

**LG ELECTRONICS INC.
REVIEW REPORT**

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2001 and 2000

Review Report of Independent Accountants

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, 2001 and 2000, the related income statements for the six-month periods then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our reviews in accordance with semi-annual review standards established by the Securities & Futures Commission of the Republic of Korea. These standards require that we plan and perform the 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 accompanying financial statements are not presented fairly, in all material respects, in accordance with accounting standards for preparing quarterly and semi-annual financial statements generally accepted in the Republic of Korea.

As discussed in Note 21 to the accompanying financial statements, for the six-month periods ended June 30, 2001 and 2000, the Company entered into various transactions with affiliated companies including sales of ₩ 3,772,891 million and ₩ 2,903,636 million, respectively, and purchases of ₩ 455,227 million and ₩ 952,661 million, respectively. As of June 30, 2001 and 2000, related accounts receivables approximate ₩ 846,816 million and ₩ 460,979 million, respectively, and related accounts payables approximate ₩ 253,481 million and ₩ 520,333 million, respectively.

Continued;

As discussed in Note 24 of the accompanying financial statements, pursuant to the resolution by the board of directors on June 11, 2001, the Company established a joint venture (LG. Philips Displays International Ltd.) relating to its Cathode Ray Tubes (“CRT”) business with Koninklijke Philips Electronics N.V. with ownership of 50% to 50% in the Netherlands on June 29, 2001. The Company transferred assets and liabilities of the CRT business to LG. Philips Displays Korea Co., Ltd., a subsidiary wholly owned by the joint venture, on June 30, 2001. As a result, the Company recognized ₩ 1,358,701 million of gain on business transfer.

As discussed in Note 15 to the accompanying financial statements, on June 29, 2001, pursuant to a resolution by the board of directors the Company redeemed ₩ 542,952 million (32,000,000 shares) of the redeemable preferred stock issued in December 2000.

As discussed in Note 14 of 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 or results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. The procedures and practices used to review such financial statements may differ from those generally accepted and applied in other countries and jurisdictions. Accordingly, this report and the accompanying financial statements are not intended for use by those who are not informed about Korean accounting principles or reviewing standards and their application in practice.

Seoul, Korea
July 24, 2001

LG ELECTRONICS INC.
NON-CONSOLIDATED BALANCE SHEETS
(See independent accountants' review report)
As of June 30, 2001 and 2000
(In millions of Korean Won)

	2001	2000
ASSETS		
Current Assets :		
Cash and cash equivalents (Note 5)	₩ 845,695	₩ 136,356
Short-term financial instruments (Note 3)	82,853	3,739
Marketable securities	1,340	2,599
Trade accounts and notes receivable, net (Notes 4, 5 and 21)	1,039,719	468,009
Other accounts receivable, net (Notes 4 and 5)	120,241	199,383
Inventories (Note 6)	919,334	573,830
Prepaid expenses	49,176	67,588
Other current assets (Note 4)	192,619	150,000
Total current assets	3,250,977	1,601,504
Property, plant and equipment, less accumulated depreciation (Notes 8, 10 and 11)		
	2,944,282	2,822,872
Long-term financial instruments (Note 3)	11,306	10,594
Investments (Note 7)	4,837,714	3,886,286
Refundable deposits	208,221	231,739
Long-term trade accounts receivable (Note 4)	4,329	7,705
Long-term other accounts receivable (Note 4)	-	50,644
Long-term prepaid expenses	49,290	30,065
Deferred tax assets, net (Note 19)	156,952	30,452
Long-term loans (Notes 4 and 5)	113,684	101,537
Intangible assets (Note 9)	1,063,098	118,442
Deferred gain on derivatives transaction	27,900	-
Total assets	₩ 12,667,753	₩ 8,891,840

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, 2001 and 2000
(In millions of Korean Won)

	2001	2000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities :		
Short-term borrowings (Note 10)	₩ 220,241	₩ 150,380
Current maturities of long-term debt (Note 10)	2,218,056	858,522
Trade accounts and notes payable (Notes 5 and 21)	1,084,512	1,149,251
Other accounts payable (Note 5)	539,736	493,598
Income taxes payable (Note 19)	382,916	110,517
Dividends payable (Note 15)	20,212	-
Accrued expenses (Note 5)	589,599	346,833
Withholdings	90,733	33,829
Advances from customers	146,903	98,238
Unearned revenue	3	68
Deferred loss on derivatives transaction	14,299	-
Total current liabilities	5,307,210	3,241,236
Debentures, net of current maturities and discounts (premiums) on debentures (Note 11)	2,138,965	1,780,700
Long-term debt, net of current maturities (Note 11)	202,184	424,386
Long-term other accounts payable	9,295	3,714
Accrued severance benefits, net (Note 13)	159,458	170,129
Other long-term liabilities	131	2,101
Total liabilities	7,817,243	5,622,266
Commitments and contingencies (Note 14)		
Shareholders' Equity :		
Capital stock (Note 15)	1,031,068	632,116
Capital surplus :		
Additional paid-in capital	1,984,784	493,508
Gain on merger (Note 16)	29,732	29,732
Revaluation surplus (Note 16)	339,619	339,676
Total capital surplus	2,354,135	862,916
Retained earnings (Note 17) :		
Legal reserve	55,999	41,499
Other reserves	1,074,203	1,399,155
Unappropriated retained earnings carried forward	1,205,406	508,792
Total retained earnings	2,335,608	1,949,446
Capital adjustments (Note 18)	(870,301)	(174,904)
Total shareholders' equity	4,850,510	3,269,574
Total liabilities and shareholders' equity	₩ 12,667,753	₩ 8,891,840

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

LG ELECTRONICS INC.
NON-CONSOLIDATED INCOME STATEMENTS
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000
(In millions of Korean Won except for earning per share amounts)

	2001	2000
Sales (Note 22)	₩ 8,699,514	₩ 6,894,252
Cost of sales	6,696,162	5,429,507
Gross profit	2,003,352	1,464,745
Selling and administrative expenses	1,464,699	893,036
Operating income	538,653	571,709
Non-operating income :		
Interest income	23,048	18,317
Dividend income	2,633	1,754
Foreign exchange gains	108,963	67,779
Gain on disposal of investments	158	53,666
Gain on disposal of property, plant and equipment	700	1,357
Equity in income of affiliates, net	-	238,705
Gain on valuation of derivatives	1,908	-
Gain on transaction of derivatives	19,710	-
Gain on business transfer (Note 24)	1,358,701	-
Other	155,992	96,566
	1,671,813	478,144
Non-operating expenses :		
Interest expense	201,328	187,679
Loss on valuation of marketable securities	64	-
Loss on valuation of inventories	5,507	-
Foreign exchange losses	147,358	53,030
Loss from redemption of debentures	4,788	-
Loss from disposal of investments	10,711	5,843
Loss from disposal of property, plant and equipment	15,236	9,621
Loss from transfer of trade accounts and notes receivable	81,401	87,107
Equity in loss of affiliates, net	178,950	-
Loss on valuation of derivatives	3,811	-
Loss on transaction of derivatives	10,757	-
Other	43,231	83,108
	703,142	426,388
Ordinary income	1,507,324	623,465
Extraordinary gains	-	31
Extraordinary losses	-	-
Income before income taxes	1,507,324	623,496
Income taxes (Note 19)	339,072	180,911
Net income	₩ 1,168,252	₩ 442,585
Earnings per share (Note 20) (in Korean Won)		
- Basic	₩ 8,775	₩ 4,031
- Diluted	₩ 8,683	₩ 3,981

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

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

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, 2001, the Company has outstanding capital stock of ₩1,031,068 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 merged LG Information & Communications, Ltd. ("LGIC"), an affiliate which was in the business of selling and manufacturing mobile telecommunication systems, mobile phones, electronic switching systems, transmission equipment, network equipment and other related products, effective September 1, 2000.

Pursuant to the resolution by the board of directors on June 11, 2001, the Company established a joint venture (LG. Philips Displays International Ltd.) of Cathode Ray Tubes ("CRT") business with Koninklijke Philips Electronics N.V. with ownership of 50% to 50% in the Netherlands on June 29, 2001.

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 is not presented in the accompanying financial statements. Accordingly, 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 Korea.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

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.

Revenue Recognition -

Sales of finished products and merchandise are recognized when delivered. Revenue from installation service contracts is recognized using the percentage-of-completion method.

Marketable Securities and Investments in Debt and Equity Securities -

All marketable securities and 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.

Marketable securities and investments in marketable equity securities of non-controlled investees are carried at fair value. Temporary changes in fair value are recorded in current operations for marketable securities and accounted for in the capital adjustment account, a component of shareholders' equity, for investments in marketable equity securities.

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.

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LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

2. Summary of Significant Accounting Policies, Continued:

Marketable Securities and Investments in Debt and Equity Securities, Continued -

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 telecommunications 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.

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

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). 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.

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.

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LG ELECTRONICS INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 (See independent accountants' review report)
 for the six-month periods ended June 30, 2001 and 2000

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.

	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.

Interest expense and other similar expenses incurred during the construction period of assets on funds borrowed to finance construction are capitalized. Capitalized financing cost for the six-month period ended June 30, 2001 was approximately ₩ 18,130 million.

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 these criteria are accounted for as operating leases, of which the total minimum lease payments are charged to expense over the lease period on a straight-line basis.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

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 of related products. Such costs are subject to continual analysis of recoverability. In the event that such amounts are estimated to be not 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.

Treasury stock --

Treasury stocks are stated at cost and recorded as capital adjustment in shareholders' equity. Gain on disposal of treasury stock is recorded as 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.

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LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

2. Summary of Significant Accounting Policies, Continued:

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.

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 by applying enacted statutory tax rates applicable to the years when such differences are expected to be reversed. Deferred tax assets are recognized to the extent that it is more likely than not 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.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

2. Summary of Significant Accounting Policies, Continued:

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, 2001 and 2000 are ₩1,300.7 : US\$1 and ₩1,114.8 : US\$1, respectively.

Foreign currency dominated convertible bonds are translated at the historical exchange rates prevailing as of the date of issuance. However, in case it is certain that a foreign currency denominated convertible bond is expected not to be converted to stocks, it is translated using the basic exchange rate in effect at the balance sheet date.

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.

Reclassifications -

Certain amounts in the 2000 financial statement have been reclassified to confirm to the 2001 presentation. These reclassifications have no effect on previously reported net income or shareholders' equity.

3. Restricted Financial Instruments :

As of June 30, 2001 and 2000, short-term financial instruments of ₩ 36,016 million and ₩ 1,978 million, respectively, and long-term financial instruments of ₩ 11,010 million and ₩ 7,843 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).

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

4. Receivables :

Receivables, including trade accounts and notes receivable, as of June 30, 2001 and 2000 comprise the following (Millions of Won) :

	June 30, 2001				June 30, 2000			
	Amount	Allowance for doubtful accounts	Discounts for present value	Carrying value	Amount	Allowance for doubtful accounts	Discounts for present value	Carrying value
Trade accounts and notes receivable	₩1,144,322	₩104,222	₩ 381	₩1,039,719	₩ 520,352	₩ 48,240	₩ 4,103	₩ 468,009
Other accounts receivable	166,462	46,221	-	120,241	201,424	2,041	-	199,383
Other current assets	228,188	35,569	-	192,619	178,942	28,942	-	150,000
Long-term trade accounts receivable	4,373	44	-	4,329	7,783	78	-	7,705
Long-term other accounts receivable	-	-	-	-	60,174	601	8,929	50,644
Long-term loans	144,709	31,025	-	113,684	101,880	343	-	101,537
	<u>₩1,688,054</u>	<u>₩217,081</u>	<u>₩ 381</u>	<u>₩1,470,592</u>	<u>₩1,070,555</u>	<u>₩ 80,245</u>	<u>₩ 13,032</u>	<u>₩ 977,278</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, 2001 are as follows :

For the twelve-month period ending June 30,	Millions of Won		
	Amount to be collected	Present value (*)	Discount
2002	₩ 688	₩ 509	₩ 179
2003	894	710	184
2004	30	22	8
2005	29	19	10
2006 and thereafter	-	-	-
	<u>₩ 1,641</u>	<u>₩ 1,260</u>	<u>₩ 381</u>

(*) 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.

As of June 30, 2001, the outstanding balance of notes receivable, sold at discount to a financial institution with recourse, from Hynix Semiconductor Inc. (formerly, Hyundai Electronics Industries Co., Ltd.) in relation to the Company's share transfer of LG Semicon Co., Ltd. in 1999 is ₩ 366,683 million.

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

5. Assets and Liabilities Denominated in Foreign Currencies :

As of June 30, 2001 and 2000, 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, 2001		June 30, 2000		June 30, 2001	June 30, 2000
Cash and cash equivalents	US\$	580	US\$	62	₩ 753,473	₩ 68,316
	¥	346	¥	215	3,607	2,281
	DM	15	DM	9	8,649	5,296
	AUD	4	AUD	4	2,814	2,910
	GBP	2	GBP	2	3,051	3,841
	ITL	1,814	ITL	797	1,033	439
	Others		Others		12,349	16,184
				<u>784,976</u>	<u>99,267</u>	
Trade accounts receivable	US\$	240	US\$	184	311,886	204,905
	DM	4	DM	4	2,199	1,987
	¥	264	¥	241	2,757	2,553
	Others		Others		16,890	22,208
				<u>333,732</u>	<u>231,653</u>	
Accrued income	US\$	74	US\$	51	96,553	57,380
	Others		Others		1,792	1,647
				<u>98,345</u>	<u>59,027</u>	
Other accounts receivable	US\$	-	US\$	-	197	247
	FRF	6	FRF	7	948	1,156
	Others		Others		3	283
				<u>1,148</u>	<u>1,686</u>	
Debt securities	US\$	116	US\$	121	151,190	134,507
Long-term loans and other	US\$	61	US\$	61	78,822	68,535
	¥	-	¥	26	-	278
				<u>₩ 78,822</u>	<u>₩ 68,813</u>	

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

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

	Foreign currencies (In Millions)		Won Equivalent (In Millions of Won)	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
Trade accounts payable	US\$ 298	US\$ 398	₩ 386,951	₩ 443,505
	¥ 6,748	¥ 7,645	70,402	81,036
	DM -	DM 1	-	812
	ITL 394	ITL 860	225	471
	Others	Others	1,481	7
			459,059	525,831
Other accounts payable	US\$ 73	US\$ 35	94,813	38,633
	DM 13	DM 6	7,121	2,999
	FRF 29	FRF 25	4,937	3,986
	AUD 9	AUD 1	6,150	781
	¥ 572	¥ 158	5,969	1,680
	Others	Others	7,237	3,963
		126,227	52,042	
Accrued expenses	US\$ 19	US\$ 15	24,385	16,552
	DM 2	DM 2	1,236	1,238
	Others	Others	1,361	1,222
		₩ 26,982	₩ 19,012	

6. Inventories:

Inventories as of June 30, 2001 and 2000 comprise the following:

	Millions of Won	
	June 30, 2001	June 30, 2000
Merchandise	₩ 21,171	₩ 16,991
Finished products	242,062	185,369
Work in process	171,045	98,124
Raw materials	405,799	175,704
Parts and supplies	79,257	97,642
	₩ 919,334	₩ 573,830

At June 30, 2001, inventories are insured against fire and other casualty losses up to approximately ₩ 1,314,761 million.

LG ELECTRONICS INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 (See independent accountants' review report)
 for the six-month periods ended June 30, 2001 and 2000

7. Investments :

Marketable securities as of June 30, 2001 and 2000 are government and municipal bonds which are due within one year.

Investments as of June 30, 2001 and 2000 are as follows :

	Percentage of Ownership(%) at June 30, 2001	Millions of Won					
		June 30, 2001			June 30, 2000		
		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.	8.56	₩ 35,148	₩ 64,400	₩ 64,400	₩ 35,148	₩ 24,491	₩ 24,491
LG Micron Ltd.	17.24	5,000	26,471	26,471	5,000	38,580	38,580
LG Department Store Co., Ltd.	57.70	72,706	52,248	52,248	66,012	41,187	41,187
LG Industrial Systems Co., Ltd.	41.51	286,015	186,807	186,807	252,725	140,901	140,901
LG International Corp.	2.94	20,253	17,910	17,910	20,253	16,963	16,963
LG Sports Ltd.	39.25	2,204	1,928	1,928	1,896	1,622	1,622
LG Mart Co., Ltd.	50.00	283,672	367,507	367,507	283,672	319,700	319,700
LG Internet Inc.	-	-	-	-	29,988	24,721	24,721
LG Innotek Co., Ltd. (Formerly, LG Precision Co., Ltd.)	53.41	31,135	77,008	77,008	24,592	74,843	74,843
LG Information & Communications, Ltd.	-	-	-	-	352,013	378,384	378,384
LG Investments Security Inc.	7.15	262,433	154,415	154,415	262,433	190,627	190,627
LG Capital Co., Ltd.	6.17	24,651	72,514	72,514	18,482	37,051	37,051
LG Telecom Ltd.	33.13	247,421	101,304	101,304	41,705	16,305	16,305
LG Hitachi Ltd.	49.00	6,060	2,085	2,085	6,060	10,704	10,704
LG-Caltex Oil Corp.	3.07	50,004	105,387	105,387	50,004	93,843	93,843
LG-EDS Systems Inc.	10.00	360	5,713	5,713	360	5,301	5,301
LG. Philips LCD Co., Ltd.	50.00	726,169	589,522	589,522	726,169	696,992	696,992
LG IBM PC Co., Ltd.	49.00	11,907	12,246	12,246	11,907	13,817	13,817
Dacom Corporation	49.06	1,299,943	971,813	971,813	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, 2001 and 2000

7. Investments, Continued:

	Percentage of Ownership(%) at June 30, 2001	Millions of Won					
		June 30, 2001			June 30, 2000		
		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	36	36
Hitachi/LG Data Storage Inc.	49.00	7,684	1,754	1,754	-	-	-
LG Electronics Alabama, Inc. (LGEAI)	100.00	63,939	40,077	40,077	63,939	70,434	70,434
LG Electronics Almaty Kazak Co., Ltd. (LGEAK)	100.00	3,746	5,670	5,670	3,746	3,603	3,603
LG Electronics Antwerp Logistics N.V. (LGEAL) (*1)	100.00	967	-	-	967	268	268
LG Electronics Australia PTY, Ltd. (LGEAP) (*1)	100.00	1,558	-	-	1,558	1,255	1,255
LG Electronics Argentina S.A. (LGEAR) (*2)	100.00	7,410	7,410	7,410	-	-	-
Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT)	50.00	14,718	2,533	2,533	11,187	4,619	4,619
LG Electronics da Amazonia Ltda. (LGEAZ)	100.00	39,209	7,124	7,124	34,663	20,687	20,687
Beijing LG Electronics Components Co., Ltd. (LGEBJ)	-	-	-	-	3,515	4,828	4,828
LG Electronics Colombia, Ltda.(LGECEB)	60.00	3,330	3,588	3,588	3,330	3,330	3,330
LG Electronics China Co., Ltd. (LGECH)	100.00	37,614	56,378	56,378	37,614	41,986	41,986
LG Electronics Canada, Inc. (LGECEI)	100.00	13,780	14,181	14,181	13,780	9,604	9,604
LG Collins Electronics Manila Inc. (LGECEM)	92.23	20,302	7,466	7,466	20,302	8,286	8,286
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGECECT)	50.00	22,953	22,841	22,841	22,953	18,114	18,114
LG Electronics Deutschland GMBH (LGECEGD)	100.00	26,938	10,950	10,950	26,938	9,769	9,769
PT LG Electronics Display Devices Indonesia (LGECEDI)	100.00	79,543	149,132	149,132	79,543	114,716	114,716
LG Electronics Design Tech, Ltd. (LGECEDT) (*2)	100.00	1,002	1,002	1,002	1,002	1,002	1,002
LG Electronics Egypt Cairo S.A.E. (LGECEEC) (*2)	100.00	4,382	4,382	4,382	-	-	-
LG Electronics Egypt S.A.E (LGECEEG)	66.00	2,174	3,245	3,245	1,577	2,841	2,841
LG Electronics Espana S.A. (LGECEES)	100.00	3,374	5,114	5,114	3,374	637	637

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

7. Investments, Continued:

	Percentage of Ownership(%) at June 30, 2001	Millions of Won					
		June 30, 2001			June 30, 2000		
		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	4,919	4,919	2,489	2,928	2,928
LG Electronics HK Limited (LGEHK)	100.00	4,316	1,916	1,916	4,316	861	861
LG Hotline CPT Ltd. (LGEHL) (*1)	50.00	10,561	-	-	10,561	-	-
LG Electronics Huizhou Inc. (LGEHZ)	45.00	1,277	14,218	14,218	1,277	2,343	2,343
LG Electronics India Ltd. (LGEIL)	100.00	32,076	54,728	54,728	32,076	44,632	44,632
PT LG Electronics Indonesia (LGEIN)	100.00	29,431	9,751	9,751	29,431	10,051	10,051
LG Electronics Italy S.P.A. (LGEIS)	100.00	14,136	4,816	4,816	14,136	6,700	6,700
LG Electronics Japan Inc. (LGEJP)	100.00	12,978	6,013	6,013	12,978	1,330	1,330
LG Electronics Mlawa SP.Zo.O. (LGEMA)	100.00	7,066	8,332	8,332	7,066	5,784	5,784
LG Electronics Morocco S.A.R.L (LGEMC) (*2)	100.00	3,352	3,352	3,352	2,774	2,774	2,774
LG Electronics Middle East Co., Ltd. (LGEME) (*2)	100.00	462	462	462	462	1,242	433
LG-MECA Electronics Haiphong, Inc. (LGEMH)	70.00	1,690	2,246	2,246	1,690	1,397	1,397
LG Electronics Magyar Kft. (LGEMK)	100.00	5,575	6,814	6,814	5,575	4,980	4,980
LG Electronics (M) SDN.BHD (LGEML) (*2)	100.00	11	11	11	11	11	11
LG Electronics Monterrey Mexico S.A de C.V. (LGEMM) (*2)	99.90	17,840	17,840	17,840	5,560	5,560	5,560
LG Electronics Mexico S.A.de C.V. (LGEMS)	98.48	1,936	8,078	8,078	1,936	-	-
LG MITR Electronics Co., Ltd. (LGEMT)	87.74	15,925	4,770	4,770	15,925	3,637	3,637
LG Electronics North of England Ltd. (LGENE)	100.00	11,229	11,761	11,761	11,229	9,679	9,679
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	70.00	14,571	7,311	7,311	14,571	4,816	4,816

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

7. Investments, Continued:

	Percentage of Ownership(%) at June 30, 2001	Millions of Won					
		June 30, 2001			June 30, 2000		
		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	8,641	8,641	4,117	2,800	2,800
Nanjing LG Panda Appliance Co., Ltd. (LGEPN)	40.00	3,737	8,117	8,117	3,737	4,984	4,984
LG Electronics Peru S.A. (LGEPR) (*1)	100.00	1,879	-	-	1,879	-	-
LG Electronics Panama S.A. (LGEPS)	100.00	2,333	6,244	6,244	2,333	3,810	3,810
LG Electronics Qinhuangdao Inc. (LGEQH)	80.00	3,284	5,728	5,728	3,284	3,974	3,974
Triveni (*2)	100.00	899	899	899	899	899	899
LG Electronics Russia Inc. (LGERI) (*2)	95.00	391	391	391	391	8	391
LG Electronics S.A. Pty Ltd. (LGESA)	100.00	3,382	4,893	4,893	3,382	2,465	2,465
LG Electronics Service Europe Netherlands B.V. (LGESE)	100.00	3,978	5,077	5,077	3,978	-	-
LG Shuguang Electronics Co., Ltd. (LGESG)	-	-	-	-	74,268	101,000	101,000
Shanghai LG Electronics Co., Ltd. (LGESH)	50.00	3,021	3,798	3,798	3,021	2,381	2,381
LG Electronics de SaoPaulo Ltda. (LGESP)	100.00	28,481	4,801	4,801	28,481	20,147	20,147
LG SEL Electronics Vietnam Ltd. (LGESV)	55.00	1,711	4,207	4,207	1,711	3,750	3,750
LG Electronics Sweden AB (LGESW)	100.00	5,668	5,619	5,619	2,319	2,319	2,319
LG Electronics Shenyang Inc. (LGESY)	57.50	12,822	11,532	11,532	5,795	197	197
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	70.00	42,948	97,755	97,755	42,948	68,772	68,772
LG Electronics Thailand Co., Ltd. (LGETH)	49.00	3,407	10,817	10,817	3,407	5,125	5,125

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

7. Investments, Continued:

	Percentage of Ownership(%) as of June 30, 2001	Millions of Won					
		June 30, 2001			June 30, 2000		
		Acquisition Cost	Net Asset Value	Carrying Value	Acquisition Cost	Net Asset Value	Carrying Value
<Equity method of accounting>							
LG Electronics U.K. Ltd. (LGEUK)	100.00	10,486	7,796	7,796	10,486	-	-
LG Electronics Ukraine Co., Ltd. (LGEUR) (*2)	100.00	1,041	1,041	1,041	1,041	973	1,041
LG Electronics U.S.A., Inc. (LGEUS)	100.00	37,985	24,861	24,861	15,673	93	93
LG Electronics Wales Ltd. (LGEWA)	100.00	101,813	33,423	33,423	101,812	65,160	65,160
LG Soft India PVT, LTD (LGS I) (*2)	88.00	2,920	2,920	2,920	2,920	5,823	2,920
EIC PROPERTIES PTE LTD	38.20	9,636	9,311	9,311	-	-	-
Zenith Electronics Corporation (Zenith) (*1)	100.00	236,860	-	-	236,860	-	-
LG Infocomm, U.S.A. Inc.(LGICUS)	100.00	4,673	8,917	8,917	-	-	-
LG Infocomm Thailand, Inc.(LGICTH)	60.00	3,246	2,929	2,929	-	-	-
Vietnam Korea Exchange, Ltd.(VKX)	40.00	1,734	1,760	1,760	-	-	-
LG TOPS(*2)	40.00	1,799	1,799	1,799	-	-	-
LG Electronics System India, Ltd.(LGSYS) (*2)	100.00	6,400	6,400	6,400	-	-	-
NeoPoint, Inc. (*1)	16.62	1,604	-	-	-	-	-
Electromagnetica Goldstar S.R.L. (*2)	50.00	508	508	508	-	-	-
LG Telecom Corp. (*2)	75.00	369	369	369	-	-	-
SLD Telecom Pte, Ltd. (*2)	44.00	250	250	250	-	-	-
LG.Philips Displays (*2)	50.00	822,839	822,839	822,839	-	-	-
Langchao LG(Yantai) Digital Mobile Technology Research & Development Co., Ltd. (LGEYT) (*2)	49.00	192	192	192	-	-	-
Investments applying for the equity method of accounting total		<u>₩5,273,074</u>	<u>₩4,423,393</u>	<u>₩4,423,393</u>	<u>₩3,993,917</u>	<u>₩3,508,248</u>	<u>₩3,504,987</u>

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

7. Investments, Continued:

	Percentage of Ownership(%) at June 30, 2001	Millions of Won					
		June 30, 2001			June 30, 2000		
		Acquisition Cost	Market Value	Carrying Value	Acquisition Cost	Market Value	Carrying Value
<Marketable equity securities>							
P.D.I	-	₩ -	₩ -	₩ -	₩ 336	₩ 2,359	₩ 2,359
Korea stock market							
stabilization fund	2.47	16,441	14,085	14,085	23,235	19,158	19,158
Hynix Semiconductor Inc. (formerly, Hyundai Electronics Industries Co., Ltd.)	0.38	24,298	5,256	5,256	26,928	45,848	45,848
Hanaro Telecom Inc.	4.23	147,546	37,995	37,995	117,428	49,320	49,320
Kukdong City Gas Inc.	-	-	-	-	17,088	3,131	3,131
Other	-	3,740	1,844	1,844	812	1,434	812
		<u>192,025</u>	<u>59,180</u>	<u>59,180</u>	<u>185,827</u>	<u>121,250</u>	<u>120,628</u>
<Non-marketable equity securities>							
<u>Domestic Companies</u>							
LG OTIS Elevator Co., Ltd.	19.90	89,550	88,775	89,550	89,550	89,113	89,550
DreamWiz Inc.	10.00	11,111	1,463	11,111	11,111	1,495	11,111
Lotis Co., Ltd.	18.57	3,029	1,327	3,029	1,900	1,271	1,900
Media Valley Inc.	1.81	300	187	300	300	310	300
Sunhan Tech Co., Ltd.	19.90	245	670	245	199	469	199
Castec Korea Co., Ltd.	5.00	150	489	150	150	150	150
Shinsegi Telecom	1.64	4,514	4,514	4,514	-	-	-
Msoltech	10.00	635	635	635	-	-	-
Airlinktek	10.00	589	589	589	-	-	-
MS Tech	19.87	298	307	298	-	-	-
Korea Information							
Certificate Authority	10.00	1,852	1,779	1,852	-	-	-
STIC	94.00	28,200	29,320	28,200	-	-	-
QMTel	6.57	1,200	1,200	1,200	-	-	-
Temco	13.04	1,200	1,200	1,200	-	-	-
Association of Electronics							
Environment	40.80	389	208	389	-	-	-
Other	-	2,633	2,182	2,633	468	572	468
<u>Overseas Companies</u>							
TAISTAR	11.85	759	990	759	759	990	759
GEMFIRE	2.20	1,835	170	1,835	1,835	179	1,835
Mainstreet Networks (*3)	5.45	1,468	-	-	1,468	-	-
iTV Corporation (*3)	13.08	1,957	-	-	1,957	-	-
PocketScience (*3)	4.42	473	-	-	473	-	-
E2OPEN.COM	6.25	6,476	6,476	6,476	-	-	-
SUNPOWER.INC	10.35	1,257	1,257	1,257	-	-	-
Erlang Technology	8.40	1,129	187	1,129	-	-	-
Other	-	300	247	300	-	-	-
		<u>₩161,549</u>	<u>₩144,152</u>	<u>₩157,651</u>	<u>₩110,170</u>	<u>₩94,549</u>	<u>₩106,272</u>

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

7. Investments, Continued:

	Percentage of Ownership(%) at June 30, 2001	Millions of Won					
		June 30, 2001			June 30, 2000		
		Acquisition Cost	Market Value	Carrying Value	Acquisition Cost	Market Value	Carrying Value
<Debt securities>							
Bonds issued							
by government	-	₩ 29,647	₩ 22,556	₩ 22,556	₩ 30,458	₩ 19,892	₩ 19,892
Senior secured note issued by Zenith	-	132,933	151,190	151,190	142,892	134,507	134,507
ABS subordinated bond	-	13,700	13,700	13,700	-	-	-
Corporate bond (*4)	-	10,000	10,000	10,000	-	-	-
Other	-	44	44	44	-	-	-
		<u>186,224</u>	<u>197,490</u>	<u>197,490</u>	<u>173,350</u>	<u>154,399</u>	<u>154,399</u>
Other investments total		<u>539,898</u>	<u>400,822</u>	<u>414,321</u>	<u>469,347</u>	<u>370,198</u>	<u>381,229</u>
Investments Total		<u>₩5,812,972</u>	<u>₩4,824,215</u>	<u>₩4,837,714</u>	<u>₩4,463,264</u>	<u>₩3,878,446</u>	<u>₩3,886,286</u>

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

(*2) Investments in small sized subsidiaries and affiliates whose total assets 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) Acquisition cost was written off due to negative net book value of the investment as of June 30, 2001.

(*4) This corporate bond was issued by LG Investment and Securities Inc., an affiliate.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

7. Investments, Continued:

A reconciliation of the acquisition cost of investments in subsidiaries and affiliates accounted for using the equity method to their carrying value as of June 30, 2001 is as follows :

	Millions of Won			Total
	Capital adjustment	Retained earnings	Net income (loss)	
Acquisition Cost				₩ 5,273,074
Adjustments :				
Capital surplus and capital adjustment	₩ (714)	₩ -	₩ -	(714)
Prior years' net loss	44,514	(587,235)	-	(542,721)
Disposition of deficits with capital surplus	(82,277)	82,277	-	-
Current net loss	-	-	(175,738)	(175,738)
Elimination of unrealized profit	-	-	(3,212)	(3,212)
Dividend income	-	(113,517)	-	(113,517)
Carrying Value				4,437,172
Disposal of investment securities				(13,779)
Total				₩ 4,423,393

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

At June 30, 2001 and 2000, except for the Korea stock market stabilization fund, of which the differences between the market value and the acquisition cost are charged to current operations, the differences between the market value and the acquisition cost of the investments in marketable equity securities are accounted for as capital adjustments.

A senior secured note issued by Zenith in the amount of ₩ 151,190 and 134,507 million outstanding at June 30, 2001 and 2000, respectively, 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 . The note's terms and conditions are as follows :

Interest : Effective August 1, 2000, terms were changed from LIBOR+6.5% on a quarterly basis to LIBOR+3.0% on an annual basis
Maturity of principal : November 1, 2009

On February 27, 2001, the Company sold 1,915,900 shares of LG Cable Ltd. in exchange for ₩22,449 million and recognized loss on disposal of investment of ₩7,456 million for the six-month period ended June 30, 2001.

On June 29, 2001, the Company contributed its investments in Beijing LG Electronics Components Co., Ltd. ("LGEBJ") and LG Shuguang Electronics Co., Ltd. ("LGESG") to the CRT joint venture with Koninklijke Philips Electronics N.V (See Note 24).

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

8. Property, Plant and Equipment:

Property, plant and equipment as of June 30, 2001 and 2000 comprise the following :

	Millions of Won	
	June 30, 2001	June 30, 2000
Buildings	₩ 965,516	₩ 1,016,082
Structures	86,967	96,627
Machinery and equipment	951,261	1,095,063
Tools	718,569	721,406
Furniture and fixtures	457,758	419,211
Vehicles	23,917	24,861
	3,203,988	3,373,250
Accumulated depreciation	(1,195,608)	(1,403,051)
	2,008,380	1,970,199
Land	730,327	716,532
Construction in progress	172,896	103,123
Machinery in transit	32,679	33,018
	₩ 2,944,282	₩ 2,822,872

At June 30, 2001 and 2000, the value of the Company's land, as determined by the local government in Korea for property tax assessment purpose, approximates ₩ 547,312 million and ₩ 598,330 million, respectively.

At June 30, 2001, property, plant and equipment, other than land and certain construction in progress, are insured against fire and other casualty losses up to approximately ₩ 4,604,181 million.

A substantial portion of property, plant and equipment at June 30, 2001 and 2000 is pledged as collateral for various loans from banks, including Korea Development Bank, up to a maximum Won equivalent amount of approximately ₩ 396,893 million and ₩ 596,116 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, 2001 and 2000

9. Intangible Assets :

Intangible assets at June 30, 2001 and 2000 comprise the following :

	Millions of Won	
	June 30, 2001	June 30, 2000
Goodwill	₩ 355,890	₩ -
Development costs	136,679	90,581
Industrial property rights	522,559	16,551
Other	47,970	11,310
	₩ 1,063,098	₩ 118,442

Details of research and development costs incurred for the six-month periods ended June 30, 2001 and 2000 are as follows :

	Millions of Won	
	June 30, 2001	June 30, 2000
Capitalized	₩ 45,867	₩ 24,459
Expensed	277,533	96,502
	₩ 323,400	₩ 120,961

As a result of the merger with LG Information & Communications, Ltd., the Company recognized goodwill of ₩393,820 million and acquired industrial property rights of ₩578,788 million. Related amortization expenses of goodwill and industrial property rights approximate ₩ 19,691 million and ₩ 57,879 million, respectively, for the six-month period ended June 30, 2001 (See Note 23).

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

10. Short-term Borrowings:

Short-term borrowings at June 30, 2001 and 2000 comprise the following :

	Annual Interest Rates (%) at June 30, 2001	In Millions	
		June 30, 2001	June 30, 2000
Bank overdrafts	11.00	₩ 23	₩ 139
Won currency loans :			
General term loans	7.95	80,000	138,000
Foreign currency loans	LIBOR + 1.4	6,504	12,241
		[US\$ 5]	[US\$ 11]
		[¥ -]	[¥ 11]
USANCE	0.09 – 8.00	133,714	-
		[US\$ 67]	[US\$ -]
		[¥ 4,441]	[¥ -]
		<u>₩ 220,241</u>	<u>₩ 150,380</u>

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

Current maturities of long-term debt at June 30, 2001 and 2000 comprise the following :

	In Millions of Won	
	June 30, 2001	June 30, 2000
Debentures	₩ 1,857,383	₩ 607,100
Discount on debentures	(4,646)	(3,496)
Premium on debentures	44	2,240
Long-term debt	362,911	252,678
Long-term other accounts payable	2,364	-
	<u>₩ 2,218,056</u>	<u>₩ 858,522</u>

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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11. Long-term Debt :

Long-term debt at June 30, 2001 and 2000 comprises the following:

	Annual Interest Rate (%) at June 30, 2001	In Millions	
		June 30, 2001	June 30, 2000
<u>Debentures</u>			
Public, guaranteed payable through 2001	-	₩ -	₩ 509,100
Private, non-guaranteed payable through 2004	7.2 – 16.5	660,000	128,000
Public, non-guaranteed payable through 2006	7.0 – 12.0	3,130,000	1,590,000
Floating rate notes in foreign currency, payable through 2002 (*1)	LIBOR + 1.2 -1.40	287,455 (US\$ 221)	111,480 (US\$ 100)
		<u>4,077,455</u>	<u>2,338,580</u>
<u>Convertible Bonds</u>			
Foreign currency, issued in 1996 (*2)	1.25	52,028 (US\$ 40)	33,096 (US\$ 40)
Won currency, issued in 1998	-	-	100,000
		<u>52,028</u>	<u>133,096</u>
<u>Exchangeable Bonds</u> (*3)			
Foreign currency, issued in 1997	0.25	66,623 (US\$ 75)	66,623 (US\$ 75)
		4,196,106	2,538,299
Less : treasury debentures		(164,271)	(117,171)
current maturities		(1,857,383)	(607,100)
discount on debentures		(35,487)	(35,642)
premium on debentures		-	2,314
		<u>₩2,138,965</u>	<u>₩1,780,700</u>

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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11. Long-term Debt, Continued:

	Annual Interest Rate (%) at June 30, 2001	In Millions	
		June 30, 2001	June 30, 2000
<u>Won currency loans</u>			
Korea Development Bank	5.50 – 9.95	₩ 188,317	₩ 175,212
Kookmin Bank	5.00 – 6.75	4,117	3,769
Korea Technology Banking Corporation	6.00 – 7.50	12,718	5,438
Housing and Commercial Bank	3.00	257	849
Hana Bank	5.5 - 8.0	1,774	920
KDB Capital Corp.	7.0	1,173	-
Hanvit Bank	-	-	30,000
		208,356	216,188
<u>Foreign currency loans</u>			
Korea Development Bank	-	-	10,133
Korea Development Bank	LIBOR + 0.5 ~ 2.15	113,953	62,192
Hanvit Bank	LIBOR + 0.4 ~ 0.425	6,111	52,234
Choheung Bank	-	-	2,655
Korea Exchange Bank	LIBOR + 0.475	130,070	245,256
Kookmin Bank	LIBOR + 0.75 ~ 2.95	329	1,363
Export-Import Bank of Korea	LIBOR + 0.625~1.175	6,762	4,383
Korea First Bank	LIBOR + 1.5	15,571	12,806
Bank One	LIBOR + 1.4	3,902	7,444
Development Bank of Singapore	LIBOR + 1.6	12,914	8,097
Citi Bank	-	-	9,985
Banque Paribas	LIBOR + 0.7	7,459	8,220
BOTM	LIBOR + 0.74	11,134	-
Societe General	LIBOR + 0.6	16,323	18,654
Sumitomo Bank	LIBOR + 0.65	694	14,459
Novascotia	LIBOR + 1.5	31,517	2,995
		356,739	460,876
		(US\$ 274)	(US\$ 413)
		565,095	677,064
		(362,911)	(252,678)
		₩ 202,184	₩ 424,386

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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11. Long-term Debt, Continued:

At June 30, 2001 and 2000, the Company held treasury debentures of ₩164,271 million and ₩117,171 million, respectively. At June 30, 2001, treasury debentures comprise a portion of exchangeable bond and public non-guaranteed debenture. At June 30, 2000, treasury bonds comprise a portion of exchangeable bonds and Won currency convertible bonds.

(*1) In 2000, the Company issued U.S. Dollar denominated floating rate notes aggregating US\$ 221 million, which are due in 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, 2001 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.

As of June 30, 2001, the bonds are translated using exchange rate as of balance sheet date and reclassified to current maturities of long-term debt as the Company estimates that bondholders will request to redeem the bonds early in November 2001.

(*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 through November 2007, unless previously redeemed into common stock of Hynix Semiconductor Inc. ("Hynix", formerly, Hyundai Electronics Industries Co., Ltd.) through November 2007, unless previously redeemed. Each bond can be exchanged for 266 shares of Hynix common stock with a par value of ₩5,000. The exchange price was initially determined to be ₩33,345 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 :

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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11. Long-term Debt, Continued:

- Basic exchange price for each share of Hynix common stock :
US\$ 37.54 (~~₩~~33,345 / ~~₩~~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.
- 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 1,997,976 common shares of Hynix, 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.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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11. Long-term Debt, Continued:

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, 2001 are as follows:

For the twelve-month Period ending June 30,	Millions of Won		
	Debentures and bonds (*)	Long-term debt	Total
2003	₩1,015,000	₩92,192	₩1,107,192
2004	860,000	47,603	907,603
2005	-	35,477	35,477
2006	250,000	20,416	270,416
2007 and thereafter	49,452	6,496	55,948
	<u>₩2,174,452</u>	<u>₩202,184</u>	<u>₩2,376,636</u>

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

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, 2001, future lease payments under operating lease agreements are as follows :

For the twelve-month period ending June 30,	Millions of Won
2002	₩ 14,927
2003	2,765
2004	1,373
	<u>₩ 19,065</u>

The Company acquired certain machinery and equipment under capital lease agreements. At June 30, 2001, the acquisition cost of machinery and equipment under capital leases was ₩ 385 million and related depreciation expense recognized for the six-month period ended June 30, 2001 was ₩ 53 million.

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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13. Accrued Severance Benefits:

Accrued severance benefits at June 30, 2001 and 2000 are as follows:

	Millions of Won	
	June 30, 2001	June 30, 2000
Beginning balance	₩ 551,237	₩ 434,842
Severance payments	(95,337)	(42,941)
Transfer-out to the CRT joint venture	(70,769)	-
Transfer-in from affiliated companies	1,406	224
Provisions	80,351	62,890
Conversion from severance insurance deposit	-	5,997
	466,888	461,012
Contribution to National Pension Fund	(28,718)	(36,303)
Severance insurance deposits	(278,712)	(254,580)
	₩ 159,458	₩ 170,129

At June 30, 2001 and 2000, the severance benefits are funded approximately 60% and 55%, respectively, through employees 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.

14. Commitments and Contingencies:

At June 30, 2001, the Company provided several notes and checks to financial institutions as collateral in relation to various borrowings and guarantees of indebtedness.

At June 30, 2001, the Company has entered into bank overdraft facility agreements with various banks amounting to ₩ 324,500 million.

At June 30, 2001, the outstanding balance of domestic trade notes receivable and export trade accounts receivable sold at discount to various financial institutions with recourse is ₩ 2,134,682 million.

At June 30, 2001, the Company was a party to various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

At June 30, 2001, the Company has entered into factoring agreements with LG Capital Co., Ltd. and Shinhan Bank. In relation to the agreements, at June 30, 2001, the outstanding balance of factored accounts receivable is ₩ 50,006 million.

At June 30, 2001, the Company has entered into sales contracts with several companies, which comprise approximately ₩ 120,672 million of sales to LG Telecom, Ltd., ₩ 22,321 million of sales to Korea Telecom, ₩ 17,269 million of sales to SK Telecom Co., and ₩ 68,638 million of sales to Hanaro Telecom, Inc., and others.

Continued;

LG ELECTRONICS INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 (See independent accountants' review report)
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14. Commitments and Contingencies, Continued :

At June 30, 2001, the Company was contingently liable for guarantees approximating ₩ 1,582,949 million on indebtedness of its subsidiaries and affiliates as follows :

	Millions of Won
<u>Domestic companies</u>	
LG Telecom, Ltd.	₩ 130,070
Other	27,326
	157,396
<u>Overseas companies</u>	
LG Electronics Wales Ltd.	214,762
PT LG Electronics Display Device Indonesia	113,905
LG Electronics Alabama Inc.	199,007
LG Electronics U.S.A., Inc.	159,986
LG Goldstar France S.A.R.L.	19,520
LG Electronics North of England Ltd.	23,772
Shuguang LG Electronics Co., Ltd.	81,164
Other	613,437
	1,425,553
Total	₩ 1,582,949

As of June 30, 2001, the Company has entered into treasury stock sales and call option contracts with Credit Suisse First Boston International ("CSFB") and Bank of America, N.A., Charlotte Head Office ("BOA"). The terms and conditions of the contracts are as follows :

(1) Contract with CSFB

- Treasury stock sales
 - Trade date: December 21, 2000
 - Number of shares: 11,000,000 shares of common stock
 - Sales price: the closing trade price on the trade date per share (₩12,400 per share)
 - Price adjustment:
 - On March 19, 2001, sales price was adjusted to the weighted average trade price during the initial valuation period which was determined based on CSFB's executions. As a result, the Company recognized a gain of ₩19,095 million.
 - Initial valuation period:
 - period from the trade date through the date ending on the earlier of (a) four month plus five business days following trade date; or (b) the business day on which CSFB completes its execution

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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14. Commitments and Contingencies, Continued :

- Call option contract
 - Call option buyer : the Company
 - Call option seller: CSFB
 - Effective date : March 19, 2001
 - Termination date: September 17, 2004
 - Initial share price : ~~₩~~ 14,140.62
 - Call option contract amounts: ~~₩~~155,547 million (US\$ 120 million)
 - Call option premium: 17.34% of call option contract amounts
 - Exercise of call options:

Call option buyer has the right to exercise the call options on the expiry date, which is the fifth business day immediately preceding the termination date. On the termination date, the call options exercised shall be cash settled and the call option seller shall pay an amount per the call options exercised equal to: Max (final share price minus initial share price, 0), subject to a maximum of 30.0% of initial share price.
 - Final share price :

equal to the arithmetic average of the seven interim share prices, calculated based on the closing trade prices during the period from 36 months following the effective date through the expiry date.

An unrealized gain on valuation of option contract in the amount of ~~₩~~952 million was recognized for the six-month period ended June 30, 2001.

(2) Contract with BOA

- Treasury stock sales
 - Trade date: May 24, 2001
 - Number of shares: 9,149,920 shares of common stock
1,023,180 shares of preferred stock
 - Sales price: the closing trade price on the trade date per share (common stock : ~~₩~~17,200 per share, preferred stock : ~~₩~~8,470 per share)
 - Price adjustment:

Sales price will be adjusted to the weighted average trade price during the initial valuation period determined based on BOA's executions.
 - Initial valuation period:

period from the trade date through the date ending on seventy-five business days following trade date

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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14. Commitments and Contingencies, Continued :

- Call option contract
 - Call option buyer : the Company
 - Call option seller: BOA
 - Effective date : the last day of the initial valuation period (September 11, 2001)
 - Termination date: 3 years after effective date
 - Initial share price : the weighted average trade price of shares during the initial valuation period
 - Call option contract amounts: initial share price multiplied by number of shares
 - Call option premium: 15% of call option contract amounts
 - Exercise of call options:
Call option buyer has the right to exercise the call options. On the termination date, the call options exercised shall be cash settled and the call option seller shall pay an amount per the call options exercised equal to: Max (final share price minus initial share price, 0), subject to a maximum of 30.0% of initial share price.
 - Final share price :
Determined as the average of twelve monthly closing prices for the twelve months up to and including the termination date, where each " monthly closing price" is taken as the arithmetic average of the official closing price of the five business day period ending in and including the monthly anniversary date relative to the termination date of each month.

At June 30, 2001, the call option contract is not reflected in the accompanying financial statements because the contract is not effective and initial share price has not been determined yet.

In order to reduce the impact of changes in exchange rates on future cash flows, the Company enters into foreign currency forward contracts. As of June 30, 2001, the Company has outstanding forward contracts for selling US dollars amounting to US\$ 132 million (contract rates : ~~₩~~1,130.0 : US\$ 1~~~₩~~1,307.8 : US\$ 1, contract due dates : July through December 2001) and an unrealized gain of ~~₩~~ 295 million was credited and an unrealized loss of ~~₩~~ 3,121 million was charged to operations for the six-month period ended June 30, 2001.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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14. Commitments and Contingencies, Continued :

In order to reduce the impact of changes in interest rates, the Company enters into interest rate swap contracts and an unrealized loss of ~~₩~~2,899 million was recorded as a capital adjustment. A summary of the terms of outstanding interest rate swap contract at June 30, 2001 is as follows (see Note 18) :

	Amount (In millions)	Buying rate (%)	Selling rate (%)	Contract due date
ABN AMRO Bank	US\$ 70	7.35%	6M LIBOR	June 14, 2002

In order to reduce the impact of changes in exchange rates on future cash flows, 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 ~~₩~~661 million was credited to operations for six-month period ended June 30, 2001. A summary of the terms of outstanding currency interest rate swap contracts at June 30, 2001 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%	August 30, 2001
Deutsche Bank	US\$17.0	HK\$7.765:US\$1	5.34%	7%	August 30, 2001

In order to reduce the impact of changes in exchange rates, the Company enters into foreign currency option contracts. An unrealized loss of ~~₩~~690 million was charged to operations for the six-month period ended June 30, 2001. A summary of the terms of outstanding currency option contracts at June 30, 2001 is as follows :

	Option Type	Amount (In millions)	Exercising price	Contract due date
Deutsche Bank	Put	US\$ 50.0	₩ 1,302.00	July 11, 2001
	Call	US\$ 100.0	₩ 1,302.00	July 11, 2001
Deutsche Bank	Put	US\$ 30.0	₩ 1,250.00	September 14, 2001
	Call	US\$ 30.0	₩ 1,330.00	September 14, 2001
Citi Bank	Put	US\$ 50.0	₩ 1,300.00	July 16, 2001
	Call	US\$ 100.0	₩ 1,300.00	July 16, 2001

As a result of the above derivatives contracts, a gain of ~~₩~~615 million and a loss of ~~₩~~10,757 million were realized for the six-month period ended June 30, 2001.

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LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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14. Commitments and Contingencies, Continued :

At December 14, 2000, the Company has entered into a leasehold deposits sales agreement with LG Shinhan Securitization L.L.C. ("SPC") to securitize the leasehold deposits owned by the Company. The Company has sold leasehold deposits whose book value is ₩133,854 million to the SPC for ₩120,400 million. The Company has also provided the SPC with a long-term loan of ₩3,300 million as of June 30, 2001. The Company provides management services related to the leasehold deposits owned by the SPC and receives a service fee from the SPC. The holders of the bonds issued by the SPC based on the leasehold deposits have rights to request the Company to purchase the bonds under certain adverse conditions within two years after the date upon which the bond sales are completed.

At June 30, 2001, the Company is named as the defendant in legal actions which were brought against the Company by AVS Corporation in Canada and Mahmood Saleh Abbar Co. in Saudi Arabia. In addition, the Company is named as the defendant or the plaintiff in various foreign and domestic legal actions arising from the normal course of business. The aggregate amounts of domestic claims as the defendant and the plaintiff are approximately ₩9,296 million in 10 cases and ₩4,631 million in 20 cases, respectively, as of June 30, 2001. The Company believes that the outcome of these matters is uncertain but, in any event, they would not result in a material ultimate loss for the Company. Accordingly, no provision for potential losses arising from these claims is reflected in the accompanying financial statements.

Zenith Electronics Corporation ("Zenith"), a subsidiary, has experienced significant financial difficulties resulting from continuous losses. Zenith filed a pre-packaged plan of reorganization under Chapter 11 of the Bankruptcy Code of the United States of America 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 ₩151,190 million (US\$ 116 million) of senior secured notes issued by Zenith (see Note 7) and ₩78,042 million (US\$ 60 million) of loans to Zenith as of June 30, 2001.

Continued;

LG ELECTRONICS INC.
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14. Commitments and Contingencies, Continued :

Beginning in 1997, Korea and other countries in the Asia Pacific region experienced a severe contraction in substantially all aspects of their economies. This situation is commonly referred to as the 1997 Asian financial crisis. In response to this situation, the Korean government and the private sector began implementing structural reforms to historical business practices.

The Korean economy is currently experiencing additional difficulties, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The banking industry is currently undergoing consolidations and significant uncertainty exists with regard to the availability of short-term financing during the coming year. The Company may be either directly or indirectly affected by the situation described above. 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.

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.

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15. Capital Stock :

As of June 30, 2001 and 2000, capital stock is as follows :

	June 30, 2001			June 30, 2000		
	Number of issuance (shares)	Par value	Millions of Won	Number of issuance (shares)	Par value	Millions of Won
Common stock	155,118,070	₩ 5,000	₩ 775,590	107,327,666	₩ 5,000	₩ 536,638
Preferred stock(*1)	19,095,547	5,000	95,478	19,095,547	5,000	95,478
Redeemable preferred stock(*2)	-	5,000	160,000	-	-	-
	174,213,617		₩1,031,068	126,423,213		₩ 632,116

As of June 30, 2001 and 2000, the number of shares authorized is 500,000,000 shares.

(*1) As of June 30, 2001 and 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.

(*2) On June 29, 2001, the Company redeemed ₩542,952 million (32,000,000 shares) of the redeemable preferred stock issued on December 23, 2000 and reduced ₩544,000 million of retained earnings, pursuant to the resolution by the board of directors on June 25, 2001. At June 30, 2001, the Company recorded dividends payable of ₩20,121 million for the period from January 1, 2001 until June 29, 2001. As a result, as of June 30, 2001, there is discrepancy between capital stock amount and total par value amount of shares issued and outstanding.

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. As of June 30, 2001 and 2000, the revaluation increments of ₩ 339,619 million and ₩ 339,676 million, respectively, net of tax, transfer to capital stock and offset against deferred foreign currency translation losses, are credited to revaluation surplus.

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NOTES TO FINANCIAL STATEMENTS, Continued
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17. Retained Earnings :

Retained earnings at June 30, 2001 and 2000 are as follows:

	Millions of Won	
	June 30, 2001	June 30, 2000
Legal reserve (*1)	₩ 55,999	₩ 41,499
Other reserves		
Reserve for business rationalization (*2)	281,065	326,180
Reserve for improvement of financial structure (*3)	84,458	84,458
Reserve for technological development (*4)	708,680	974,517
Reserve for export loss (*4)	-	14,000
	1,074,203	1,399,155
Unappropriated retained earnings carried forward to subsequent period	1,205,406	508,792
	₩ 2,335,608	₩ 1,949,446

(*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.

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17. Retained Earnings, Continued:

- (*3) 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 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, 2001 are as follows :

	Millions of Won
Unappropriated retained earnings carried over from prior period	₩ 24
Adjustment :	
Investments in affiliates accounted for using equity method	57,251
As restated	57,275
Net income	1,168,252
Redeemable preferred stock dividends	(20,121)
Unappropriated retained earnings carried forward to subsequent period	₩ 1,205,406

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NOTES TO FINANCIAL STATEMENTS, Continued
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18. Capital Adjustments:

At June 30, 2001 and 2000, capital adjustments are as follows:

	Millions of Won	
	June 30, 2001	June 30, 2000
Treasury stock	₩ (500,890)	₩ -
Loss from disposal of treasury stock	(147,359)	-
Gain (Loss) on valuation of derivative financial instruments	(2,899)	256
Loss on valuation of investments:	(219,153)	(175,160)
	₩ (870,301)	₩ (174,904)

In 2000, the Company purchased its own stocks amounting to 40,835,200 shares of common stock and 1,508,876 shares of preferred stock mainly in relation to specified money trust agreements and the stock repurchase request option executed by shareholders who objected to the merger with LGIC. As of June 30, 2001, the Company retains treasury stocks amounting to 17,359,687 shares of common stock and 15 shares of preferred stock. The Company has intention to sell the treasury stock in the future.

19. Income Taxes:

For the six-month period ended June 30, 2001 and 2000, income tax expenses are as follows :

	Millions of Won	
	June 30, 2001	June 30, 2000
Current income taxes	₩ 388,786	₩ 100,387
Deferred income taxes	(49,714)	80,524
	₩ 339,072	₩ 180,911

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

19. Income Taxes, Continued :

The statutory income tax rate applicable to the Company, including resident tax surcharges, is approximately 30.8%. The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company :

	Millions of Won	
	June 30, 2001	June 2000
Income before taxes	₩ 1,507,324	₩ 623,496
Statutory tax rate	30.8%	30.8%
Expected taxes at statutory rate	464,256	192,024
Permanent differences	(42,175)	1,573
Tax exemption and tax credits	(105,020)	(12,466)
Other	22,011	(220)
Actual taxes	₩ 339,072	₩ 180,911
Effective tax rate	22.5%	29.0%

Components of deferred taxes as of June 30, 2001 are as follows :

	Millions of Won			
	As of December 31, 2000	Increases	Decreases	As of June 30, 2001
<u>Deferred tax assets</u>				
Deferred foreign exchange loss, net	₩ 10,159	₩ -	₩3,477	₩ 6,682
Losses from sales of receivables	45,570	8,304	38,593	15,281
Equity method of accounting	170,092	61,944	25,481	206,555
Bad debt expenses	67,172	61,603	55,646	73,129
Other	29,877	3,444	14,407	18,914
Total	322,870	135,295	137,604	320,561
<u>Deferred tax liabilities</u>				
Amortization of intangible assets	(32,635)	6,066	14,148	(40,717)
Gain on valuation of investments	(12,518)	-	-	(12,518)
Customs duty drawback	(4,644)	(5,122)	(4,644)	(5,122)
Reserve for technology development	(98,314)	-	(277)	(98,037)
Other	(15,150)	(7,215)	(15,150)	(7,215)
Total	(163,261)	(6,271)	(5,923)	(163,609)
Net deferred tax assets	₩ 159,609	₩129,024	₩131,681	₩ 156,952

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
 (See independent accountants' review report)
 for the six-month periods ended June 30, 2001 and 2000

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 periods ended June 30, 2001 and 2000 are calculated as follows:

	Millions of Won (except for EPS data)	
	June 30, 2001	June 30, 2000
<u>Basic earnings per share</u>		
Net income as reported on the income statement	₩ 1,168,252	₩ 442,584
Less : Preferred stock dividends (*)	(30,063)	(9,970)
Net income allocated to common stock	1,138,189	432,614
Weighted average number of common shares outstanding	129,706,408	107,327,666
Basic earnings per share	₩ 8,775	₩ 4,031

(*) For the six-month period ended June 30, 2001 :

$$\text{Preferred stock : } 19,095,547 \text{ shares} \times \text{₩}5,000 \times 21\% \times \frac{181}{365} = \text{₩} 9,943 \text{ million}$$

$$\text{Redeemable preferred stock : } 32,000,000 \text{ shares} \times \text{₩}7,000 \times 7.5\% \times \frac{180}{365} = \text{₩} 20,120 \text{ million}$$

₩ 30,063 million

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

$$19,095,547 \text{ shares} \times \text{₩} 5,000 \times 21\% \times \frac{180}{365} = \text{₩} 9,970 \text{ million}$$

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
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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, 2001	June 30, 2000
Net income allocated to common stock	₩ 1,138,189	₩ 432,615
Add : Interest expenses of convertible bonds, net of tax	1,007	550
	1,139,196	433,165
Weighted average number of common shares and diluted securities outstanding	131,198,966	108,820,224
Diluted earnings per share	₩ 8,683	₩ 3,981

The diluted securities outstanding for the six-month periods ended June 30, 2001 and 2000 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

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

21. 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, 2001 and 2000 and the related account balances outstanding at June 30, 2001 and 2000 are summarized as follows.

Millions of Won				
	Sales	Purchases	Receivables	Payables
LG Electronics U.S.A., Inc.	₩ 461,438	₩ -	₩ 1,880	₩ 9,977
LG Hitachi Ltd.	391,780	2,416	1,145	1,008
LG Telecom. Ltd.	254,254	6,495	163,156	5,401
LG Electronics Service Europe Netherlands B.V.	196,573	-	4,803	8,197
LG International Corp.	195,183	7,335	49,104	4,025
LG Electronics Alabama, Inc.	165,699	1,130	7,471	3,831
Zenith Electronics Corporation	4,767	-	229,232	4,218
Other	2,103,197	437,851	390,025	216,824
2001 Total	₩3,772,891	₩ 455,227	₩846,816	₩ 253,481
2000 Total	₩2,903,636	₩ 952,661	₩460,979	₩ 520,333

22. Segment Information:

The Company has organized four reportable business divisions: Digital Display & Media division, Digital Appliance division, Display Device division and Information & Communications 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 :

Digital Display & Media division :	VCR, PC, computer, CD-ROM and audio, TV, monitor
Digital Appliance division :	refrigerator, washing machine, air conditioner, microwave oven and vacuum cleaner
Display Device division :	CPT/CDT, DY, FBT, electron gun, magnetron and PDP
Information & Communication division :	mobile telecommunication systems, mobile phones, electronics switching system, transmission equipment, network equipment

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

22. Segment Information, Continued:

Financial Data by Business Division (Millions of Won)

	Business Division					
	Total	Digital Display & Media	Digital Appliance	Display Device	Information & Communications	Supporting Division
. Sales						
External Sales	₩8,699,514	₩3,268,922	₩2,831,431	₩ 739,635	₩1,777,116	₩ 82,410
Inter-division Sales	368,859	35,867	7,176	215,363	81,588	28,865
	<u>9,068,373</u>	<u>3,304,789</u>	<u>2,838,607</u>	<u>954,998</u>	<u>1,858,704</u>	<u>111,275</u>
. Operating Income (Loss)	<u>538,653</u>	<u>91,648</u>	<u>438,139</u>	<u>(15,020)</u>	<u>93,743</u>	<u>(69,857)</u>
. Fixed Assets						
Property, plant & equipment	2,944,282	622,287	777,587	305,315	475,778	763,315
Intangible assets	1,063,098	21,740	7,681	56,590	524,022	453,065
Total	<u>₩4,007,380</u>	<u>₩ 644,027</u>	<u>₩ 785,268</u>	<u>₩ 361,905</u>	<u>₩ 999,800</u>	<u>₩1,216,380</u>
Depreciation	<u>₩ 303,135</u>	<u>₩ 52,804</u>	<u>₩ 56,565</u>	<u>₩ 82,078</u>	<u>₩ 53,929</u>	<u>₩ 57,759</u>

Financial data by Geographic Area (Millions of Won)

	Total	Domestic	Central & South					Oceania
			North America	South America	Europe	Central Asia	Asia	
Sales								
External sales	₩8,699,514	₩3,037,154	₩1,944,137	₩470,013	₩961,593	₩516,560	₩1,671,103	₩98,954
Ratio	100.0%	34.9%	22.4%	5.4%	11.1%	5.9%	19.2%	1.1%
Inter-division Sales	368,859	368,859	-	-	-	-	-	-
	<u>₩9,068,373</u>	<u>₩3,406,013</u>	<u>₩1,944,137</u>	<u>₩470,013</u>	<u>₩961,593</u>	<u>₩516,560</u>	<u>₩1,671,103</u>	<u>₩98,954</u>

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month periods ended June 30, 2001 and 2000

23. Merger :

Effective September 1, 2000, the Company merged LG Information & Communications, Ltd., ("LGIC"), an affiliate, in accordance with a merger agreement with LGIC on June 8, 2000 and subsequent approval by shareholders on July 22, 2000.

LGIC was incorporated to manufacture and sell electronic switching systems, transmission equipment, network equipment, mobile telecommunication systems, and mobile phones.

The Company owned 8,374,357 shares of LGIC (27.10%) at the time of merger but the Company cancelled those shares without issuing common stock.

In connection with the merger, the Company issued 47,790,404 shares of common stock (₩1,347,645 million) exchanging 2.1216 shares of its common stock for each share of LGIC. The Company acquired the assets and assumed the liabilities of LGIC at their fair value as of September 1, 2000. As a result of the merger, the Company recognized goodwill of ₩393,820 million.

Changes in goodwill are as follows :

	Millions of Won
Goodwill at the merger	₩ 393,820
Amortization	(21,275)
Goodwill as of December 31, 2000	₩ 372,545

Condensed balance sheets of LGIC as of August 31, 2000 and December 31, 1999 and the related statements of income are as follows (Millions of Won) :

Condensed balance sheets -

	As of August 31, 2000	As of December 31, 1999
Current assets	₩ 1,221,105	₩ 894,135
Investment	1,571,884	1,473,054
Property, plant and equipment	228,085	198,261
Intangible assets	36,176	30,508
Total assets	₩ 3,057,250	₩ 2,595,958
Current liabilities	₩ 1,910,295	₩ 1,021,601
Non-current liabilities	623,748	403,647
Total liabilities	2,534,043	1,425,248
Shareholders' equity	523,207	1,170,710
Total liabilities and shareholders' equity	₩ 3,057,250	₩ 2,595,958

Continued :

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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for the six-month periods ended June 30, 2001 and 2000

23. Merger, Continued :

Condensed income statements -

	For the eight-month period ended August 31, 2000	For the year ended December 31, 1999
Sales	₩ 2,006,376	₩ 2,768,022
Cost of sales	1,436,022	2,025,206
Gross profit	570,354	742,816
Selling and administrative expenses	327,183	511,005
Operating income	243,171	231,811
Non-operating income (expenses)	(57,801)	185,308
Income before income taxes	185,370	417,119
Income taxes	59,671	119,327
Net income	₩ 125,699	₩ 297,792

24. Establishment of a joint venture related to Cathode Ray Tubes ("CRT") business :

Pursuant to a resolution by the board of directors on June 11, 2001, the Company established a joint venture (LG.Philips Displays International Ltd.) related to its Cathode Ray Tubes ("CRT") business with Koninklijke Philips Electronics N.V. with ownership of 50% to 50% in the Netherlands on June 29, 2001 to be global market leader. In connection with the joint venture, the Company contributed its investments in Beijing LG Electronics Components Co., Ltd. ("LGEBJ") and LG Shuguang Electronics Co., Ltd. ("LGESG"), and assets and liabilities of the CRT business of LG Electronics Wales Ltd. ("LGEWA") and PT LG Electronics Display Devices Indonesia ("LGEDI"), and cash of US\$ 400 million. The Company also sold assets and liabilities of its CRT business located in Kumi and Changwon to "LG. Philips Displays Korea Co., Ltd.," a subsidiary wholly owned by the joint venture, on June 30 2001. As a result, the Company was paid ₩1,432, 530 million (US\$1,100 million) in cash.

The Company recognized a gain on business transfer amounting to ₩1,358,701 million, net of direct costs in relation to establishment of the new joint venture.

Continued :

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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for the six-month periods ended June 30, 2001 and 2000

24. Establishment of a joint venture related to Cathode Ray Tubes ("CRT") business,
Continued

The book value of assets and liabilities of the CRT business transferred to LG. Philips Displays Korea Co., Ltd. is as follows ;

	Millions of Won	
Current assets	₩	281,675
Fixed assets		516,429
Total assets		798,104
Current liabilities		163,249
Long-term liabilities		21,286
Total liabilities		184,535
Net assets	₩	613,569

Information regarding income of the CRT business for the six-month periods ended June 30, 2001 and 2000 is as follows ;

	June 30, 2001	June 30, 2000
Sales	₩ 938,060	₩ 1,296,348
Operating income	121,407	212,650

The price is subject to adjustment based on determination of assets and liabilities contributed and transferred in relation to the joint venture.