiliates.

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For the nine-month period ended September 30, 2004, the details of the elimination of unrealized gain or loss arising from intercompany transactions according to the equity method of accounting were as follows:

<i>(in millions of Korean won)</i>	Inventories	Property, plant and equipment	Intangible assets	Equity securities	Total
Domestic companies					
LG Micron Ltd.	₩ (1,524)	₩ (5,179)	₩ -	₩ -	₩ (6,703)
LG Innotek Co., Ltd.	3,851	(192)	-	-	3,659
LG.Philips LCD Co., Ltd.	2,035	(14,431)	28,873	-	16,477
LG IBM PC Co., Ltd.	822	(50)	-	-	772
Hankuk Electric Glass Co., Ltd.	(2,874)	-	-	-	(2,874)
Hi Plaza Inc.	4,164	(2)	-	-	4,162
	<u>6,474</u>	<u>(19,854)</u>	<u>28,873</u>	<u>-</u>	<u>15,493</u>
Overseas companies					
LG Electronics China Co., Ltd. (LGECH)	(14,762)	148	-	-	(14,614)
LG Electronics Espana S.A. (LGEES)	(7,419)	-	-	-	(7,419)
LG Electronics Huizhou Inc. (LGEHZ)	3,081	-	-	-	3,081
LG Electronics India Pvt. Ltd. (LGEIL)	(848)	-	-	-	(848)
PT LG Electronics Indonesia (LGEIN)	(173)	240	-	-	67
LG Electronics Italy S.P.A. (LGEIS)	(8,482)	-	-	-	(8,482)
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	(3,143)	67	-	-	(3,076)
LG Electronics Service Europe Netherlands B.V. (LGESE)	5,527	-	-	-	5,527
LG Electronics Shenyang Inc. (LGESY)	2,417	47	-	-	2,464
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	4,393	422	-	-	4,815
LG Electronics U.S.A., Inc. (LGEUS)	(20,465)	276	-	(38,336)	(58,525)
LG Electronics Wales Ltd. (LGEWA)	5,493	(91)	-	-	5,402
Others	(44,879)	1,322	-	-	(43,557)
	<u>(79,260)</u>	<u>2,431</u>	<u>-</u>	<u>(38,336)</u>	<u>(115,165)</u>
	<u>₩ (72,786)</u>	<u>₩ (17,423)</u>	<u>₩28,873</u>	<u>₩(38,336)</u>	<u>₩ (99,672)</u>

On the above table, positive numbers represent equity in earnings of affiliates while 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, 2005, are as follows:

<i>(in millions of Korean won)</i>	January 1, 2005	Equity in earnings (losses) of affiliates, net	Others	September 30, 2005
Domestic companies				
LG Micron Ltd.	₩ 111,651	₩ 5,468	₩ (2,659)	₩ 114,460
LG Innotek Co., Ltd.	154,651	9,363	(3,176)	160,838
Hankuk Electric Glass Co., Ltd.	125,082	(535)	(4,053)	120,494
LG.Philips LCD Co., Ltd.	2,399,076	65,621	143,168	2,607,865
LG IBM PC Co., Ltd.	16,522	(2,489)	(14,033)	-
Hi Plaza Inc.	99,275	9,286	-	108,561
STIC Ventures Co., Ltd.	28,264	(4,384)	(23,880)	-
Hi Business Logistics	6,114	2,251	3,587	11,952
	<u>2,940,635</u>	<u>84,581</u>	<u>98,954</u>	<u>3,124,170</u>
Overseas companies				
LG Electronics Huizhou Inc. (LGEHZ)	22,038	(10,081)	(1,045)	10,912
LG Electronics India Pvt. Ltd. (LGEIL)	121,544	24,502	(1,163)	144,883
PT LG Electronics Display Device Indonesia (LGEDI)	48,348	4,622	(898)	52,072
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	16,518	(5,063)	34	11,489
LG Electronics Shenyang Inc. (LGESY)	13,474	1,159	(274)	14,359
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	100,047	8,111	1,096	109,254
LG Electronics U.S.A., Inc. (LGEUS)	108,996	(46,784)	16,198	78,410
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR)	27,001	(14,402)	(28)	12,571
LG Electronics Wales Ltd. (LGEWA)	69,650	(57,551)	(12,099)	-
LG Electronics Service Europe Netherland B.A. (LGESE)	-	7,143	32,694	39,837
LG Electronics Mlawa SP.Zo.O. (LGEMA)	45,869	(15,203)	49,057	79,723
LG Electronics de Sao Paulo Ltda. (LGESP)	68,234	41,895	86,500	196,629
SLD Telecom Pte. Ltd.	52,279	(2,671)	(356)	49,252
LG Holdings (HK) Ltd.	42,906	(9,662)	1,130	34,374
LG Electronics Mexico S.A. de C.V. (LGEMS)	21,169	4,897	1,010	27,076
Others	397,555	(15,134)	(40,850)	341,571
	<u>1,155,628</u>	<u>(84,222)</u>	<u>131,006</u>	<u>1,202,412</u>
	<u>₩4,096,263</u>	<u>₩ 359</u>	<u>₩ 229,960</u>	<u>₩ 4,326,582</u>

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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, 2004, were as follows:

<i>(in millions of Korean won)</i>	January 1, 2004	Equity in earnings (losses) of affiliates, net	Others	September 30, 2004
Domestic companies				
LG Micron Ltd.	₩ 86,070	₩ 9,447	₩ 11,973	₩ 107,490
LG Sports Ltd.	1,204	34	(1,238)	-
LG Innotek Co., Ltd.	137,039	14,054	(723)	150,370
Hankuk Electric Glass Co., Ltd.	-	7,321	118,924	126,245
LG.Philips LCD Co., Ltd.	1,259,904	811,317	298,290	2,369,511
LG IBM PC Co., Ltd.	14,548	5,438	(4,402)	15,584
Hi Plaza Inc.	60,806	2,504	-	63,310
STIC Ventures Co., Ltd.	28,200	20,360	(19,881)	28,679
Hi Logistics System (HLS)	4,500	1,670	(667)	5,503
	<u>1,592,271</u>	<u>872,145</u>	<u>402,276</u>	<u>2,866,692</u>
Overseas companies				
LG Electronics Alabama, Inc. (LGEAI)	53,116	11,005	(64,121)	-
LG Electronics Huizhou Inc. (LGEHZ)	19,943	6,978	(4,452)	22,469
LG Electronics India Pvt. Ltd. (LGEIL)	113,063	18,546	(9,945)	121,664
PT LG Electronics Indonesia (LGEIN)	23,867	1,009	(3,967)	20,909
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	15,860	(77)	(623)	15,160
LG Electronics Service Europe Netherlands B.V. (LGESE)	20,203	1,262	(1,262)	20,203
LG Electronics Shenyang Inc. (LGESY)	11,831	3,467	(1,607)	13,691
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	106,851	10,406	(9,956)	107,301
LG Electronics U.S.A., Inc. (LGEUS)	42,594	(52,019)	105,558	96,133
Others	622,280	(42,982)	322,245	901,543
	<u>1,029,608</u>	<u>(42,405)</u>	<u>331,870</u>	<u>1,319,073</u>
	<u>₩2,621,879</u>	<u>₩ 829,740</u>	<u>₩ 734,146</u>	<u>₩ 4,185,765</u>

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A summary of financial information of major equity method investees as of September 30, 2005 and for the nine-month period ended September 30, 2005, follows:

<i>(in millions of Korean won)</i>	Total assets	Total liabilities	Net assets	Sales	Net income (loss)
LG.Philips LCD Co., Ltd.	₩ 12,772,973	₩ 5,454,778	₩7,318,195	₩ 6,215,168	₩ 189,164
LG Innotek Co., Ltd.	422,898	198,485	224,413	666,001	16,777
Hi Plaza Inc.	204,798	86,323	118,475	457,703	9,581
LG Micron Ltd.	794,277	435,168	359,109	538,663	31,016
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	661,436	497,982	163,454	1,030,944	16,363
LG Electronics India Pvt. Ltd. (LGEIL)	557,992	409,094	148,898	1,026,924	28,180

As of September 30, 2005, the market values of marketable equity method investments are as follows:

	Number of shares owned	Market price per share (in won)	Market value (in millions)	Book value (in millions)
Hankuk Electric Glass Co., Ltd.	1,614,675	₩ 37,000	₩ 59,743	₩ 120,494
LG.Philips LCD Co., Ltd.	135,625,000	43,100	5,845,438	2,607,865
LG Micron Ltd.	2,699,702	63,900	172,511	114,460
Vodabi Technology Inc.	862,500	5,003	4,315	6,445

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The changes in the respective accumulated losses of equity method investees from which the application of the equity method of accounting has been suspended due to their accumulated losses for the nine-month period ended September 30, 2005, are as follows:

<i>(in millions of Korean won)</i>	<u>January 1, 2005</u>		Increase (Decrease)	<u>September 30, 2005</u>	
	Accumulated losses			Accumulated losses	Accumulated capital adjustment
LG Electronics Australia PTY., Ltd. (LGEAP)	₩ 4,141		₩ (2,726)	₩ 1,415	₩ (303)
LG Electronics China Co., Ltd. (LGECH)	18,397		19,267	37,664	65
LG Electronics Japan Inc. (LGEJP)	-		3,239	3,239	(33)
LG Electronics Monterrey Mexico S.A de C.V. (LGEMM)	-		11,525	11,525	6
LG Electronics Service Europe Netherland B.A (LGESE)	22,566		(22,566)	-	-
LG Electronics Espana S.A.(LGEES) (Subsidiary of LGESE)	4,138		(4,138)	-	-
LG Goldstar France S.A.R.L (LGEFS) (Subsidiary of LGESE)	1,040		(1,040)	-	-
LG Electronics U.K. Ltd.(LGEUK) (Subsidiary of LGESE)	3,990		(649)	3,341	(393)
LG Electronics Wales Ltd. (LGEWA) (Subsidiary of LGESE)	-		-	-	(85,912)
LG Electronics MobileComm U.S.A. Inc. (LGEMU) (Subsidiary of LGEUS)	9,874		2,546	12,420	162
Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT)	-		3,710	3,710	19
Others	-		126	126	(596)
	<u>₩ 64,146</u>		<u>₩ 9,294</u>	<u>₩ 73,440</u>	<u>₩ (86,985)</u>

For the nine-month period ended September 30, 2005, the following adjustments were made on the equity method investees to reconcile the differences in accounting policies between the Company and equity method investees:

<i>(in millions of Korean won)</i>	Adjustment	Amount
LG.Philips LCD Co., Ltd.	Adjustment capitalized interest expense to expense as incurred	₩ 17,615
LG Holdings (HK) Ltd.	Adjustment capitalized interest expense to expense as incurred	2,228
Subsidiary of LG Holdings (HK) Ltd.	Adjustment capitalized interest expense to expense as incurred	649

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11. Property, Plant and Equipment

Changes in property, plant and equipment for the nine-month period ended September 30, 2005, are as follows:

<i>(in millions of Korean won)</i>	Balance at January 1, 2005	Acquisitions and capital expenditure	Transfer-in (out) ¹	Disposals	Depreciation	Balance at September 30, 2005	Accumulated depreciation at September 30, 2005
Land	₩ 700,652	₩ 21,147	₩ 76,843	₩ (19,197)	₩ -	₩ 779,445	₩ -
Buildings	1,115,424	78,865	384,196	(9,509)	(25,108)	1,543,868	206,406
Structures	73,512	17,227	8,276	(302)	(4,512)	94,201	41,500
Machinery and equipment	754,610	63,245	196,014	(19,260)	(170,806)	823,803	855,745
Tools	425,290	103,518	28,202	(6,633)	(219,226)	331,151	503,379
Furniture and fixtures	230,695	65,914	3,016	(4,718)	(67,689)	227,218	390,210
Vehicles	7,413	2,183	1,898	(204)	(1,991)	9,299	11,146
Standing timber	4,482	-	-	(107)	-	4,375	-
Construction-in-progress	309,303	554,989	(657,708)	-	-	206,584	-
Machinery-in-transit	8,168	78,468	(37,485)	-	-	49,151	-
Total	₩ 3,629,549	₩ 985,556	₩ 3,252	₩ (59,930)	₩ (489,332)	₩ 4,069,095	₩ 2,008,386

¹ Includes the amounts resulting from the absorption of a portion of the PC division of LG IBM PC Co., Ltd. and the amounts related to the accrued severance benefits of personnel involved in construction.

Changes in property, plant and equipment for the nine-month period ended September 30, 2004, were as follows:

<i>(in millions of Korean won)</i>	Balance at January 1, 2004	Acquisitions and capital expenditure	Transfer-in (out)	Disposals	Depreciation	Balance at September 30, 2004	Accumulated depreciation at September 30, 2004
Land	₩ 703,327	₩ 3	₩ -	₩ (263)	₩ -	₩ 703,067	₩ -
Buildings	905,935	13,043	141,623	(3,899)	(21,070)	1,035,632	177,889
Structures	65,577	10,387	907	(598)	(3,596)	72,677	35,809
Machinery and equipment	634,708	47,330	254,136	(15,782)	(154,798)	765,594	690,237
Tools	399,837	133,727	29,706	(80,432)	(90,806)	392,032	345,679
Furniture and fixtures	207,633	68,129	1,860	(4,524)	(61,094)	212,004	293,864
Vehicles	8,088	3,380	929	(2,669)	(2,026)	7,702	10,242
Standing timber	4,356	120	-	(8)	-	4,468	-
Construction-in-progress	184,926	447,200	(352,310)	-	-	279,816	-
Machinery-in-transit	8,333	85,825	(76,852)	-	-	17,306	-
Total	₩3,122,720	₩ 809,144	₩ (1)	₩ (108,175)	₩(333,390)	₩ 3,490,298	₩ 1,553,720

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As of September 30, 2005, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, approximates ₩930,261 million (December 31, 2004: ₩770,545 million).

A substantial portion of property, plant and equipment as of September 30, 2005, is pledged as collateral for long-term debts up to a maximum of approximately ₩955,556 million. The said amount includes the equivalent of US\$99 million, JP¥ 150 million and EUR360 million (Note 15).

12. Insured Assets

As of September 30, 2005, inventories, and property, plant and equipment, excluding land and certain construction-in-progress, are insured against fire and other casualty losses up to approximately ₩11,973,844 million. In addition, the Company is insured against business interruption losses as well as losses arising from the transportation of goods up to approximately ₩4,843,255 million.

13. Intangible Assets

Changes in intangible assets for the nine-month period ended September 30, 2005, are as follows:

<i>(in millions of Korean won)</i>	Goodwill¹	Industrial property rights	Development costs	Other intangible assets	Total
Balance as of January 1, 2005	₩ 215,974	₩ 278,825	₩ 61,804	₩ 78,929	₩ 635,532
Additions	837	75,816	25,643	16,315	118,611
Disposals	(5)	(89,730)	-	(155)	(89,890)
Transfer-in(out) ¹	2,596	2,489	165	-	5,250
Amortization	(30,338)	(50,251)	(30,384)	(22,197)	(133,170)
Loss on impairment ²	(89,031)	-	-	-	(89,031)
Balance as of September 30, 2005	<u>₩ 100,033</u>	<u>₩ 217,149</u>	<u>₩ 57,228</u>	<u>₩ 72,892</u>	<u>₩ 447,302</u>
Accumulated amortization as of September 30, 2005	<u>₩ 232,768</u>	<u>₩ 461,642</u>	<u>₩ 257,009</u>	<u>₩ 129,329</u>	<u>₩1,080,748</u>

¹ Includes goodwill of ₩2,995 million arising from the absorption of a portion of PC division of LG IBM PC Co., Ltd.

² In accordance with the Company's plans for disposal and investment in kind transactions of the Systems division, related goodwill was fully expensed as loss on impairment (Note 29).

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Changes in intangible assets for the nine-month period ended September 30, 2004, were as follows:

<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Other intangible assets	Total
Balance as of January 1, 2004	₩256,102	₩381,139	₩115,571	₩83,488	₩836,300
Additions	148	10,145	-	13,245	23,538
Disposals	(59)	(248)	(4)	(213)	(524)
Amortization	(30,132)	(64,245)	(40,275)	(21,067)	(155,719)
Balance as of September 30, 2004	<u>₩ 226,059</u>	<u>₩326,791</u>	<u>₩75,292</u>	<u>₩75,453</u>	<u>₩703,595</u>
Accumulated amortization as of September 30, 2004	<u>₩ 161,948</u>	<u>₩328,122</u>	<u>₩249,246</u>	<u>₩75,802</u>	<u>₩ 815,118</u>

Amortization of intangible assets presented under manufacturing costs, and selling and administrative expenses for the nine-month periods ended September 30, 2005 and 2004, consists of the following:

<i>(in millions of Korean won)</i>	2005	2004
Manufacturing costs	₩ 15,087	₩ 26,488
Selling and administrative expenses	118,083	129,231
	<u>₩ 133,170</u>	<u>₩ 155,719</u>

The carrying value of significant intangible assets as of September 30, 2005 and December 31, 2004, consists of the following:

<i>(in millions of Korean won)</i>	2005	2004	Remaining years for amortization
Goodwill	₩ 96,450	₩ 215,017	Six years
Industrial property rights	152,046	197,067	One through six years

As a result of LG Electronics Investment Ltd. (formerly LG Electronics Inc., now merged into LG Corp.)'s merger with LG Information & Communications, Ltd. in September 2000, former LG Electronics Inc. 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 ₩45,021 million, respectively, for the nine-month period ended September 30, 2005. In accordance with the Company's plans for disposal and investment in kind transactions of the Systems division, related goodwill was fully expensed this quarter as loss on impairment (Note 29).

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Research and development costs incurred for the nine-month period ended September 30, 2005, amounted to ₩934,590 million (2004: ₩905,855 million) all of which were charged to current operations as ordinary development costs and research costs.

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

Short-term borrowings as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at		
	September 30, 2005	2005	2004
General term loans	-	₩ -	₩ 12,000
Commercial papers	-	-	114,500
Foreign currency loans	0.36 ~ 4.64	73,080	83,390
		<u>₩ 73,080</u>	<u>₩ 209,890</u>

Current maturities of long-term debts as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	2005	2004
Debentures	₩ 1,201,978	₩ 649,140
Less : Discount on debentures	(6,807)	(2,357)
	<u>1,195,171</u>	<u>646,783</u>
Current maturities of long-term debts	<u>48,249</u>	<u>-</u>
Convertible bonds	339,205	-
Less : Discount on convertible bonds	(1,616)	-
Conversion rights adjustment	(4,634)	-
	<u>332,955</u>	<u>-</u>
	<u>₩ 1,576,375</u>	<u>₩ 646,783</u>

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15. Debentures, Convertible Bonds and Long-Term Debts

Debentures and convertible bonds as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions)</i>	Annual interest rate (%) at September 30, 2005	2005	2004
Debentures			
Private, non-guaranteed payable through 2005	5.70	₩ 26,000	₩ 126,000
Public, non-guaranteed payable through 2009	4.00 ~ 7.00	1,645,000	2,070,000
Floating rate notes of US \$ 831 million (2004:US \$431 million), payable through 2010	6M LIBOR+0.6 ~ 1.25, 3M LIBOR+1.9, 5.0	862,578	449,878
		<u>2,533,578</u>	<u>2,645,878</u>
Convertible Bonds			
Zero coupon rate convertible bonds of US\$ 287 million (2004 : US\$ 287.5 million), payable through 2006	-	339,205	339,796
Zero coupon rate convertible bonds of US\$ 250 million (2004: US\$ 250 million), payable through 2007	-	<u>296,975</u>	<u>296,975</u>
		<u>636,180</u>	<u>636,771</u>
		3,169,758	3,282,649
Less: Current maturities		(1,541,183)	(649,140)
Discount on debentures		(10,063)	(27,477)
Conversion rights adjustment		(28,543)	(49,508)
Add : Premium on conversion rights		<u>37,092</u>	<u>37,092</u>
		<u>₩ 1,627,061</u>	<u>₩ 2,593,616</u>

The Company issued foreign currency convertible bonds in the Luxembourg Stock Exchange on August 11, 2003. The terms and conditions of the issuance are as follows:

- Type of bond: Public convertible bond
- Total face value of bonds: US\$287.5 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%
 - 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 remains at least 115% of the conversion price for at least 20 consecutive trading days during the 30-day trading period ending on the redemption date.
 - 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 after 18 months from the date of issuance.

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- Terms and conditions for conversion
 - Type of stock to be issued: registered common stock
 - Number of shares convertible: 4,920,464 shares
 - Conversion price: ₩68,900 per share
 - Conversion period: September 12, 2003 through July 28, 2006

During the nine-month period ended September 30, 2005, the foreign currency convertible bonds amounting to ₩591 million were converted into 8,557 shares of common stock. The 4,911,907 shares of common stock remain unconverted as of September 30, 2005 (Note 18).

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

- Type of bond: Private convertible bond
- Total face value of bonds: US\$250 million (fixed exchange rate of ₩1,181.5 : US\$1)
- Date of issuance: May 17, 2004
- Terms and conditions for issuance of bonds
 - Coupon rate: 0% , Effective interest rate to maturity: 3.96%
 - Maturity: May 17, 2007
 - The Company redeems the bonds at 112.49% of face value in a lump sum on the date of maturity.
 - Call option: The Company holds the right to redeem the bonds at 106.06% of face value any time between May 18, 2006 and 60 days before maturity, provided that the market value per share of common stock remains at least 115% of the conversion price for at least 20 consecutive trading days, ending on the date on which redemption notice is given.
 - Put option: The bondholder holds the right to exercise a put option, in which the bondholder may require the Company to redeem the bonds at 106.06% of face value on the day after 18 months from the date of issuance.
- Terms and conditions for conversion
 - Type of stock to be issued: registered common stock
 - Number of shares convertible: 3,049,221 shares
 - Conversion price: ₩96,869 per share. The conversion price was adjusted upwards from ₩91,840 to ₩96,869, because the average closing price of the common shares of the Company during the 20 consecutive Korea Exchange business days preceding and including the second Korea Exchange business day prior to the day falling nine months after the issue date is above ₩65,600 per share.
 - Conversion period: May 18, 2005 through May 7, 2007

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Long-term debts as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions)</i>	Annual interest rate (%) at September 30, 2005	2005	2004
Foreign currency loans¹			
Kookmin Bank	6M LIBOR + 1.25, 1M LIBOR + 0.41	₩ 331,122	₩ 19,832
Hong Kong and Shanghai Banking Corp.	3M LIBOR + 1.45	31,140	31,314
The Korea Development Bank	3M EULIBOR + 1.75, 3M EULIBOR + 1.56, 3M LIBOR + 1.56	351,024	204,195
The Export-Import Bank of Korea	6M LIBOR + 1.54	31,140	31,314
		744,426	286,655
Less: Current maturities		(48,249)	-
		₩ 696,177	₩ 286,655

¹Representing US \$ 379 million and EUR 281 million (2004: US \$ 79 million and EUR 144 million).

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

The maturities of long-term debts outstanding as of September 30, 2005, are as follows:

(in millions of Korean won)

For the twelve-month period ending September 30,	Debentures and Convertible bonds	Long-term debts	Total
2007	₩ 765,775	₩ 118,980	₩ 884,755
2008	-	451,244	451,244
2009	240,000	105,090	345,090
2010	622,800	20,863	643,663
	₩ 1,628,575	₩ 696,177	₩ 2,324,752

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16. Accrued Severance Benefits

Changes in accrued severance benefits for the nine-month periods ended September 30, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	2005	2004
Beginning balance	₩ 619,827	₩ 555,362
Severance payments	(135,626)	(92,825)
Transferred from affiliated companies, net	815	4,315
Increment for merger ¹	219	-
Transferred from construction-in-progress	2,872	-
Provisions	158,275	150,360
	<hr/> 646,382	<hr/> 617,212
Less : Severance insurance deposit	(368,247)	(334,713)
Contributions to the National Pension Fund	(13,655)	(17,048)
	<hr/> ₩ 264,480	<hr/> ₩ 265,451

¹ Includes the amount from the absorption of a portion of the PC division of LG IBM PC Co., Ltd.

The severance benefits are funded at approximately 57.0% (2004: 54.2%) as of September 30, 2005, through employee severance insurance plans with Kyobo Life Insurance Co., Ltd. and other life insurance companies. The severance insurance deposits, which are amounts funded under employee severance insurance plans, are presented as a deduction from accrued severance benefits.

17. Commitments and Contingencies

As of September 30, 2005, the Company provided several notes to financial institutions as collateral in relation to various borrowings and guarantees of indebtedness.

As of September 30, 2005, the Company has various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

As of September 30, 2005, the Company has bank overdraft facility agreements with various banks amounting to ₩760,500 million.

As of September 30, 2005, the Company has sales agreements for export trade accounts receivable with various banks amounting to ₩5,719,380 million. The Company has corporate electronic settlement services contracts with Hana Bank for the collection of its accounts receivable amounting to ₩150,000 million (Note 6).

As of September 30, 2005, the Company has corporate electronic settlement services contracts with various banks for payment of its trade accounts payable amounting to ₩1,040,000 million.

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As of September 30, 2005, the Company has sales contracts with several companies, the undelivered portions of which amounted to approximately ₩12,774 million for KT Corp. and ₩40,298 million for others.

The Company is contingently liable for guarantees approximating ₩2,322,420 million on the indebtedness of its subsidiaries and affiliates as follows:

(in millions of Korean won)

LG Electronics Italia S.P.A (LGEIS)	₩	283,890
PT LG Electronics Display Devices Indonesia (LGEDI)		175,422
LG Electronics Mexico S.A. DE. C.V. (LGEMS)		144,563
LG Electronics Service Europe Netherland B.A (LGESE)		141,814
LG Electronics Wales Ltd. (LGEWA)		139,089
LG Electronics Tianjin Appliances Co., Ltd. (LGETA)		111,800
LG Electronics Monterrey Mexico S.A de C.V. (LGEMM)		111,496
LG Electronics Da Amazonia Ltda (LGEAZ)		98,610
LG Electronics U.K. Ltd. (LGEUK)		93,420
LG Electronics Thailand Co.,Ltd. (LGETH)		89,507
LG Electronics Mlawa SP.ZO.O (LGEMA)		84,980
LG Electronics U.S.A., Inc. (LGEUS)		68,508
LG Electronics Japan Inc. (LGEJP)		55,868
LG.Philips Displays Holding B.V.		51,900
P.T. LG Electronics Indonesia (LGEIN)		49,305
Others		622,248
	₩	<u>2,322,420</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, 2005, the Company has outstanding forward contracts with ABN-AMRO and others to sell US dollars amounting to US\$186 million at contract exchange rates of ₩1,010.00: US\$1 ~ ₩1,045.00: US\$1 from October 2005 to January 2006.

As of September 30, 2005, the Company has outstanding forward contracts with BNP Paribas Bank and others for selling euro and buying US dollars amounting to €61 million at contract exchange rates of €1.2060 : US\$1 ~ €1.2485 : US\$1, with contract due dates of October through December 2005.

As of September 30, 2005, the Company has outstanding forward contracts with BOTM and others to sell US dollars and buy Japanese yen amounting to US\$54 million at contract exchange rates of ¥106.34 : US\$1 ~ ¥111.73 : US\$1 from October to December 2005.

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As a result of the above foreign currency forward contracts, an unrealized valuation gain and loss amounting to ₩1,401 million and ₩3,841 million, respectively, were charged to current operations for the nine-month period ended September 30, 2005.

In order to reduce the impact of changes in exchange rates, the Company has also entered into foreign currency option contracts. An unrealized valuation gain and loss amounting to ₩578 million and ₩3,786 million, respectively, were recorded to current operations for the nine-month period ended September 30, 2005.

A summary of the terms of outstanding currency option contracts as of September 30, 2005, follows:

Option type	Amount (in millions)	Exercise price	Contract due date
Put	US\$310	₩980.0/US\$1.00 ~ ₩1,042.0/US\$1.00	October 10, 2005 through March 29, 2006
Call	US\$370	₩1,017.2/US\$1.00 ~ ₩1,081.6/US\$1.00	October 10, 2005 through March 29, 2006

In order to reduce the impact of changes in interest rates and exchange rates, the Company has also entered into a cross currency swap contract. An unrealized valuation loss amounting to ₩9,051 million were recorded to current operations for the nine-month period ended September 30, 2005.

A summary of the terms of the outstanding cross currency swap contracts as of September 30, 2005, follows:

<i>(in millions)</i>	Transaction amount		Annual interest rate (%)		Maturity
	Disbursement	Receipts	Receipts	Disbursement	
Standard Chartered Bank	₩110,000	US\$ 93	4.50%	3M LIBOR + 0.79%	November 7, 2005
Barclays Bank	₩117,150	US\$100	5.00%	3M LIBOR + 1.17%	February 26, 2007
JP Morgan Chase and others	US\$300	€27	5.00%	3.70%	June 17, 2010
The Korea Development Bank	US\$100	€83	1M Libor +0.41%	2.00%	May 27, 2008

A summary of the terms of the outstanding cross interest rates swap contracts as of September 30, 2005, follows:

<i>(in millions)</i>	Transaction amount	Annual interest rate (%)		Maturity
		Receipts	Disbursement	
CSFB	US\$100	5.00%-Contingent Spread	4.04%	June 17, 2010

As a result of the above derivatives contracts, a realized gain of ₩17,999 million and a realized loss of ₩9,476 million were recorded as a non-operating income and expense, respectively, for the nine-month period ended September 30, 2005.

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As of September 30, 2005, the Company is named as a defendant in legal actions which were brought against the Company by Mahmood Saleh Abbar Co. in Saudi Arabia and Whirpool Co., in United States of America. In addition, the Company is named as either the defendant or the plaintiff in various foreign and domestic legal actions arising from the normal course of business. The aggregate amounts of foreign and domestic claims as the defendant and plaintiff amounted to approximately US\$492 million and ₩6,442 million, respectively, as of September 30, 2005. The Company believes that although the outcome of these legal actions is uncertain, they would not result in a material ultimate loss for the Company.

18. Capital Stock

Capital stock as of September 30, 2005 and December 31, 2004, are as follows:

	Par value per share	2005		2004	
		Number of shares issued	Amount (in millions)	Number of shares issued	Amount (in millions)
Common stock	₩ 5,000	139,737,654	₩ 698,688	139,606,263	₩ 698,031
Preferred stock ¹	5,000	17,185,992	85,930	17,185,992	85,930
		<u>156,923,646</u>	<u>₩ 784,618</u>	<u>156,792,255</u>	<u>₩ 783,961</u>

As of September 30, 2005, the number of shares authorized is 600 million shares.

¹ 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.

For the nine-month period ended September 30, 2005, changes in capital stock and capital surplus are as follows:

Date	Description	Common stock	Preferred stock	Capital Surplus
Balance, January 1, 2005		₩ 698,031	₩ 85,930	₩1,876,153
January 4, 2005	Issuance of stock	614	-	7,272
March 23, 2005	Conversion of convertible bonds	43	-	555
Balance, September 30, 2005		<u>₩ 698,688</u>	<u>₩ 85,930</u>	<u>₩1,883,980</u>

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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. of ₩2,815,707 million, net of capital stock of ₩783,961 million and capital adjustments transferred from LG Electronics Investment Ltd. of ₩155,593 million. In addition, for the nine-month period ended September 30, 2005, ₩7,827 million was recorded as a capital surplus due to issuance of stock and conversion of convertible bonds.

As a result of the issuance of foreign currency convertible bonds in August 2003 and May 2004, a premium for conversion rights of ₩21,553 million, net of tax 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. In addition, as a result of disposal of treasury stock, gains on disposal of treasury stock of ₩2,183 million were recorded as a capital surplus.

20. Retained Earnings

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% of cash dividends paid until such reserve equals 50% 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, with the ratification of the Company's majority 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% of its annual income plus at least 50% of the net gain from the disposal of property, plant and equipment after deducting related taxes, until shareholders' equity equals 30% 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, with the ratification of the Company's majority 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 reversed or used for the specified purposes.

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21. Capital Adjustments

Capital adjustments as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	2005	2004
Treasury stock	₩ (44,893)	₩ (46,657)
Increase resulting from equity method investments	666,828	299,877
Decrease resulting from equity method investments	(178,724)	-
Gain on valuation of available-for-sale securities	12,157	7,812
Gain on disposal of equity method investment ¹	202,702	-
	<u>₩ 658,070</u>	<u>₩ 261,032</u>

¹ Amount net of the income tax effect of ₩76,887 million from a gain on disposal of shares of LG. Philips LCD Co., Ltd. (Note 10).

The Company has retained treasury stocks consisting of 763,145 shares (2004 : 793,208 shares) of common stock and 4,680 shares (2004 : 4,680 shares) of preferred stock as of September 30, 2005. The Company intends to either grant these treasury stocks to employees and directors as compensation, or to sell them in the future.

22. Stock Options

The Company grants stock options to its executives and employees who contribute to the Company's development in accordance with the resolution of the Board of Directors or approval of the shareholders of the Company.

The Company granted stock options to its executives in accordance with the resolution of the Board of Directors on March 22, 2005. The details of the stock options are as follows:

- Stock covered by the stock options : common stock
- Grant method: To compensate the difference between market price of the stock and exercise price of the option
- Number of shares to be exercised : 766,000 shares. However, if the increase ratio of the stock price for three years from grant date of the stock options is not higher than that of the KOSPI (Korea Composite Stock Price Index), the final number of shares to be exercised shall be 50% of number of shares to be exercised at grant date.
- Exercise price: ₩71,130 per share
- Exercisable period: Within 4 years from the day after 3 years from grant date.
- Exercisable condition: for executives who have worked for the Company for more than two years from grant date

Compensation expense related to stock options was not recorded for the nine-month period ended September 30, 2005, because the market price of the Company's stock is lower than the exercise price of the options as of September 30, 2005.

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23. Income Taxes

Income tax expense for the nine-month periods ended September 30, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	2005	2004
Current income taxes	₩ 38,310	₩ 144,677
Deferred income taxes from temporary differences	218,756	351,076
Deferred income taxes from tax credit	(55,711)	(52,200)
Deferred income taxes added to shareholders' equity	(171,538)	20,363
Income tax expense	<u>₩ 29,817</u>	<u>₩ 463,916</u>

The deferred income tax liabilities added to shareholders' equity as of September 30, 2005 and 2004, are as follows :

<i>(in millions of Korean won)</i>	2005	2004
Deferred income tax effect in shareholders' equity		
Gain on valuation of available-for-sale securities and others	₩ (89,869)	₩ -
Others	(4,682)	21,114
	<u>(94,551)</u>	<u>21,114</u>
Current income tax effect in shareholders' equity		
Gain on disposal of treasury stock	(100)	(751)
Gain on disposal of equity method investment	(76,887)	-
	<u>(76,987)</u>	<u>(751)</u>
Income tax expense (benefit)	<u>₩ (171,538)</u>	<u>₩ 20,363</u>

The reconciliations between income before income taxes and taxable income for the nine-month periods ended September 30, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	2005	2004
Income before income taxes	₩ 420,467	₩ 1,846,489
Add(deduct) :		
Temporary differences	(465,355)	(1,244,241)
Permanent differences	330,355	(87,681)
Taxable income	<u>₩ 285,467</u>	<u>₩ 514,567</u>

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There is a difference between current income tax amount calculated based on above taxable income and actual current income tax amount due to tax adjustments such as tax credit for temporary investments.

The income tax effects of temporary differences comprising the deferred income tax assets (liabilities) as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	2005	2004
Depreciation	₩ (69,877)	₩ (42,943)
Allowance for doubtful accounts	17,948	21,658
Product warranty	38,154	40,056
Amortization of intangible assets	4,839	(10,104)
Equity method investment securities	(262,647)	(156,360)
Accrued expenses	124,423	108,978
Others	39,821	55,581
	<u>(107,339)</u>	<u>16,866</u>
Deferred income tax liabilities added to shareholders' equity	<u>(94,551)</u>	<u>-</u>
Tax credit carried forward	<u>143,610</u>	<u>87,899</u>
Deferred income tax assets, net	<u>₩ (58,280)</u>	<u>₩ 104,765</u>

As of September 30, 2004, deferred income tax assets were computed by applying the tax rate of 27.5% for the temporary differences expected to be realized in fiscal years beginning January 1, 2005 and thereafter, except for 29.7% for certain temporary differences expected to be filed as revision of the prior years' tax return in 2005.

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 realize such assets, the assets are reduced to its estimated net realizable value. As of September 30, 2005, deferred income tax assets resulting from equity method investment securities are not recorded because the Company's ability to realize those deferred income tax assets is uncertain.

As of September 30, 2005, current portion of deferred income tax assets and liabilities amount to ₩166,036 million and ₩4,691 million, respectively, and non-current portion of deferred income tax assets and liabilities amount to ₩351,636 million and ₩571,261 million, respectively.

As a result of tax adjustments, effective tax rate of the Company for the nine-month period ended September 30, 2005, is approximately 7.1% (2004: 25.12%).

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24. Earnings Per Share

Basic earnings per share is computed by dividing net income allocated to common stock 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, 2005 and 2004, are calculated as follows:

	2005		2004	
	Three-month period ended September 30, 2005	Nine-month period ended September 30, 2005	Three-month period ended September 30, 2004	Nine-month period ended September 30, 2004
<i>(in millions of Korean won, except per share amounts)</i>				
Net income as reported on the statement of income	₩ 128,107	₩ 390,650	₩ 304,409	₩ 1,382,573
Less: Preferred stock dividends	(6,712)	(19,919)	(5,614)	(16,721)
Additional income available for dividends allocated to preferred stock	(7,576)	(23,635)	(28,106)	(136,128)
Net income allocated to common stock	113,819	347,096	270,689	1,229,723
Weighted-average number of common shares outstanding	138,974,509	138,962,147	138,813,030	139,085,122
Basic earnings per share (in won)	₩ 819	₩ 2,498	₩ 1,950	₩ 8,842

Basic earnings per share for the year ended December 31, 2004, was ₩9,890.

Basic ordinary income per share for the nine-month periods ended September 30, 2005 and 2004, is identical to the basic earnings per share for the nine-month periods ended September 30, 2005 and 2004, since there was no extraordinary gain or loss.

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

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Diluted earnings per share for the three-month and nine-month periods ended September 30, 2005 and 2004, are calculated as follows:

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

	2005		2004	
	Three-month period ended September 30, 2005	Nine-month period ended September 30, 2005	Three-month period ended September 30, 2004	Nine-month period ended September 30, 2004
Net income allocated to common stock	₩ 113,819	₩ 347,096	₩ 270,689	₩ 1,229,723
Add: Interest expense on convertible bonds, net of tax ¹	1,804	5,002	3,930	8,313
	115,623	352,098	274,619	1,238,036
Weighted-average number of common shares and diluted securities outstanding	143,886,416	143,874,054	146,949,685	145,613,682
Diluted earnings per share and diluted ordinary income per share (in won)	₩ 804	₩ 2,447	₩ 1,869	₩ 8,502

¹ This is computed based on the effective tax rate of 7.1% (2004: 25.12%) for the nine-month period ended September 30, 2005 (Note 23).

Diluted earnings per share for the year ended December 31, 2004, was ₩9,517.

Diluted ordinary income per share for the nine-month periods ended September 30, 2005 and 2004, is identical to the diluted earnings per share for the nine-month periods ended September 30, 2005 and 2004, since there were no extraordinary gains or loss.

The diluted securities outstanding as of September 30, 2005, are as follows:

(in millions, except conversion price)

Diluted security	Face value (won equivalent)	Conversion period	Number of shares of common stock to be issued	Conversion price
Foreign currency denominated convertible bonds of US\$287 million, issued in 2003	₩339,205	September 12, 2003 through July 28, 2006	4,911,907 shares	₩68,900 per share
Foreign currency denominated convertible bonds of US\$250 million, issued in 2005	₩296,975	May 18, 2005 through May 7, 2007	3,049,221 shares	₩96,869 per share

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25. Transactions with Related Parties

Significant transactions entered into in the ordinary course of business with related parties for the nine-month periods ended September 30, 2005 and 2004, and the related account balances outstanding as of September 30, 2005 and December 31, 2004, are summarized as follows:

<i>(in millions of Korean won)</i>	Sales	Purchases	Receivables	Payables
LG Telecom, Ltd.	₩ 330,050	₩ 736	₩ 140,252	₩ 74
LG Chem, Ltd.	3,092	219,611	967	29,024
Hi Plaza Inc.	345,452	14,189	10,828	2,702
LG Electronics Mława SP.Zo.O. (LGEMA)	381,358	7,974	43,865	3,159
Hitachi-LG Data Storage Inc. (HLDS)	414,802	30,425	23,140	8,769
LG Electronics Wales Ltd. (LGEWA)	72,449	6,734	1,891	1,399
PT LG Electronics Display Devices Indonesia (LGEDI)	141,997	10,828	3,398	1,247
LG Electronics Huizhou Inc. (LGEHZ)	620,369	856	14,491	1,465
LG Electronics Italy S.P.A. (LGEIS)	894,275	49,709	7,781	22,286
LG Electronics Service Europe Netherlands B.V. (LGESE)	623,246	12,347	102,953	1,739
LG Electronics U.S.A. Inc. (LGEUS)	819,835	1,758	45,701	11
Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT)	507,615	2,869	9,045	8
LG Electronics MobileComm U.S.A. Inc.(LGEMU) (formerly LGICUS)	2,074,867	2,535	20,516	-
LG.Philips Displays Holding B.V. ¹	12,826	237,631	2,061	12,301
LG.Philips LCD Co., Ltd.	118,895	285,398	51,917	37,522
LG Electronics Australia PTY, Ltd. (LGEAP)	415,666	2,642	168,671	-
LG Electronics United Kingdom Ltd. (LGEUK)	175,063	44,543	36,307	8,414
Others	4,253,670	1,243,880	502,196	210,285
2005	<u>₩ 12,203,527</u>	<u>₩ 2,174,665</u>	<u>₩ 1,185,980</u>	<u>₩ 340,405</u>
2004	<u>₩ 12,334,937</u>	<u>₩ 2,169,303</u>	<u>₩ 1,005,020</u>	<u>₩ 410,473</u>

¹ For the nine-month period ended September 30, 2005, purchases of ₩237,631 million include the purchase of LG.Philips Displays Holding B.V.'s trade accounts receivable from the Company's subsidiaries amounting to ₩228,929 million.

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26. Segment Information

The Company has organized four reportable business divisions: Digital Display division, Digital Media division, Digital Appliance division and Mobile communications division. In addition, the Company has a centralized supporting division to provide general and administrative, marketing and sales and research and development services to each business division.

On January 1, 2005, the Company splitted the former Digital Display & Media division into Digital Display division and Digital Media division.

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

Digital Display division:	TV, PDP, Monitor and others
Digital Media division:	Audio, VCR, CD-ROM, PC and others
Digital Appliance division:	Refrigerator, washing machine, air conditioner, microwave oven and vacuum cleaner
Mobile Communications division:	CDMA handset, UMTS handset, wireless telephone, WLL handset, mobile telecommunication, transmitter, switchboard and keyphone system

Financial data by business division as of and for the nine-month period ended September 30, 2005, are as follows:

<i>(in millions of Korean won)</i>	Business Division					
	Total	Digital Display	Digital Media	Digital Appliance	Mobile Communications	Supporting Division
Sales						
External sales	₩17,592,057	₩3,727,629	₩2,358,692	₩4,613,980	₩6,780,437	₩ 111,319
Inter-division sales	309,003	66,013	2,079	13,667	33,113	194,131
	<u>₩17,901,060</u>	<u>₩3,793,642</u>	<u>₩2,360,771</u>	<u>₩4,627,647</u>	<u>₩6,813,550</u>	<u>₩ 305,450</u>
Operating income(loss)	<u>₩ 703,586</u>	<u>₩ 22,267</u>	<u>₩ 102,129</u>	<u>₩ 422,148</u>	<u>₩ 237,810</u>	<u>₩ (80,768)</u>
Property, plant and equipment	₩ 4,069,095	₩1,504,361	₩ 235,337	₩ 743,704	₩ 710,640	₩ 875,053
Intangible assets	447,302	22,709	6,433	15,562	178,766	223,832
	<u>₩ 4,516,397</u>	<u>₩1,527,070</u>	<u>₩ 241,770</u>	<u>₩ 759,266</u>	<u>₩ 889,406</u>	<u>₩1,098,885</u>
Depreciation and amortization	<u>₩ 622,502</u>	<u>₩ 169,990</u>	<u>₩ 44,891</u>	<u>₩ 146,363</u>	<u>₩ 137,423</u>	<u>₩ 123,835</u>

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Financial data by business division as of and for the nine-month period ended September 30, 2004, are as follows:

<i>(in millions of Korean won)</i>	Total	Business Division			
		Digital Display & Media	Digital Appliance	Telecommunication Equipment & Handset ¹	Supporting Division
Sales					
External sales	₩ 18,137,968	₩ 6,713,855	₩ 4,899,989	₩ 6,386,284	₩ 137,840
Inter-division sales	329,472	113,670	10,531	21,882	183,389
	<u>₩ 18,467,440</u>	<u>₩ 6,827,525</u>	<u>₩ 4,910,520</u>	<u>₩ 6,408,166</u>	<u>₩ 321,229</u>
Operating income(loss)	<u>₩ 1,154,825</u>	<u>₩ 312,410</u>	<u>₩ 458,446</u>	<u>₩ 423,831</u>	<u>₩ (39,862)</u>
Property, plant and equipment	₩ 3,490,298	₩ 1,464,066	₩ 835,917	₩ 444,531	₩ 745,784
Intangible assets	703,595	44,954	15,258	301,517	341,866
	<u>₩ 4,193,893</u>	<u>₩ 1,509,020</u>	<u>₩ 851,175</u>	<u>₩ 746,048</u>	<u>₩ 1,087,650</u>
Depreciation and amortization	<u>₩ 489,109</u>	<u>₩ 168,014</u>	<u>₩ 80,677</u>	<u>₩ 128,469</u>	<u>₩ 111,949</u>

¹ As of January 1, 2004, the Company reorganized its business structure and transferred the PC business division from the Telecommunication Equipment & Handset division to the Digital Display & Media division.

Financial data by geographic area for the nine-month period ended September 30, 2005, are as follows:

<i>(in millions of Korean won)</i>	Total	Domestic	North		Central & South	Central	Asia	Oceania	CIS
			America	Europe	America	Africa			
Sales									
External sales	₩17,592,057	₩ 4,221,222	₩4,121,857	₩2,739,029	₩606,726	₩645,247	₩4,016,249	₩435,714	₩806,013
Ratio (%)	100%	24%	23%	16%	3%	4%	23%	2%	5%
Inter-division sales	309,003	309,003	-	-	-	-	-	-	-
	<u>₩17,901,060</u>	<u>₩ 4,530,225</u>	<u>₩4,121,857</u>	<u>₩2,739,029</u>	<u>₩606,726</u>	<u>₩645,247</u>	<u>₩4,016,249</u>	<u>₩435,714</u>	<u>₩806,013</u>

Financial data by geographic area for the nine-month period ended September 30, 2004, were as follows:

<i>(in millions of Korean won)</i>	Total	Domestic	North		Central & South	Central	Asia	Oceania	Others
			America	Europe	America	Asia			
Sales									
External sales	₩18,137,968	₩3,898,990	₩4,544,555	₩2,582,907	₩504,674	₩802,794	₩4,290,746	₩525,610	₩987,692
Ratio (%)	100%	21%	25%	14%	3%	4%	24%	3%	6%
Inter-division sales	329,472	329,472	-	-	-	-	-	-	-
	<u>₩18,467,440</u>	<u>₩4,228,462</u>	<u>₩4,544,555</u>	<u>₩2,582,907</u>	<u>₩504,674</u>	<u>₩802,794</u>	<u>₩4,290,746</u>	<u>₩525,610</u>	<u>₩987,692</u>

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27. Dissolution of LG IBM PC Co., Ltd.

The Board of Directors approved the dissolution of LG IBM PC Co., Ltd. ("LG IBM PC"), a joint venture between the Company and IBM Korea, Inc. on November 17, 2004. On January 1, 2005, the Company absorbed a portion of the PC division of LG IBM PC and issued 122,834 shares to IBM Korea Inc. In turn, IBM Korea Inc. absorbed remaining division of LG IBM PC and issued 48,600 shares to the Company. Thereafter, all the LG IBM PC stocks owned by the Company and IBM Korea Inc. were retired. LG IBM PC was dissolved on January 4, 2005.

Assets and liabilities from the transaction were evaluated at their fair values in accordance with the Accounting Standards for Mergers and Acquisition.

The ₩2,596 million difference between the fair value of net assets amounting to ₩10,044 million for the PC division of LG IBM PC and its merger cost of ₩12,640 million is recorded as goodwill.

Summary of financial information of LG IBM PC as of and for the year ended December 31, 2004, is as follows:

<i>(in millions of Korean won)</i>	Amount
Total assets	₩ 118,415
Total liabilities	89,436
Net assets	28,979
Sales	479,880
Net income	1,483

28. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the nine-month periods ended September 30, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	2005	2004
Reclassification of construction-in-progress to buildings, machinery and others	₩ 657,708	₩ 352,310
Reclassification of machinery-in-transit to machinery and equipment	37,485	76,852
Reclassification of current maturities of debentures	1,289,166	439,560
Reclassification of current maturities of long-term debt	48,249	-
Changes in capital adjustments arising from the equity method of accounting for investments	310,014	318,710
Changes in retained earnings arising from the equity method of accounting for investments	24,108	76,776

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29. Establishment of a Joint Venture

On August 16, 2005, the Board of Directors approved the establishment of a joint venture between the Company and Nortel Corporation.

The important terms of the joint venture follow:

- Investment in kind or transfer assets and employees, except for real properties, machinery and equipment and employees related to manufacturing, belonging to the Systems division of the Company to the joint venture.
- The Company will receive US\$ 145 million from Nortel Corporation and acquire 50% minus 1 share of the joint venture.
- Joint venture will be established in October 2005.

Goodwill amounting to ₩89,031 million was expensed during the current quarter as this amount was part of the goodwill recognized in 2000 relating to the Systems division (Note 13).