

LG ELECTRONICS INC.

REVIEW REPORT

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2000 and 1999

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2000 and 1999

Independent Accountants' Review Report

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

We have reviewed the accompanying balance sheets of LG Electronics Inc. (the "Company") as of June 30, 2000 and 1999, the related statements of income for the six-month periods then ended, expressed in Korean Won, in accordance with semi-annual review standards established by the Securities & Futures Commission of the Republic of Korea. All information included in these financial statements is the responsibility of the Company's management.

A review of interim financial statements consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards of the Republic of Korea, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modification that should be made to the accompanying financial statements for them to be in conformity with accounting standards for preparing quarterly and semi-annual financial statements generally accepted in the Republic of Korea.

As discussed in Note 22 to the accompanying financial statements, for the six-month period ended June 30, 2000, the Company entered into various transactions with affiliated companies including sales of ₩ 2,903,636 million and purchases of ₩ 952,661 million. As of June 30, 2000, related accounts receivable and payable approximate ₩ 460,979 million and ₩ 520,333 million, respectively.

Continued;

As discussed in Note 21 to the accompanying financial statements, on January 1, 2000, the Company purchased the domestic sales division of the mobile phone business of LG Information & Communications, Ltd. ("LGIC"), an affiliate. As a result, ₩ 70,619 million of related assets were transferred to the Company.

As discussed in Note 1 to the accompanying financial statements, the Company entered into a merger agreement with LGIC on June 8, 2000. The merger was approved at the shareholders' meeting on July 22, 2000. As a result, LGIC will be merged into the Company effective September 1, 2000.

We draw attention to Note 14 to the accompanying financial statements. The operations of the Company have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these significant uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

The accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. The standards, procedures and practices utilized to review such financial statements are those generally accepted and applied in the Republic of Korea.

Seoul, Korea
July 29, 2000

LG ELECTRONICS INC.
NON-CONSOLIDATED BALANCE SHEETS
(See independent accountants' review report)
As of June 30, 2000 and 1999
(In millions of Korean Won)

	2000	1999
ASSETS		
Current Assets :		
Cash and cash equivalents (Note 5)	₩ 136,356	₩ 154,958
Short-term financial instruments (Notes 3 and 5)	3,739	52,340
Marketable securities (Note 7)	2,599	-
Trade accounts and notes receivable, net (Notes 4 and 5)	468,009	786,958
Other accounts receivable, net (Notes 4 and 5)	199,383	615,843
Inventories (Note 6)	573,830	425,521
Prepaid expenses	67,588	57,339
Other current assets (Note 4)	150,000	172,423
Total current assets	1,601,504	2,265,382
Property, plant and equipment, less accumulated depreciation (Notes 8, 10 and 11)	2,822,872	2,735,940
Long-term financial instruments (Note 3)	10,594	274,444
Investments (Note 7)	3,886,286	3,076,065
Refundable deposits	231,739	210,604
Long-term trade accounts receivable (Note 4)	7,705	12,066
Long-term other accounts receivable (Note 4)	50,644	424,019
Long-term prepaid expenses	30,065	27,798
Deferred tax assets, net (Note 19)	30,452	18,586
Long-term loans (Notes 4 and 5)	101,537	94,499
Intangible assets (Note 9)	118,442	427,343
Total assets	₩ 8,891,840	₩ 9,566,746

Continued;

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

LG ELECTRONICS INC.
NON-CONSOLIDATED BALANCE SHEETS, Continued
(See independent accountants' review report)
As of June 30, 2000 and 1999
(In millions of Korean Won)

	2000	1999
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities :		
Short-term borrowings (Note 10)	₩ 150,380	₩ 958,678
Current maturities of long-term debt (Note 10)	858,522	1,319,106
Trade accounts and notes payable (Notes 5 and 22)	1,149,251	826,029
Other accounts payable (Note 5)	493,598	281,336
Income taxes payable (Note 19)	110,517	188,904
Accrued expenses (Note 5)	346,833	236,251
Withholdings	33,829	55,476
Advances from customers	98,238	114,133
Unearned revenue	68	-
Total current liabilities	3,241,236	3,979,913
Debentures, net of current maturities and discounts (premiums) on debentures (Note 11)	1,780,700	2,005,319
Long-term debt, net of current maturities (Note 11)	424,386	508,078
Long-term other accounts payable (Note 11)	3,714	6,757
Accrued severance benefits, net (Note 13)	170,129	380,719
Other long-term liabilities	2,101	425
Total liabilities	5,622,266	6,881,211
Shareholders' Equity :		
Capital stock (Note 15)	632,116	632,116
Capital surplus :		
Additional paid-in capital	493,508	493,508
Gain on merger (Note 16)	29,732	29,732
Revaluation surplus (Note 16)	339,676	343,083
Total capital surplus	862,916	866,323
Retained earnings (Note 17) :		
Legal reserve	41,499	28,699
Other reserves	1,399,155	273,285
Unappropriated retained earnings carried forward	508,792	671,320
Total retained earnings	1,949,446	973,304
Capital adjustments (Note 18)	(174,904)	213,792
Total shareholders' equity	3,269,574	2,685,535
Total liabilities and shareholders' equity	₩ 8,891,840	₩ 9,566,746

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

LG ELECTRONICS INC.
NON-CONSOLIDATED STATEMENTS OF INCOME
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999
(In millions of Korean Won except for earning per share amounts)

	2000	1999
Sales (Note 22)	₩ 6,894,252	₩ 5,137,695
Cost of sales	5,429,507	4,086,227
Gross profit	1,464,745	1,051,468
Selling and administrative expenses	893,036	729,005
Operating income	571,709	322,463
Non-operating income :		
Interest income	18,317	43,615
Dividend income	1,754	27,278
Foreign exchange gains	67,779	147,157
Gain on disposal of investments	53,666	1,110,550
Gain on disposal of property, plant and equipment	1,357	10,577
Equity in income of affiliates, net	238,705	166,417
Other	96,566	68,043
	478,144	1,573,637
Non-operating expenses :		
Interest expense	187,679	298,995
Foreign exchange losses	53,030	151,460
Loss from redemption of debentures	-	65,665
Loss from disposal of investments	5,843	19,453
Loss from disposal of property, plant and equipment	9,621	31,771
Loss from transfer of trade accounts and notes receivable	87,107	64,634
Other	83,108	36,147
	426,388	668,125
Ordinary income	623,465	1,227,975
Extraordinary gains	31	-
Extraordinary losses	-	-
Income before income taxes	623,496	1,227,975
Income taxes (Note 19)	180,911	302,198
Net income	₩ 442,585	₩ 925,777
Earnings per share (Note 20) (in Korean Won)		
- Basic	₩ 4,110	₩ 8,613
- Diluted	₩ 4,059	₩ 8,499

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

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

1. The Company:

LG Electronics Inc. (the "Company") was incorporated in 1959 under the Commercial Code of the Republic of Korea to manufacture and sell electronic products. The Company is a member of the LG Group, which comprises affiliated companies under common management direction. In 1970, the Company offered its shares for public ownership. As of June 30, 2000, the Company has outstanding capital stock of ₩632,116 million, including non-voting preferred stock of ₩ 95,478 million (see Note 15). The Company's common shares are listed on the Korean Stock Exchange and its depositary receipts ("DRs") are listed on the London and Luxembourg Stock Exchanges.

The Company entered into a merger agreement with LG Information & Communications, Ltd., ("LGIC"), an affiliate, on June 8, 2000 and the merger was approved at the shareholders' meeting on July 22, 2000. As a result, LGIC will be merged into the Company effective September 1, 2000.

In connection with the merger, the Company will issue 47,790,404 shares of common stock (par value : ₩5,000) to the shareholders of LGIC, Exchanging 2.1216 shares of the Company's common stock for each share of LGIC. The Company also will cancel all 8,374,357 shares of common stock of LGIC which the Company has held.

2. Summary of Significant Accounting Policies:

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

Basis of Financial Statement Presentation -

The accompanying financial statements have been extracted from the Company's Korean language financial statements that were prepared in accordance with accounting standards for preparing quarterly and semi-annual financial statements generally accepted in the Republic of Korea. These standards vary from International Accounting Standards and the accounting principles generally accepted in the country of the reader. The financial statements have been translated from Korean into English, and have been formatted in a manner different from the presentation under Korean financial statement practices. Certain supplementary information included in the Korean language statutory 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 financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Korea.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

2. Summary of Significant Accounting Policies, Continued:

Basis of Financial Statement Presentation, Continued -

The preparation of financial statements requires management to make estimates and assumptions that effect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

Investments in Debt and Equity Securities -

All investments in equity and debt securities are initially carried at cost determined by the weighted average method, including incidental expenses. In the case of debt securities, cost includes the premium paid or discount received at the time of purchase. The following paragraphs describe the subsequent accounting for securities by the type of security.

Investments in marketable equity securities of non-controlled investees are carried at fair value. Temporary changes in fair value are accounted for in the capital adjustment account, a component of shareholders' equity. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustment account.

Investments in non-marketable equity securities of non-controlled investees are carried at cost, except for declines in the Company's proportionate ownership of the underlying book value of the investee which are anticipated to be permanent, which are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the original cost of the investment.

Investments in equity securities of companies over which the Company exerts significant control or influence (controlled investees) are recorded using the equity method of accounting. Differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are amortized over 5 years using the straight-line method, except for investees in the telecommunication service industry, which are amortized over 10 years reflecting the industry's longer term of realizing its profit. Under the equity method, the Company records changes in its proportionate ownership of the book value of the investee as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

2. Summary of Significant Accounting Policies, Continued:

Investments in Debt and Equity Securities, Continued: -

Unrealized profit arising from sales by the Company to equity-method investees is eliminated. Unrealized profit arising from sales by the equity-method investees to the Company or sales between equity-method investees is also eliminated.

Premiums and discounts on debt securities are amortized over the life of the debt using the effective interest method. Investments in 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 (amortized cost). Declines in the fair value of debt securities which are anticipated to be permanent are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the amortized cost of the investment.

Other investments in debt securities are carried at fair value. Temporary differences between fair value and amortized cost are accounted for in the capital adjustment account. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustment account.

Allowance for Doubtful Accounts -

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

Inventories -

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

Continued;

LG ELECTRONICS INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 (See independent accountants' review report)
 for the six-month periods ended June 30, 2000 and 1999

2. Summary of Significant Accounting Policies, Continued:

Property, Plant and Equipment -

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

	Estimated Useful Life (years)
Buildings	20 – 40
Structures	20 – 40
Machinery and equipment	5 – 10
Tools	5
Furniture and fixtures	5
Vehicles	5

Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or materially extend the useful lives of the related assets are capitalized.

Lease Transactions -

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

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

2. Summary of Significant Accounting Policies, Continued:

Research and Development Costs -

Research costs are expensed as incurred. Development costs directly relating to new technology on new products of 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 commercial production or use of related products. Such costs are subject to continual analysis of recoverability. In the event that such amounts are estimated not to be recoverable, they are written-down or written-off.

Intangible Assets -

Intangible assets are stated at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives ranging from five to ten years.

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 Debentures -

When treasury debentures are acquired, the face value and any discount or premium is subtracted from the related accounts. The difference between the book value and acquisition cost of the treasury debentures is charged to current operations as a gain or loss on redemption of debentures.

Accrued Severance Benefits -

Employees and directors with one year or more of service are entitled to receive a lump-sum severance payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represents 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 deposit are deducted from accrued severance benefits. Contributed amounts are refunded from the National Pension Plan and the insurance companies to employees on their retirement.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

2. Summary of Significant Accounting Policies, Continued:

Income Taxes -

The Company recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between amounts reported for financial accounting and income tax purposes. Deferred tax assets and liabilities are computed on such temporary differences including tax credits by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. Deferred tax assets are recognized to the extent that it is almost certain that such deferred 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 tax assets and liabilities.

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

Sale of Accounts and Notes Receivables -

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

Foreign Currency Translation -

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

The exchange rates used to translate U.S. Dollar denominated monetary assets and liabilities at June 30, 2000 and 1999 are ₩1,114.8 : US\$1 and ₩1,155.9 : US\$1, respectively.

Foreign currency dominated convertible bonds are translated at the historical exchange rates prevailing as of the date of issuance.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

2. Summary of Significant Accounting Policies, Continued:

Derivative financial instruments -

The Company utilizes several derivative financial instruments ("derivatives") such as forward exchange, swap 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 operation. 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 adjustment account and recorded in operations in the period when underlying transactions have effect on operations.

3. Restricted Financial Instruments :

At June 30, 2000 and 1999, short-term financial instruments of ~~₩~~ 1,978 million and ~~₩~~ 9,191 million, respectively, and long-term financial instruments of ~~₩~~ 7,843 million and ~~₩~~ 46,698 million, respectively, are deposited in connection with maintaining checking accounts, various short-term borrowings and long-term debt, and research and development projects funded by government. The withdrawal of these financial instruments is restricted (see Notes 10 and 11).

In additions, long-term financial instruments of ~~₩~~225,835 million as of June 30, 1999 represent deposits made under group severance insurance plans. The withdrawal of such deposits is restricted to the actual payment of severance benefits (see Note 13).

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

4. Receivables :

Receivables, including trade accounts and notes receivable, as of June 30, 2000 and 1999 comprise the following (in millions of Won) :

	June 30, 2000				June 30, 1999			
	Costs	Allowance for doubtful accounts	Discounts for present value	Carrying value	Costs	Allowance for doubtful accounts	Discounts for present value	Carrying value
Trade accounts and notes receivable	₩520,352	₩48,240	₩4,103	₩468,009	₩801,510	₩9,561	₩4,991	₩786,958
Other accounts receivable	201,424	2,041	-	199,383	635,873	6,221	13,809	615,843
Other current assets	178,942	28,942	-	150,000	174,152	1,729	-	172,423
Long-term trade accounts receivable	7,783	78	-	7,705	12,188	122	-	12,066
Long-term other accounts receivable	60,174	601	8,929	50,644	543,997	4,283	115,695	424,019
Long-term loans	101,880	343	-	101,537	95,453	954	-	94,499
	<u>₩1,070,555</u>	<u>₩80,245</u>	<u>₩13,032</u>	<u>₩977,278</u>	<u>₩2,263,173</u>	<u>₩22,870</u>	<u>₩134,495</u>	<u>₩2,105,808</u>

Maturities of certain trade accounts and notes receivable from customers which suffer financial difficulties and are in process of corporate reorganization under the court are rescheduled and the receivables are discounted to record present value. Future annual maturities of such receivables outstanding as of June, 30, 2000 are as follows :

For the twelve-month period ending June 30,	Millions of Won		
	Amount to be collected	Present value (*)	Discount
2001	₩ 2,301	₩ 2,141	₩ 160
2002	2,682	2,350	332
2003	2,984	2,389	595
2004	2,050	1,624	426
2005	2,029	1,515	514
2006 and thereafter	2,677	601	2,076
	<u>₩ 14,723</u>	<u>₩ 10,620</u>	<u>₩ 4,103</u>

Continue;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

4. Receivables, Continued;

Future annual maturity of notes receivable from Hyundai Electronics Industries Co., Ltd. outstanding as of June 30, 2000, in relation to the Company's share transfer of LG Semicon Co., Ltd., is as follows :

	Millions of Won		
	Amount to be collected	Present value (*)	Discount
December 31, 2001	₩ 60,174	₩ 51,245	₩ 8,929

(*) Weighted average interest rate of long-term debt of the Company for the year ended December 31, 1999 (11.0%) is used to calculate discounted present value.

5. Assets and Liabilities Denominated in Foreign Currencies :

As of June 30, 2000 and 1999, monetary assets and liabilities denominated in foreign currencies, other than those disclosed in Notes 10 and 11, are as follows:

	Foreign currencies (In Millions)		Won Equivalent (In Millions of Won)	
	June 30, 2000	June 30, 1999	June 30, 2000	June 30, 1999
Cash and cash equivalents	US\$ 62	US\$ 35	₩ 68,316	₩ 39,915
	¥ 215	¥ 1,094	2,281	10,450
	DM 9	DM 25	5,296	15,106
	AUD 4	AUD 3	2,910	2,351
	GBP 2	GBP 2	3,841	3,197
	ITL 797	ITL 3,418	439	2,106
	Others	Others	16,184	4,164
			99,267	77,289
Short-term financial instruments	US\$ -	US\$ 17	-	19,650
Trade accounts receivable	US\$ 184	US\$ 378	204,905	436,747
	DM 4	DM 15	1,987	9,336
	¥ 241	¥ 270	2,553	2,577
	Others	Others	22,208	4,458
			₩ 231,653	₩ 453,118

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

5. Assets and Liabilities Denominated in Foreign Currencies, Continued :

	Foreign currencies (In Millions)				Won Equivalent (In Millions of Won)			
	June 30, 2000		June 30, 1999		June 30, 2000	June 30, 1999		
Accrued income	US\$	51	US\$	30	₩	57,380	₩	34,991
	Others		Others			1,647		-
						<u>59,027</u>		<u>34,991</u>
Other accounts receivable	US\$		US\$	203		247		234,201
	¥	-	¥	17		-		166
	FRF	7	FRF	5		1,156		927
	Others		Others			<u>283</u>		<u>412</u>
						<u>1,686</u>		<u>235,706</u>
Debt securities	US\$	121	US\$	-		<u>134,507</u>		-
Long-term loans and other	US\$	61	US\$	54		68,535		62,423
	¥	26	¥	64		<u>278</u>		<u>608</u>
						<u>68,813</u>		<u>63,031</u>
Trade accounts payable	US\$	398	US\$	296		443,505		341,888
	¥	7,645	¥	8,393		81,036		80,147
	DM	1	DM	1		812		619
	ITL	860	ITL	1,014		471		625
	Others		Others			<u>7</u>		<u>15</u>
					<u>525,831</u>		<u>423,294</u>	
Other accounts payable	US\$	35	US\$	21		38,633		23,849
	DM	6	DM	1		2,999		563
	FRF	25	FRF	14		3,986		2,634
	AUD	1	AUD	2		781		1,201
	¥	158	¥	144		1,680		1,372
	Others		Others			<u>3,963</u>		<u>3,571</u>
					<u>52,042</u>		<u>33,190</u>	
Accrued expenses	US\$	15	US\$	13		16,552		14,999
	DM	2	DM	2		1,238		1,158
	Others		Others			<u>1,222</u>		<u>114</u>
					<u>₩</u>	<u>19,012</u>	<u>₩</u>	<u>16,271</u>

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

6. Inventories:

Inventories as of June 30, 2000 and 1999 comprise the following:

	Millions of Won	
	June 30, 2000	June 30, 1999
Merchandise	₩ 16,991	₩ 11,517
Finished products	185,369	176,200
Work in process	98,124	65,163
Raw materials	175,704	90,376
Parts and supplies	97,642	82,265
	₩ 573,830	₩ 425,521

At June 30, 2000 and 1999, inventories are insured against fire and other casualty losses up to approximately ₩ 648,817 million and ₩ 495,028 million, respectively.

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

7. Investments :

Marketable securities as of June 30, 2000 are government and municipal bonds which are due within one year.

Investments as of June 30, 2000 and 1999 are as follows :

	Percentage of Ownership(%) at June 30, 2000	Millions of Won					
		June 30, 2000			June 30, 1999		
		Acquisition Cost	Net Asset Value	Carrying Value	Acquisition Cost	Net Asset Value	Carrying Value
<Equity method of accounting>							
<u>Domestic Companies</u>							
LG Construction Co., Ltd.	-	₩ -	₩ -	₩ -	₩ 21,088	₩ 57,042	₩ 57,042
LG Micron Ltd.	25.00	5,000	38,580	38,580	5,000	39,014	39,014
LG Department Store Co., Ltd.	49.13	66,012	41,187	41,187	66,012	52,745	52,745
LG Industrial Systems Co., Ltd.	32.51	252,725	140,901	140,901	252,725	287,559	287,559
LG International Corp.	2.94	20,253	16,963	16,963	-	-	-
LG Sports Ltd.	33.00	1,896	1,622	1,622	1,140	1,007	1,007
LG Engineering Co., Ltd.(*3)	-	-	-	-	7,417	7,107	7,107
LG Mart Co., Ltd.	50.00	283,672	319,700	319,700	62,675	89,572	89,572
LG Internet Inc.	78.38	29,988	24,721	24,721	29,788	13,804	13,804
LG Innotek Co., Ltd. (formerly, LG Precision Co., Ltd.)	49.23	24,592	74,843	74,843	24,592	59,921	59,921
LG Information & Communications, Ltd.	27.10	352,013	378,384	378,384	112,826	203,617	203,617
LG Merchant Banking Corp.(*3)	-	-	-	-	96,653	92,936	92,936
LG Investments Security Inc.	7.15	262,433	190,627	190,627	-	-	-
LG Venture Investments Inc.	-	-	-	-	15,000	17,438	17,438
LG Capital Co., Ltd.	6.17	18,482	37,051	37,051	115,226	168,079	168,079
LG Telecom Ltd.	3.77	41,705	16,305	16,305	30,394	16,409	16,409
LG Hitachi Ltd.	49.00	6,060	10,704	10,704	12,150	19,117	19,117
LG-Caltex Oil Corp.	3.07	50,004	93,843	93,843	50,004	94,589	94,589
LG-EDS Systems Inc.	10.00	360	5,301	5,301	360	3,632	3,632
LG. Philips LCD Co., Ltd.	50.00	726,169	696,992	696,992	716,317	688,964	688,964
LG IBM PC Co., Ltd.	49.00	11,907	13,817	13,817	11,907	5,391	5,391
Kukdong City Gas Inc.	-	-	-	-	36,167	27,455	27,455
LG Electronics Service Co., Ltd. (*3)	-	-	-	-	7,000	7,000	7,000
Dacom Corporation	25.95	746,669	662,796	662,796	-	-	-

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

7. Investments, Continued:

	Percentage of Ownership(%) at June 30, 2000	Millions of Won					
		June 30, 2000			June 30, 1999		
		Acquisition Cost	Net Asset Value	Carrying Value	Acquisition Cost	Net Asset Value	Carrying Value
<Equity method of accounting>							
<u>Overseas Companies</u>							
Goldstar Electronics Tailand Co., Ltd. (G.S.T.) (*2)	49.00	36	36	36	36	27	36
LG Electronics Alabama, Inc. (LGEAI)	100.00	63,939	70,434	70,434	17,182	24,302	24,302
LG Electronics Almaty Kazak Co., Ltd. (LGEAK)	100.00	3,746	3,603	3,603	3,746	3,483	3,483
LG Electronics Antwerp Logistics N.V. (LGEAL)	100.00	967	268	268	967	493	493
LG Electronics Australia PTY, Ltd. (LGEAP)	100.00	1,558	1,255	1,255	1,558	826	826
Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT)	50.00	11,187	4,619	4,619	7,351	7,351	7,351
LG Electronics da Amazonia Ltda. (LGEAZ)	100.00	34,663	20,687	20,687	22,757	-	-
Beijing LG Electronics Components Co., Ltd. (LGEBJ)	50.00	3,515	4,828	4,828	2,025	2,013	2,013
LG Electronics Colombia, Ltda.(LGEGB) (*2)	60.00	3,330	3,330	3,330	-	-	-
LG Electronics China Co., Ltd. (LGECH)	100.00	37,614	41,986	41,986	37,614	40,453	40,453
LG Electronics Canada, Inc. (LGECI)	100.00	13,780	9,604	9,604	4,439	2,342	2,342
LG Collins Electronics Manila Inc. (LGECEM)	92.23	20,302	8,286	8,286	14,636	3,489	3,489
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGECHT)	50.00	22,953	18,114	18,114	22,953	19,578	19,578
LG Electronics Deutschland GMBH (LGEDG)	100.00	26,938	9,769	9,769	26,938	7,144	7,144
PT LG Electronics Display Devices Indonesia (LGEDI)	100.00	79,543	114,716	114,716	79,543	111,579	111,579
LG Electronics Design Tech, Ltd. (LGEDT) (*2)	100.00	1,002	1,002	1,002	1,002	1,137	1,002
LG Electronics Egypt S.A.E (LGEEG)	51.00	1,577	2,841	2,841	1,577	3,234	3,234
LG Electronics Espana S.A. (LGEES)	100.00	3,374	637	637	3,374	1,504	1,504

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

7. Investments, Continued:

	Percentage of Ownership(%) at June 30, 2000	Millions of Won					
		June 30, 2000			June 30, 1999		
		Acquisition Cost	Net Asset Value	Carrying Value	Acquisition Cost	Net Asset Value	Carrying Value
<Equity method of accounting>							
LG Electronics Gulf FZE (LGEGF)	100.00	2,489	2,928	2,928	2,489	4,131	4,131
LG Electronics HK Limited (LGEHK)	100.00	4,316	861	861	232	-	-
LG Hotline CPT Ltd. (LGEHL) (*1)	50.00	10,561	-	-	10,561	-	-
LG Electronics Huizhou Inc. (LGEHZ)	45.00	1,277	2,343	2,343	1,277	2,645	2,645
LG Electronics India Ltd. (LGEIL)	100.00	32,076	44,632	44,632	32,076	39,645	39,645
PT LG Electronics Indonesia (LGEIN)	100.00	29,431	10,051	10,051	3,379	-	-
LG Electronics Italy S.P.A. (LGEIS)	100.00	14,136	6,700	6,700	3,106	2,725	2,725
LG Electronics Japan Inc. (LGEJP)	100.00	12,978	1,330	1,330	7,954	-	-
LG Electronics Mlawa SP.Zo.O (LGEMA)	100.00	7,066	5,784	5,784	7,066	614	7,066
LG Electronics Morocco S.A.R.L (LGEMC) (*2)	100.00	2,774	2,774	2,774	-	-	-
LG Electronics Middle East Co., Ltd. (LGEME) (*2)	100.00	462	1,242	433	462	2,473	462
LG-MECA Electronics Haiphong, Inc. (LGEMH)	70.00	1,690	1,397	1,397	1,690	1,690	1,690
LG Electronics Magyar Kft. (LGEMK)	100.00	5,575	4,980	4,980	1,526	1,371	1,371
LG Electronics (M) SDN.BHD (LGEML) (*2)	100.00	11	11	11	-	-	-
LG Electronics Monterrey Mexico S.A de C.V. (LGEMM) (*2)	99.00	5,560	5,560	5,560	-	-	-
LG Electronics Mexico S.A.de C.V. (LGEMS) (*1)	98.48	1,936	-	-	1,936	6,675	6,675
LG MITR Electronics Co., Ltd. (LGEMT)	87.74	15,925	3,637	3,637	15,925	5,559	5,559
LG Electronics North of England Ltd. (LGENE)	100.00	11,229	9,679	9,679	11,229	8,329	8,329
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	70.00	14,571	4,816	4,816	14,571	7,659	7,659

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

7. Investments, Continued:

	Percentage of Ownership(%) at June 30, 2000	Millions of Won					
		June 30, 2000			June 30, 1999		
		Acquisition Cost	Net Asset Value	Carrying Value	Acquisition Cost	Net Asset Value	Carrying Value
<Equity method of accounting>							
LG Electronics Polska SP.Zo.O. (LGEPL)	100.00	4,117	2,800	2,800	4,117	2,588	2,588
Nanjing LG Panda Appliance Co., Ltd. (LGEPN)	40.00	3,737	4,984	4,984	3,737	4,233	4,233
LG Electronics Peru S.A. (LGEPR) (*1)	100.00	1,879	-	-	1,879	-	-
LG Electronics Panama S.A. (LGEPS)	100.00	2,333	3,810	3,810	68	1,183	1,183
LG Electronics Qinhuangdao Inc. (LGEQH)	80.00	3,284	3,974	3,974	3,284	3,593	3,593
LG Electronics Research Center of America, Inc. (LGERCA) (*2)	100.00	899	899	899	899	459	899
LG Electronics Russia Inc. (LGERI) (*2)	95.00	391	8	391	391	130	391
LG Electronics S.A. Pty Ltd. (LGESA)	100.00	3,382	2,465	2,465	3,382	3,333	3,333
LG Electronics Service Europe Netherland B.V. (LGESE) (*1)	100.00	3,978	-	-	1,589	1,350	1,589
LG Shuguang Electronics Co., Ltd. (LGESG)	44.30	74,268	101,000	101,000	49,825	72,283	72,283
Shanghai LG Electronics Co., Ltd. (LGESH)	50.00	3,021	2,381	2,381	3,021	3,757	3,757
LG Electronics de SaoPaulo Ltda. (LGESP)	100.00	28,481	20,147	20,147	28,481	15,235	15,235
LG SEL Electronics Vietnam Ltd. (LGESV)	55.00	1,711	3,750	3,750	1,711	3,356	3,356
LG Electronics Sweden AB (LGESW) (*2)	100.00	2,319	2,319	2,319	-	-	-
LG Electronics Shenyang Inc. (LGESY)	50.00	5,795	197	197	5,795	4,048	4,048
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	70.00	42,948	68,772	68,772	42,948	58,227	58,227
LG Electronics Thailand Co., Ltd. (LGETH)	49.00	3,407	5,125	5,125	3,407	8,116	8,116
LG Electronics Taiwan Co., Ltd. (LGETW) (*3)	-	-	-	-	4,281	4,281	4,281

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

7. Investments, Continued:

	Percentage of Ownership(%) as of June 30, 2000	Millions of Won					
		June 30, 2000			June 30, 1999		
		Acquisition Cost	Net Asset Value	Carrying Value	Acquisition Cost	Net Asset Value	Carrying Value
<Equity method of accounting>							
LG Electronics U.K. Ltd. (LGEUK) (*1)	100.00	10,486	-	-	10,486	1,795	1,795
LG Electronics Ukraine Co., Ltd. (LGEUR) (*2)	100.00	1,041	973	1,041	1,041	1,041	1,041
LG Electronics U.S.A., Inc. (LGEUS)	100.00	15,673	93	93	156,661	9,434	9,434
LG Electronics Wales Ltd. (LGEWA)	100.00	101,812	65,160	65,160	101,812	68,126	68,126
LG Soft India PVT, LTD (LGSI) (*2)	88.00	2,920	5,823	2,920	2,920	2,920	2,920
Zenith Electronics Corporation (Zenith) (*1)	100.00	236,860	-	-	-	-	-
Investments applying the equity method of accounting		<u>₩3,958,769</u>	<u>₩3,483,757</u>	<u>₩3,480,496</u>	<u>₩2,469,353</u>	<u>₩2,534,357</u>	<u>₩2,539,612</u>

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

(*2) Small sized subsidiaries and affiliates whose total assets at the previous year-end are less than ₩7,000 million are stated at cost in accordance with financial accounting standards generally accepted in the Republic of Korea.

(*3) LG Engineering Co., Ltd. was merged into LG Construction Co., Ltd. on August 1, 1999.

LG Merchant Banking Corp. was merged into LG Investments Security Inc. on October 1, 1999.

LG Electronics Service Co., Ltd. was liquidated on June 30, 1999.

The Company sold its share of LG Electronics Taiwan Co., Ltd. (LGPLT) to LG Philips LCD Co., Ltd. on May 31, 2000.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

7. Investments, Continued:

	Percentage of Ownership(%) at June 30, 2000	Millions of Won					
		June 30, 2000			June 30, 1999		
		Acquisition Cost	Market Value	Carrying Value	Acquisition Cost	Market Value	Carrying Value
<Marketable equity securities>							
Dacom Corporation	-	₩ -	₩ -	₩ -	₩383,662	₩383,662	₩383,662
P.D.I	0.39	336	2,359	2,359	1,264	1,479	1,479
Treasury stock fund	-	-	-	-	4,237	6,585	6,585
Beneficiary certificate	-	-	-	-	35,000	45,412	45,412
Korea stock market stabilization fund	2.39	23,235	19,158	19,158	23,235	23,922	23,922
Hyundai Electronics Industries Co., Ltd. (formerly, LG Semicon Co., Ltd.)	0.42	26,928	45,848	45,848	17,495	17,495	17,495
Hanaro Telecom Inc.	2.50	117,428	49,320	49,320	-	-	-
Kukdong City Gas Inc.	4.56	17,088	3,131	3,131	-	-	-
LG Construction Co., Ltd.	8.56	35,148	24,491	24,491	-	-	-
		<u>220,163</u>	<u>144,307</u>	<u>144,307</u>	<u>464,893</u>	<u>478,555</u>	<u>478,555</u>
<Non-marketable equity securities>							
<u>Domestic Companies</u>							
LG OTIS Elevator Co., Ltd.	19.90	89,550	89,113	89,550	-	-	-
DreamWiz Inc.	10.00	11,111	1,495	11,111	-	-	-
Lotis Co., Ltd.	14.01	1,900	1,271	1,900	-	-	-
Media Valley Inc.	1.81	300	310	300	300	310	300
Nara Mold & Die Co., Ltd.	19.90	812	1,434	812	597	-	597
Sunhan Tech Co., Ltd.	19.90	199	469	199	199	-	199
Castec Korea Co., Ltd.	5.00	150	150	150	597	-	597
Other	-	468	572	468	559	370	559
<u>Overseas Companies</u>							
TAISTAR	11.85	759	990	759	759	996	759
GEMFIRE	4.41	1,835	179	1,835	1,835	140	1,835
Mainstreet Networks (formerly, "eT Communications")(*1)	5.45	1,468	-	-	1,468	70	1,468
iTV Corporation (*1)	13.08	1,957	-	-	1,957	779	1,957
PocketScience (*1)	4.42	473	-	-	473	3	473
		<u>110,982</u>	<u>95,983</u>	<u>107,084</u>	<u>8,744</u>	<u>2,668</u>	<u>8,744</u>

(*1) Acquisition cost was written off due to negative net book value of the investment during the six-month period ended June 30, 2000.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

7. Investments, Continued:

	Percentage of Ownership(%) at June 30, 2000	Millions of Won					
		June 30, 2000			June 30, 1999		
		Acquisition Cost	Market Value	Carrying Value	Acquisition Cost	Market Value	Carrying Value
<Debt securities>							
Bonds issued							
by government	-	₩ 30,458	₩ 19,892	₩ 19,892	₩ 59,243	₩ 49,154	₩ 49,154
Senior secured note issued by Zenith	-	142,892	134,507	134,507	-	-	-
		<u>173,350</u>	<u>154,399</u>	<u>154,399</u>	<u>59,243</u>	<u>49,154</u>	<u>49,154</u>
Other investments total		<u>504,495</u>	<u>394,689</u>	<u>405,790</u>	<u>532,880</u>	<u>530,377</u>	<u>536,453</u>
Investments Total		<u>₩4,463,264</u>	<u>₩3,878,446</u>	<u>₩3,886,286</u>	<u>₩3,002,233</u>	<u>₩3,064,734</u>	<u>₩3,076,065</u>

Reconciliation of acquisition cost of investments in subsidiaries and affiliates accounted for using the equity method to their carrying value is as follows :

	Millions of Won			
	Capital adjustment	Retained earnings	Net income	Total
Acquisition Cost				₩ 3,958,769
Adjustment :				
Capital surplus and capital adjustment	₩ (91,180)	₩ -	₩ -	(91,180)
Prior years' net loss	-	(419,679)	-	(419,679)
Current net income	-	-	239,612	239,612
Elimination of unrealized profit	-	-	(907)	(907)
Dividends income	-	(206,119)	-	(206,119)
Carrying Value				<u>₩ 3,480,496</u>

The equity method of accounting is applied based on most recent unaudited financial statements of subsidiaries and affiliates.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

7. Investments, Continued:

A senior secured note of ₩134,507 million (US\$ 121 million) issued by Zenith outstanding at June 30, 2000, was converted from the Company's receivables from Zenith according to the reorganization plan of Zenith approved by the court in the United States of America on November 5, 1999 (see Note 14). The note's terms and conditions are as follows :

Interest : LIBOR+6.5% on a quarterly basis
Maturity of principal : November 1, 2009

Pursuant to a share transfer agreement dated May 20, 1999, the Company transferred 61,512,076 shares of LG Semicon Co., Ltd. to Hyundai Electronics Industries Co., Ltd. in exchange for ₩1,726,208 million and recognized a gain on disposal of investment of ₩1,098,820 million for the six-month period ended June 30, 1999. Pursuant to the agreement, the Company recognized a loss from price settlement of ₩59,600 million for the six-month period ended June 30, 2000.

Pursuant to a joint venture agreement with Koninklijke Philips Electronics N.V. ("Philips") dated July 24, 1999, the Company transferred certain of the Company's stock rights in LG. Philips LCD Co., Ltd. (formerly, LG LCD Co., Ltd.) to Philips. As a result, the Company reduced its ownership of LG. Philips LCD Co., Ltd. to 50%. According to the agreement, the Company was paid an additional amount of ₩47,462 million by Philips and recognized a gain on disposal of investment for the six-month period ended June 30, 2000.

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

8. Property, Plant and Equipment:

Property, plant and equipment as of June 30, 2000 and 1999 comprise the following :

	Millions of Won	
	June 30, 2000	June 30, 1999
Buildings	₩ 1,016,082	₩ 957,864
Structures	96,627	85,677
Machinery and equipment	1,095,063	921,009
Tools	721,406	693,792
Furniture and fixtures	419,211	415,430
Vehicles	24,861	25,634
	3,373,250	3,099,406
Accumulated depreciation	(1,403,051)	(1,196,683)
	1,970,199	1,902,723
Land	716,532	703,677
Construction in progress	103,123	118,294
Machinery in transit	33,018	11,246
	₩ 2,822,872	₩ 2,735,940

At June 30, 2000 and 1999, the value of the Company's land, as determined by the local government in Korea for property tax assessment purpose, approximates ₩ 598,330 million and ₩ 560,977 million, respectively.

At June 30, 2000 and 1999, property, plant and equipment, other than land and certain construction in progress, are insured against fire and other casualty losses up to approximately ₩ 3,611,016 million and ₩ 3,872,948 million, respectively.

A substantial portion of property, plant and equipment at June 30, 2000 and 1999 is pledged as collateral for various loans from banks, including Korea Development Bank, up to a maximum Won equivalent amount of approximately ₩ 596,116 million and ₩ 585,092 million, respectively (see Notes 10 and 11).

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

9. Intangible Assets :

Intangible assets at June 30, 2000 and 1999 comprise the following :

	Millions of Won	
	June 30, 2000	June 30, 1999
Development costs	₩ 90,581	₩ 401,698
Patents	14,892	18,674
Goodwill	-	3,905
Other	12,969	3,066
	₩ 118,442	₩ 427,343

Details of research and development costs incurred for the six-month periods ended June 30, 2000 and 1999 are as follows :

	Millions of Won	
	June 30, 2000	June 30, 1999
Capitalized	₩ 24,459	₩ 42,152
Expensed	96,502	81,962
	₩ 120,961	₩ 124,114

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

10. Short-Term Borrowings:

Short-term borrowings at June 30, 2000 and 1999 comprise the following :

	Annual Interest Rates (%) at June 30, 2000	In Millions	
		June 30, 2000	June 30, 1999
Bank overdrafts	8.00 – 11.50	₩ 139	₩ 15,463
Won currency loans :			
General term loans	7.15 – 7.95	138,000	414,000
Loans from insurance companies	-	-	113,000
Trade loans	-	-	13,929
Notes discounted	-	-	400,000
		<u>138,000</u>	<u>940,929</u>
Foreign currency loans	1.48 – 9.07	12,241	2,286
		[US\$ 11]	[US\$ 2]
		[¥ 11]	[¥ 31]
		<u>₩ 150,380</u>	<u>₩ 958,678</u>

See Notes 3 and 8 for collateral arrangements for these borrowings.

Current maturities of long-term debt at June 30, 2000 and 1999 comprise the following :

	In Millions of Won	
	June 30, 2000	June 30, 1999
Debentures	₩ 607,100	₩ 1,056,463
Discount on debentures	(3,496)	(5,701)
Premium on debentures	2,240	-
Long-term debt	<u>252,678</u>	<u>268,344</u>
	<u>₩ 858,522</u>	<u>₩ 1,319,106</u>

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

11. Long-Term Debt :

Long-term debt at June 30, 2000 and 1999 comprises the following:

	Annual Interest Rate (%) at June 30, 2000	In Millions	
		June 30, 2000	June 30, 1999
<u>Debentures</u>			
Guaranteed, payable through 2001	11.0 – 25.0	₩ 509,100	₩ 1,218,000
Non-guaranteed, payable through 2004	12.5 – 16.5	128,000	398,000
General, payable through 2003	8.0 – 12.0	1,590,000	1,220,000
Floating rate notes in foreign currency, payable through 2002 (*1)	LIBOR + 1.40	111,480	178,462
		(US\$ 100)	(US\$ 154)
		<u>2,338,580</u>	<u>3,014,462</u>
<u>Convertible Bonds (*2)</u>			
Foreign currency, issued in 1991	-	-	40
			(US\$ -)
Foreign currency, issued in 1996	1.25	33,096	33,096
		(US\$ 40)	(US\$ 40)
Won currency, issued in 1998	1.0	100,000	100,000
		<u>133,096</u>	<u>133,136</u>
<u>Exchangeable Bonds (*3)</u>			
Foreign currency, issued in 1997	0.25	66,623	66,623
		(US\$ 75)	(US\$ 75)
		2,538,299	3,214,221
Less : treasury debentures		(117,171)	(117,171)
current maturities		(607,100)	(1,056,463)
discount on debentures		(35,642)	(50,935)
premium on debentures		2,314	15,667
		<u>₩1,780,700</u>	<u>₩ 2,005,319</u>

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

11. Long-Term Debt, Continued:

	Annual Interest Rate (%) at June 30, 2000	In Millions	
		June 30, 2000	June 30, 1999
<u>Won currency loans</u>			
Korea Development Bank	5.50 – 9.95	₩ 175,212	₩ 101,927
Kookmin Bank	5.00 – 8.25	3,769	5,331
Korea Technology Banking Corporation	6.00 – 7.50	5,438	7,665
Housing and Commercial Bank	3.00	849	2,474
Hana bank	7.50	920	920
Choheung bank	-	-	553
Hanvit Bank	8.38	30,000	-
		216,188	118,870
<u>Foreign currency loans</u>			
Korea Development Bank	8.90	10,133	8,965
Korea Development Bank	LIBOR + 0.5 ~ 2.15	62,192	54,905
Hanvit Bank	LIBOR + 0.425 ~ 2.5	52,234	191,443
Hanvit Bank	-	-	5,358
Choheung Bank	LIBOR + 0.4	2,655	126,229
Korea Exchange Bank	LIBOR + 0.45 ~ 0.47	245,256	173,386
Kookmin Bank	LIBOR + 0.75 ~ 4.0	1,363	2,597
Export-Import Bank of Korea	LIBOR + 0.625	4,383	5,680
Korea First Bank	LIBOR + 1.5	12,806	-
Bank One	LIBOR + 2.5	7,444	-
Development Bank of Singapore	LIBOR + 1.6	8,097	-
Citi Bank	LIBOR + 2.5	9,985	17,254
Daichi-Kangyo Bank	-	-	1,269
Banque Paribas	LIBOR + 0.7	8,220	10,417
FNBC	-	-	15,437
Canada Royal Bank	-	-	2,890
Tokyo Bank	-	-	3,283
Societe General	LIBOR + 0.6	18,654	21,759
Sakura Bank	-	-	1,641
Sumitomo Bank	LIBOR + 0.65	14,459	15,039
Novascotia	LIBOR + 1.5	2,995	-
		460,876	657,552
		(US\$ 413)	(US\$ 552)
		(¥ -)	(¥ 2,042)
		677,064	776,422
Less : current maturities		(252,678)	(268,344)
		₩ 424,386	₩ 508,078

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
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11. Long-Term Debt, Continued:

In relation to guaranteed debentures, the Company pays guarantee fees of 0.1% ~ 0.5% per annum.

Treasury debentures of ~~₩~~ 117,171 million held by the Company at June 30, 2000 and 1999 are Won currency convertible bonds and a portion of exchangeable bonds.

(*1) In 2000, the Company issued U.S. Dollar denominated floating rate notes aggregating US\$ 100 million, which is due on April 25, 2002.

(*2) In 1996, the Company issued foreign currency denominated convertible bonds aggregating US\$40 million, bearing interest at 1.25% per annum. The bonds are convertible into common stock through October 2006, unless previously redeemed, at a specified conversion price, subject to adjustment based on the occurrence of certain events as provided for in the offering agreement. The adjusted conversion price as of June 30, 2000 is ~~₩~~22,174 per share. The fixed rate of exchange applicable to the exercise of the conversion rights is ~~₩~~827.40 per US\$1.00. The bonds will mature on November 26, 2006 at par value, unless previously converted or redeemed. Any bondholder may redeem all or some of the bonds held on November 26, 2001 at 133.20% of the principal amount of such bonds, together with interest accrued to the date of redemption.

In 1998, the Company issued Won currency convertible bonds aggregating ~~₩~~100,000 million, bearing interest at 1.0% per annum. The bonds are convertible into common stock through November 2001, unless previously redeemed, at a specified conversion price, subject to adjustment based on the occurrence of certain events as provided for in the offering agreement. The adjusted conversion price as of June 30, 2000 is ~~₩~~20,555 per share. The bonds will mature on December 31, 2001 at 112.5% of the principal amount, unless previously converted or redeemed.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
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11. Long-Term Debt, Continued:

(*3) In 1997, the Company issued foreign currency denominated exchangeable bonds totaling US\$ 75 million bearing interest at 0.25% per annum. The bonds are exchangeable into common stock of Hyundai Electronics Industries Co., Ltd. ("Hyundai Electronics," formerly "LG Semicon Co., Ltd.") through November 2007, unless previously redeemed. Each bond can be exchanged for 250 shares of Hyundai Electronics common stock with a par value of ₩5,000. The exchange price was initially determined to be ₩35,430 per share based on a fixed exchange rate for U.S. dollars of US\$1.00 = ₩888.30. The terms and conditions of the exchangeable bonds are as follows :

- Basic exchange price for each share of Hyundai Electronics common stock :
US\$ 39.88 (~~₩~~35,430 / ~~₩~~888.30)
- Payment of interest : At the end of each year
- Final redemption :
Unless previously redeemed, purchased or exchanged, the bonds will be redeemed on December 31, 2007 at their principal amount, plus accrued interest.
- Redemption at the option of the Company :
The Company may redeem any or all of the bonds at their principal amount, plus accrued interest. However, no such redemption can be made before July 9, 2002, unless the closing price (converted into U.S. Dollars at the prevailing exchange rate) for each of the 30 consecutive trading days, the last of which occurs not more than 30 days prior to the date upon which the notice of redemption is published, has been at least 135% of the exchange price in effect on each such trading day converted into U.S. Dollars at a fixed exchange rate of US\$1.00 : ~~₩~~888.30.
- Redemption at the option of the bondholders :
The bondholders may require the Company to redeem any or all (in multiples of US\$ 10,000) of the bonds held by such holders on July 8, 2002 at 133.67% of the principal amount of such bonds, plus accrued interest.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

11. Long-Term Debt, Continued:

· Exchange by bondholder

Each bond is exchangeable for a pro rata share of the exchange property until November 30, 2007. The exchange property initially comprised 1,880,397 common shares of Hyundai Electronics, calculated by dividing the aggregate principal amount (converted into Won at a fixed exchange rate of US\$1.00 : ₩888.30) by the exchange price, but is subject to change as a result of any adjustment to the exchange price or an offer made for the common shares.

On July 1996, relating to construction of Bundang research center, the Company entered into a land purchase agreement with Korea Land Corporation under which the Company has acquired certain land and is obligated to pay the contracted amount on an installment basis through 2001. As of June 30, 2000, the Company has outstanding long-term other accounts payable for the agreement amounting to ₩ 3,714 million.

See Notes 3 and 8 for the related collateral arrangements for the Company's long-term debt.

The maturities of long-term debt outstanding at June 30, 2000 are as follows:

For the twelve-month period ending June 30,	Millions of Won			Total
	Debentures and Bonds (*)	Long-term debt	Long-term other accounts payable	
2002	₩1,501,480	₩346,109	₩ 3,714	₩1,851,303
2003	200,000	42,162	-	242,162
2004	30,000	20,558	-	50,558
2005	-	11,229	-	11,229
2006 and thereafter	82,548	4,328	-	86,876
	<u>₩1,814,028</u>	<u>₩424,386</u>	<u>₩ 3,714</u>	<u>₩2,242,128</u>

(*) No early redemption of bonds or debentures is assumed.

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

12. Leases:

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

As of June 30, 2000, future lease payments under operating lease agreements are as follows :

For the twelve-month period ending June 30,	Millions of Won
2001	₩ 42,414
2002	13,864
2003	2,709
2004	604
	₩ 59,591

13. Accrued Severance Benefits:

Accrued severance benefits at June 30, 2000 and 1999 are as follows:

	Millions of Won	
	June 30, 2000	June 30, 1999
Beginning balance	₩ 434,842	₩ 456,071
Severance payments	(42,941)	(98,251)
Transfer-in from affiliated companies	224	8,747
Provisions	62,890	46,262
Additional provisions	-	11,220
Conversion from severance insurance deposit	5,997	-
	461,012	424,049
Contribution to National Pension Fund	(36,303)	(43,330)
Severance insurance deposits	(254,580)	-
	₩ 170,129	₩ 380,719

At June 30, 2000, the severance benefits are funded approximately 55% through employees severance insurance plans with Kyobo Life Insurance Co., Ltd. and other life insurance companies. At June 30, 1999, the severance benefits are funded approximately 53% through group severance insurance plans with Kyobo Life Insurance Co., Ltd. and other life insurance companies.

The amounts funded under employees severance insurance plans (severance insurance deposits) are presented as deduction from accrued severance benefits and the amounts funded under group severance insurance plans are recorded as long-term financial instruments (Note 3).

LG ELECTRONICS INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 (See independent accountants' review report)
 for the six-month periods ended June 30, 2000 and 1999

14. Commitments and Contingencies:

At June 30, 2000, the Company provided 19 notes and 3 checks to financial institutions as collateral in relation to various borrowings and guarantees of indebtedness. In addition, the Company has received guarantees approximating ₩545,655 million from various banks for the repayment of certain debentures of the Company.

At June 30, 2000, the Company has entered into bank overdraft facility agreements with various banks amounting to ₩296,200 million.

At June 30, 2000, the outstanding balance of domestic trade notes receivable and export trade accounts receivable sold at discount to various financial institutions with recourse is ₩2,084,639 million.

At June 30, 2000, the Company was a party to various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

At June 30, 2000, the Company has entered into factoring agreements with LG Capital Co., Ltd. and Shin Han Bank. In relation to the agreements, at June 30, 2000, the outstanding balance of factored accounts receivable is ₩57,967 million.

At June 30, 2000, the Company was contingently liable for foreign currency denominated guarantees approximating ₩1,365,999 million on indebtedness of its subsidiaries and affiliates as follows :

	Millions of Won
<u>Domestic companies</u>	
LG Telecom, Ltd.	₩ 111,480
Other	25,316
	136,796
<u>Overseas companies</u>	
LG Electronics Wales Ltd.	208,779
PT LG Electronics Display Device Indonesia	126,132
LG Electronics Alabama Inc.	159,416
LG Electronics U.S.A., Inc.	111,480
LG Electronics North of England Ltd.	42,318
LG Electronics Tianjin Appliance Co., Ltd.	70,232
Shuguang LG Electronics Co., Ltd.	72,585
Other	438,261
	1,229,203
Total	₩ 1,365,999

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

14. Commitments and Contingencies, Continued :

In order to reduce the impact of changes in exchange rates, the Company enters into foreign currency forward contracts. As of June 30, 2000, the Company has outstanding forward contracts for selling US Dollars amounting to US\$ 165 million (contract rates : ₩1,121.2 : US\$ 1-₩1,140.2 : US\$ 1, contract due dates : July 2000 through April 2001) and an unrealized gain of ₩ 1,428 million was credited to operations for the six-month period ended June 30, 2000.

In order to reduce the impact of changes in interest rates, the Company enters into interest rate swap contracts and an unrealized gain of ₩256 million was recorded as a capital adjustment. A summary of the terms of outstanding interest rate swap contracts at June 30, 2000 is as follows (see Note 18) :

	Amount (In millions)	Buying rate (*)	Selling rate (%)	Contract due date
Korea Exchange Bank	US\$ 50	5.45%	6M LIBOR	2001. 6. 5
Korea Exchange Bank	US\$ 40	5.90%	6M LIBOR	2000.8.24
Deutsche Bank	US\$ 40	5.90%	6M LIBOR	2000.8.24
Citi Bank	US\$ 20	5.91%	6M LIBOR	2000.8.24

(*) If 6 month LIBOR is over 6.25%, the rate deducting 0.1 or 0.35% point from 6 month LIBOR would be applied.

In order to reduce the impact of changes in exchange rates, the Company enters into foreign currency interest rate swap contracts to convert long-term debt denominated in US Dollars to Hong Kong Dollars. An unrealized gain of ₩950 million was credited to operations for the six-month period ended June 30, 2000. A summary of the terms of outstanding currency interest rate swap contracts at June 30, 2000 is as follows :

	Amount (In millions)	Exchange rate	Buying rate	Selling rate	Contract due date
Citi Bank	US\$40.0	HK\$7.765:US\$1	5.35%	7%	2001.8.30
Deutsche Bank	US\$40.0	HK\$7.765:US\$1	5.34%	7%	2001.8.30
CSFB	US\$45.5	HK\$7.765:US\$1	5.35%	7%	2001.8.30

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

14. Commitments and Contingencies, Continued :

In order to reduce the impact of changes in exchange rates, the Company enters into foreign currency option contracts. An unrealized gain of ₩252 million was credited to operations for the six-month period ended June 30, 2000. A summary of the terms of outstanding currency option contracts at June 30, 2000 is as follows :

	<u>Option Type</u>	<u>Amount (In millions)</u>	<u>Exercising price</u>	<u>Contract due date</u>
Standard Chartered Bank	Put	US\$ 10.0	₩ 1,124.00	2000.7.14
	Call	US\$ 20.0	1,124.00	2000.7.14
Societe	Put	US\$ 10.0	1,126.40	2000.8.18
	Call	US\$ 20.0	1,126.40	2000.8.18
Citi Bank	Put	US\$ 10.0	1,132.90	2000.9.22
	Call	US\$ 20.0	1,132.90	2000.9.22

As a result of above derivatives contracts, a gain of ₩9,104 million and a loss of ₩3,669 million were realized for the six-month period ended June 30, 2000.

The Company is named as the defendant or the plaintiff in various legal actions arising from the normal course of business. The aggregate amounts of claims as the defendant brought against and the plaintiff brought by the Company are approximately ₩20,127 million in 3 cases and ₩12,727 million in 8 cases, respectively, as of June 30, 2000. The Company believes that the outcome of these matters is uncertain but, in any event, they would not result in a material ultimate losses on the Company's financial position or operations. Accordingly, no provision for potential losses arising from these claims is reflected in the accompanying financial statements.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

14. Commitments and Contingencies, Continued :

In connection with the Asian financial crisis which began in 1997, the Korean economy as well as other economies in the Asia Pacific region experienced economic contractions, a reduction in the availability of credit, increased interest rates, increased inflation, negative fluctuations in currency exchange rates, increased numbers of bankruptcies, increased unemployment and labor unrest. Such conditions had a significant adverse effect on the operations of the Company and other companies in Korea and in the Asia Pacific region. In addition, the Company has investments in, and receivables from affiliates in Thailand, Indonesia and other Asia Pacific countries. The Company also has outstanding guarantees on the debt obligations of these affiliates. These affiliates have been affected, and may continue to be affected by the unstable economic situation in the Asia Pacific region.

Recently, economic conditions in the Republic of Korea have improved as evidenced by an increased trade surplus, increases in foreign exchange reserves, record levels of foreign investment and economic growth, lower inflation and interest rates and stabilized foreign exchange rates. Notwithstanding the current recovery, significant uncertainties still exist related to the economy in Korea and in the Asia Pacific region. The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

Zenith Electronics Corporation ("Zenith"), a subsidiary, has experienced significant financial difficulties resulting from continuous losses. Zenith filed a pre-packaged plan of reorganization under Chapter 11 of the Bankruptcy Code of the United States of America in August 1999. The reorganization plan was approved by the court in November 1999. As a result of the reorganization plan, the Company owns 100% of equity in the restructured Zenith and has ₩134,507 million (US\$ 121 million) of senior secured notes issued by Zenith and ₩66,888 million (US\$ 60 million) of loans to Zenith as of June 30, 2000 (see Note 7).

LG ELECTRONICS INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 (See independent accountants' review report)
 for the six-month periods ended June 30, 2000 and 1999

15. Capital Stock :

As of June 30, 2000, capital stock is as follows :

	<u>Number of issuance (shares)</u>	<u>Par value</u>	<u>Millions of Won</u>
Common	107,327,666	₩ 5,000	₩ 536,638
Preferred	19,095,547	5,000	95,478
	<u>126,423,213</u>		<u>₩ 632,116</u>

As of June 30, 2000, the number of shares authorized are 500,000,000 shares.

As of June 30, 2000, 19,095,547 shares of non-voting preferred stock are issued and outstanding. The preferred shareholders have no voting rights and are entitled to non-participating and non-cumulative preferred dividends at a rate of one percentage point over those for common stock. This preferred dividend rate is not applicable to stock dividends.

16. Capital Surplus:

In cases where the net assets of the combined enterprises exceed the consideration paid, the Company records the excess amount as a gain on merger.

The Company revalued a substantial portion of its property, plant and equipment, effective January 1, 1981 and 1993 and October 1, 1998, in accordance with the Korean Asset Revaluation Law and obtained relevant governmental approval. The revaluation increment of ₩ 339,676 million, net of tax, transfer to capital stock and offset against deferred foreign currency translation losses, is credited to revaluation surplus.

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

17. Retained Earnings :

Retained earnings at June 30, 2000 and 1999 are as follows:

	Millions of Won	
	June 30, 2000	June 30, 1999
Legal reserve (*1)	₩ 41,499	₩ 28,699
Other reserves		
Reserve for business rationalization (*2)	326,180	126,180
Reserve for improvement of financial structure (*3)	84,458	84,458
Reserve for technological development (*4)	974,517	48,647
Reserve for export loss (*4)	14,000	14,000
	1,399,155	273,285
Unappropriated retained earnings carried forward to subsequent period	508,792	671,320
	₩ 1,949,446	₩ 973,304

(*1) 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 payment of cash dividends, but may be transferred to capital stock through an appropriate resolution by the Company's board of directors or used to reduce accumulated deficit, if any, through appropriate resolution by the Company's shareholders.

(*2) Pursuant to the Tax Exemption and Reduction Control Law, the Company is required to appropriate, as a reserve for business rationalization, a portion of retained earnings equal to tax reductions arising from investment and other tax credits. This reserve is not available for dividends but may be transferred to capital stock through an appropriate resolution by the Company's board of directors or used to reduce accumulated deficit, if any, through appropriate resolution by the Company's shareholders.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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17. Retained Earnings, Continued:

- (*3) In accordance with the provisions of the Financial Control Regulation for publicly listed companies, 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 equity equals 30% of total assets. This reserve is not available for dividends, but may be transferred to capital stock through an appropriate resolution by the Company's board of directors or used to reduce accumulated deficit, if any, through an appropriate resolution by the Company's shareholders.
- (*4) Pursuant to the Tax Exemption and Reduction Control Law of Korea, the Company is allowed to appropriate retained earnings as a reserve for technological development and export loss. These reserves are not available for dividends until used for the specified purposes or reversed.

Changes in unappropriated retained earnings for the six-month period ended June 30, 2000 are as follows :

	Millions of Won
Unappropriated retained earnings carried over from prior period	₩ 44
Adjustment :	
Investments in affiliates accounted for using equity method	68,106
Other	(1,943)
As restated	66,207
Net income	442,585
Unappropriated retained earnings carried forward to subsequent period	₩ 508,792

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

18. Capital Adjustments:

At June 30, 2000 and 1999, capital adjustments are as follows:

	Millions of Won	
	June 30, 2000	June 30, 1999
Treasury stock	₩ -	₩ (16,230)
Loss from disposal of treasury stock	-	(7,634)
Gain (or Loss) on valuation of derivative financial instruments	256	(425)
Gain (or Loss) on valuation of investments:		
- Investments in affiliates accounted for using equity method	(91,180)	227,104
- Marketable equity securities	(83,980)	10,977
	₩ (174,904)	₩ 213,792

19. Income Taxes:

For the six-month period ended June 30, 2000 and 1999, income tax expense is as follows :

	Millions of Won	
	June 30, 2000	June 30, 1999
Current income taxes	₩ 100,387	₩ 187,174
Deferred income taxes	80,524	115,024
	₩ 180,911	₩ 302,198

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
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19. Income Taxes, Continued :

The statutory income tax rate, including resident tax surcharges, applicable to the Company for 2000 and 1999 is approximately 30.8%. As a result of tax credits and permanent differences in recognizing certain income and expenses for income tax and financial accounting purpose, the effective tax rates are approximately 29.0% and 24.6%, respectively. The reconciliation from accounting income to taxable income for the six-month periods ended June 30, 2000 and 1999 is as follows :

	Millions of Won	
	June 30, 2000	June 30, 1999
Net income before income tax	₩ 623,496	₩ 1,227,975
Gain on equity method valuation	(238,705)	(166,417)
Amortization of deferred foreign currency translation loss	(37,831)	(64,880)
Customs duty drawback	3,676	(28,383)
Losses from sales of receivables	(13,092)	-
Bad debt expenses	34,977	(1,267)
Accrued severance benefits	(33,061)	-
Others, net	27,700	(2,548)
Taxable income	₩ 367,160	₩ 964,480

Components of deferred taxes as of June 30, 2000 are as follows :

	Millions of Won			
	As of December 31, 1999	Increases	Decreases	As of June 30, 2000
<u>Deferred tax assets</u>				
Deferred foreign exchange loss, net	₩ 22,411	₩ -	₩ 7,107	₩ 15,304
Losses from sales of receivables	33,130	12,304	16,336	29,098
Equity method of accounting	145,345	(73,521)	-	71,824
Bad debt expenses	24,682	21,470	10,697	35,455
Other	23,211	2,010	(3,197)	28,418
Total	248,779	(37,737)	30,943	180,099
<u>Deferred tax liabilities</u>				
Amortization of intangible assets	(18,299)	(6,027)	(2,288)	(22,038)
Gain on valuation of investments	(11,097)	1,124	-	(9,973)
Customs duty drawback	(8,198)	(7,066)	(8,198)	(7,066)
Reserve for technology development	(1,869)	(97,000)	(380)	(98,489)
Other	(1,340)	10,423	21,164	(12,081)
Total	(40,803)	(98,546)	10,298	(149,647)
Net deferred tax assets	₩ 207,976	₩(136,283)	₩ 41,241	₩ 30,452

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

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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20. Earnings Per Share:

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the six-month period.

Basic earnings per share for the six-month period ended June 30, 2000 and 1999 are calculated as follows:

	Millions of Won (except for EPS data)	
	June 30, 2000	June 30, 1999
<u>Basic earnings per share</u>		
Net income as reported on the statement of income	₩ 442,584	₩ 925,777
Less : Preferred stock dividends (*)	(1,424)	(1,416)
Net income allocated to common stock	441,160	924,361
Weighted average number of common shares outstanding	107,327,666	107,327,666
Basic earnings per share	₩ 4,110	₩ 8,613

(*) For the six-month period ended June 30, 2000 :

$$19,095,547 \text{ shares} \times \cancel{\text{₩}}5,000 \times 3\% \times \frac{182}{366} = \cancel{\text{₩}} 1,424,339,981$$

(*) For the six-month period ended June 30, 1999 :

$$19,039,157 \text{ shares (excluding 56,390 shares of treasury stock)} \times \cancel{\text{₩}} 5,000 \times 3\% \times \frac{181}{365} = \cancel{\text{₩}} 1,416,200,308$$

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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20. Earnings Per Share, Continued;

Diluted earnings per share is computed by dividing diluted net income, which is adjusted to add back the after-tax amount of interest expenses on any convertible debt, by the weighted average number of common shares and diluted securities outstanding during the period, assuming conversion into common shares at the beginning of the periods as follows:

	Millions of Won (except for EPS data)	
	June 30, 2000	June 30, 1999
Net income allocated to common stock	₩ 441,160	₩ 924,361
Add : Interest expenses of convertible bond, net of tax	550	544
	441,710	924,905
Sum of weighted average number of common shares and diluted securities outstanding	108,820,224	108,820,224
Diluted earnings per share	₩ 4,059	₩ 8,499

The dilutive securities outstanding for the six-month periods ended June 30, 2000 and 1999 are as follows :

- Diluted security : Foreign currency denominated convertible bonds, issued in 1996
- Issue price : ₩ 33,096 million (US\$ 40 million)
- Conversion period : December 26, 1996 through October 26, 2006
- Number of common stocks to be issued : 1,492,558 shares
- Conversion price : ₩ 22,174 per share

21. Business Transfer:

On January 1, 2000, the Company purchased the domestic sales division of the mobile phone business of LG Information & Communication, Ltd. As a result, ₩ 70,619 million of related assets were transferred to the Company.

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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22. Transactions with Related Parties:

Significant transactions entered into in the ordinary course of business with related parties for the six-month periods ended June 30, 2000 and 1999 and the related account balances outstanding at June 30, 2000 and 1999 are summarized as follows.

	Millions of Won			
	Sales	Purchases	Receivables	Payables
LG Electronics Alabama, Inc.	₩ 257,708	₩ 4,807	₩ 3,103	₩ 2,877
PT LG Electronics Display Devices Indonesia	96,764	16,128	16,035	1,806
Zenith Electronics Corporation	26,835	-	205,134	1,205
LG Electronics France Inc.	102,268	-	3,389	1,253
Shuguang LG Electronics Co., Ltd.	92,464	20,294	15,924	582
LG Electronics U.S.A., Inc.	346,977	-	830	6,650
Other	1,980,620	911,432	216,564	505,960
2000 Total	₩2,903,636	₩ 952,661	₩460,979	₩ 520,333
1999 Total	₩1,116,879	₩ 391,520	₩675,696	₩ 244,305

23. Segment Information:

The Company has organized three reportable business divisions: Display division, Home Appliance division and Multimedia division. Additionally, the Company has a centralized supporting division to provide general and administrative, marketing and sales and research and development services to each business division.

Main products each business division manufactures and sells are as follows :

Display division :	TV, CPT/CDT, Monitor, DY, FBT, Electron gun, Magnetron and PDP
Home Appliance division :	Refrigerator, Washing machine, Air conditioner, Microwave oven and Vacuum cleaner
Multimedia division :	VCR, PC, Computer, CD-ROM and Audio

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2000 and 1999

23. Segment Information, Continued:

Financial Data by Business Division (Millions of Won)

	Total	Business Division			Supporting Division
		Display	Home Appliance	Multimedia	
. Sales					
External Sales	₩6,894,252	₩2,239,296	₩2,171,023	₩1,821,019	₩ 662,914
Inter-division Sales	948,655	620,264	270,113	41,631	16,647
	<u>7,842,907</u>	<u>2,859,560</u>	<u>2,441,136</u>	<u>1,862,650</u>	<u>679,561</u>
. Operating Income (Loss)	<u>571,709</u>	<u>188,283</u>	<u>278,480</u>	<u>117,337</u>	<u>(12,391)</u>
. Fixed Assets					
Tangible and Intangible assets	<u>2,941,314</u>	<u>818,659</u>	<u>795,519</u>	<u>473,065</u>	<u>854,071</u>
Depreciation	<u>₩ 188,571</u>	<u>₩ 78,617</u>	<u>₩ 50,324</u>	<u>₩ 28,006</u>	<u>₩ 31,624</u>

Financial data by Geographic Area (Million of Won)

	Total	Domestic	North America	Central & South America	Europe	Central Asia	Asia	Pacific	Africa
Sales									
External sales	₩6,894,252	₩ 2,277,481	₩1,298,110	₩242,797	₩873,106	₩ 329,705	₩1,720,700	₩ 62,361	₩89,992
Inter-division Sales	948,655	948,655							
	<u>₩7,842,907</u>	<u>₩ 3,226,136</u>	<u>₩1,298,110</u>	<u>₩242,797</u>	<u>₩873,106</u>	<u>₩ 329,705</u>	<u>₩1,720,700</u>	<u>₩ 62,361</u>	<u>₩89,992</u>

24. Subsequent Events:

Through a resolution by the board of directors on July 10, 2000, the Company decided to acquire ₩100,000 million of treasury stock through trust agreement from July 11, 2000 to January 10, 2001 to stabilize its stock price.