

LG Electronics Inc.

**Non-Consolidated Interim Financial Statements
June 30, 2004 and 2003**

LG Electronics Inc.

Index

June 30, 2004 and 2003, and December 31, 2003

	Page(s)
Report of Independent Accountants	1-2
Non-Consolidated Financial Statements	
Balance Sheets	3-4
Statements of Income	5
Statements of Cash Flows	6-7
Notes to non-consolidated Financial Statements	8-51

LG Electronics Inc.
Non-Consolidated Balance Sheets
June 30, 2004 and December 31, 2003
(Unaudited)

(in millions of Korean Won)

	2004	2003
Assets		
Current assets		
Cash and cash equivalents (Notes 3 and 6)	₩ 1,106,681	₩ 536,853
Short-term financial instruments (Note 4)	884	40,732
Trade accounts and notes receivable, net (Notes 5, 6 and 23)	1,259,044	1,005,246
Inventories (Notes 7 and 11)	1,630,311	1,504,164
Other accounts receivable, net (Notes 5 and 6)	377,715	438,078
Prepaid expenses	82,070	40,959
Accrued income, net (Notes 5 and 6)	184,727	176,334
Advances, net (Note 5)	63,794	28,026
Derivatives transaction debit (Note 16)	11,203	654
Other current assets, net (Note 5)	1,913	1,671
Total current assets	4,718,342	3,772,717
Property, plant and equipment, net (Notes 10, 11 and 24)	3,425,055	3,122,720
Long-term financial instruments (Note 4)	11,624	9,623
Long-term investment securities (Note 8)	160,643	246,712
Equity method investment securities (Note 9)	3,431,780	2,621,879
Refundable deposits (Note 6)	352,889	326,574
Long-term trade accounts receivable (Note 5)	-	22
Long-term prepaid expenses	99,459	85,425
Deferred income tax assets, net (Note 21)	63,590	249,728
Long-term loans, net (Note 5)	17,459	5,725
Intangible assets (Notes 12 and 24)	752,312	836,301
Other non-current assets	27,837	-
Total assets	₩ 13,060,990	₩ 11,277,426

LG Electronics Inc.
Non-Consolidated Balance Sheets
June 30, 2004 and December 31, 2003
(Unaudited)

(in millions of Korean Won)

	2004	2003
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Note 13)	₩ 515,531	₩ 390,406
Current maturities of long-term debt (Note 13)	590,939	989,580
Trade accounts and notes payable (Notes 6 and 23)	1,726,919	1,791,833
Other accounts payable (Note 6)	1,098,888	1,100,406
Income taxes payable (Note 21)	134,354	48,761
Dividends payable	-	34
Accrued expenses (Note 6)	869,858	612,456
Withholdings	21,555	30,974
Advances from customers	143,743	116,489
Derivatives transaction credit (Note 16)	109	9,860
Unearned income	1,603	-
Total current liabilities	5,103,499	5,090,799
Debtures, net of current maturities and discounts on debtures (Note 14)		
	2,890,398	2,382,431
Long-term debt, net of current maturities (Note 14)	285,045	22,758
Accrued severance benefits, net (Note 15)	266,871	192,739
Product warranty reserve	88,691	83,982
Other long-term liabilities	119	115
Total liabilities	8,634,623	7,772,824
Commitments and contingencies (Note 16)		
Shareholders' equity		
Capital stock (Notes 1 and 17)	783,961	783,961
Capital surplus (Note 18)	1,907,603	1,891,986
Retained earnings (Note 19)	1,647,600	766,097
Capital adjustments (Note 20)	87,203	62,558
Total shareholders' equity	4,426,367	3,504,602
Total liabilities and shareholders' equity	₩ 13,060,990	₩ 11,277,426

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

See Report of Independent Accountants

LG Electronics Inc.
Non-Consolidated Statements of Income
Three-Month Periods and Six-Month Periods Ended June 30, 2004 and 2003
(Unaudited)

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

	2004		2003	
	For the three-month period ended June 30, 2004	For the six-month period ended June 30, 2004	For the three-month period ended June 30, 2003	For the six-month period ended June 30, 2003
Sales (Notes 23 and 24)	₩ 6,028,984	₩ #####	₩ 4,672,845	₩ 9,843,366
Cost of sales (Note 23)	4,521,011	9,094,786	3,503,076	7,410,700
Gross profit	1,507,973	2,930,636	1,169,769	2,432,666
Selling and administrative expenses	1,115,356	2,131,161	907,583	1,753,263
Operating income (Note 24)	392,617	799,475	262,186	679,403
Non-operating income				
Interest income	32,659	43,256	9,174	13,331
Dividend income	20	4,893	2,545	5,327
Rental income	3,607	6,632	3,168	5,245
Gain on valuation of short-term trading securities	-	-	265	563
Foreign exchange gains	75,246	190,373	134,493	157,969
Gain on disposal of property, plant and equipment	2,060	3,300	244	641
Gain on disposal of investment securities	38,726	46,795	165	165
Reversal of allowance for doubtful accounts	24,218	24,218	-	-
Equity in earnings of affiliates, net (Note 9)	316,857	668,403	129,335	77,785
Refund of income taxes	52,803	53,600	745	826
Gain on derivatives transactions (Note 16)	5,515	8,518	468	1,095
Gain on valuation of derivatives (Note 16)	-	20,299	4,438	1,530
Others	9,416	49,710	39,002	62,148
	561,127	1,119,997	324,042	326,625
Non-operating expenses				
Interest expense	51,026	99,074	52,963	104,510
Foreign exchange losses	76,661	145,697	75,082	140,942
Loss from transfer of trade accounts and notes receivable	29,150	57,836	25,302	51,540
Loss from disposal of property, plant and equipment	17,141	68,888	5,763	12,902
Loss from disposal of investment securities	52,362	72,550	1,612	2,569
Loss on impairment of investment securities	30,000	33,218	95	27,438
Loss from redemption of debentures	-	-	-	-
Donations	2,547	4,515	1,880	3,314
Additional payment of income taxes	-	-	-	202
Other bad debt expense	-	321	32,473	62,523
Loss on derivatives transactions (Note 16)	6,904	10,192	1,373	2,918
Loss on valuation of derivatives (Note 16)	2,734	0	-	1
Others	12,898	22,425	14,957	24,529
	281,423	514,716	211,500	433,388
Ordinary income	672,321	1,404,756	374,728	572,640
Extraordinary gains	-	-	-	-
Extraordinary losses	-	-	-	-
Income before income taxes	672,321	1,404,756	374,728	572,640
Income tax expense (Note 21)	178,859	326,592	107,415	116,469
Net income	₩ 493,462	₩ 1,078,164	₩ 267,313	₩ 456,171
Earnings per share and (Note 21)				
ordinary income per share (in Won) (Note 22)	₩ 3,154	₩ 6,888	₩ 1,707	₩ 2,912
Diluted earnings per share and diluted ordinary income per share (in Won) (Note 22)	3,032	6,647	1,707	2,912

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

See Report of Independent Accountants

LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Three-Month Periods and Six-Month Periods Ended June 30, 2004 and 2003
(Unaudited)

(in millions of Korean Won)

	2004		2003	
	For the three-month period ended June 30, 2004	For the six-month period ended June 30, 2004	For the three-month period ended June 30, 2003	For the six-month period ended June 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	₩ 493,462	₩ 1,078,164	₩ 267,313	₩ 456,171
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	163,244	319,663	155,613	305,287
Amortization of discounts on debentures	8,495	13,385	3,799	7,305
Provision for severance benefits	63,975	131,442	41,468	87,285
Loss from transfer of trade accounts and notes receivable	29,150	57,836	25,302	51,540
Bad debt expense	-	321	24,807	84,760
Foreign currency translation gain, net	(2,939)	(36,986)	(58,325)	(5,605)
Gain on valuation of short-term trading securities	-	-	(265)	(563)
Loss from disposal of investment securities, net	13,636	25,755	1,447	2,404
Loss on impairment of investment securities	30,000	33,218	95	27,438
Loss from disposal of property, plant and equipment, net	15,081	65,588	5,519	12,261
Equity in earnings of affiliates, net	(316,857)	(668,403)	(129,335)	(77,785)
Loss(gain) on valuation of derivatives, net	2,734	(20,299)	(4,438)	(1,529)
Loss on derivatives transactions, net	1,389	1,674	905	1,823
Product warranty provision	(7,337)	15,072	2,281	31,679
Reversal of allowance for doubtful accounts	(34,409)	(24,218)	-	-
Others	(2,838)	(2,838)	(29)	(58)
Changes in assets and liabilities				
Decrease (increase) in trade accounts and notes receivable	172,097	(314,755)	276,904	140,576
Decrease (increase) in other accounts receivable	(73,786)	34,475	5,438	(57,770)
Decrease (increase) in accrued income	12,975	(12,014)	(20,571)	(13,460)
Decrease (increase) in advances	(6,576)	(36,073)	54,335	79,886
Decrease (increase) in other current assets	75	59	(894)	(996)
Decrease (increase) in inventories	(98,664)	(126,148)	319,631	95,053
Decrease (increase) in prepaid expenses	(10,125)	(41,112)	25,416	10,705
Decrease (increase) in deferred income tax assets	111,391	185,387	18,748	(104,869)
Increase in long-term prepaid expenses	(14,034)	(14,034)	(6,394)	(6,394)
Decrease in trade accounts and notes payable	(73,999)	(58,621)	(1,026,870)	(596,115)
Increase (decrease) in other accounts payable	189,098	2,393	235,418	(291,798)
Increase in accrued expenses	101,607	259,759	53,942	1,118
Increase (decrease) in withholdings	21,552	(9,422)	21,288	30,904
Increase (decrease) in advances from customers	17,950	27,254	(28,468)	(1,723)
Increase in income taxes payable	32,439	85,593	70,039	48,046
Payment of severance benefits	(30,258)	(68,727)	(29,811)	(59,477)
Decrease (increase) in severance insurance deposits	(3,491)	9,620	12,268	25,981
Decrease in contributions to the National Pension Fund	772	1,797	987	2,039
Others	(8,651)	(8,755)	-	-
Net cash provided by operating activities	₩ 797,158	₩ 906,050	₩ 317,563	₩ 284,119

LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Three-Month Periods and Six-Month Periods Ended June 30, 2004 and 2003
(Unaudited)

(in millions of Korean Won)

	2004		2003	
	For the three-month period ended June 30, 2004	For the six-month period ended June 30, 2004	For the three-month period ended June 30, 2003	For the six-month period ended June 30, 2003
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of short-term financial instruments, net	₩ (75)	₩ 39,849	₩ 878	₩ 763
Acquisition of short-term trading securities	-	-	-	(20,000)
Disposal of short-term and long-term loans, net	20,974	9,429	200	927
Acquisition of long-term financial instruments	(487)	(2,001)	(1,995)	(2,666)
Disposal of long-term investment securities	151,381	274,283	22,133	26,681
Acquisition of long-term investment securities	(26,102)	(324,502)	(75,112)	(92,933)
Payment of refundable deposits	(9,617)	(26,392)	(8,488)	(17,257)
Proceeds from disposal of property, plant and equipment	2,578	17,628	8,292	11,698
Proceeds from disposal of intangible assets	273	273	46	81
Proceeds from disposal of derivatives	8,077	8,077	286	286
Acquisition of property, plant and equipment	(359,201)	(601,563)	(190,169)	(301,766)
Acquisition of intangible assets	(13,204)	(19,994)	(49,271)	(53,972)
Acquisition of derivatives	(9,466)	(9,751)	(247)	(533)
Others	98	(608)	(42)	3
Net cash used in investing activities	<u>(234,771)</u>	<u>(635,272)</u>	<u>(293,489)</u>	<u>(448,688)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (payment of) short-term borrowings, net	(124,978)	126,033	(243,327)	492,368
Proceeds from issuance of debentures	593,292	758,923	487,674	586,961
Payment of current maturities of long-term debt	(394,326)	(623,487)	(277,917)	(380,202)
Payment of dividends	(196,634)	(196,634)	(157,396)	(157,396)
Proceeds from disposal of treasury stock	11,349	11,349	10,925	10,925
Acquisition of treasury stock	(30,015)	(46,298)	(2,208)	(9,400)
Proceeds from long-term borrowings	269,164	269,164	-	-
Net cash provided by (used in) financing activities	<u>127,852</u>	<u>299,050</u>	<u>(182,249)</u>	<u>543,256</u>
Net increase (decrease) in cash and equivalents	690,239	569,828	(158,175)	378,687
CASH AND CASH EQUIVALENTS				
Beginning of the period (Note 25)	416,442	536,853	554,038	17,176
End of the period (Note 25)	<u>₩ 1,106,681</u>	<u>₩ 1,106,681</u>	<u>₩ 395,863</u>	<u>₩ 395,863</u>

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

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

1. The Company

LG Electronics Inc. (the "Company") was spun off from LG Electronics Investment Ltd. (formerly LG Electronics Inc.) on April 1, 2002, to engage in the manufacture and sale of electronic, and information and communication products.

As of June 30, 2004, the Company operates manufacturing facilities mainly in Kuro, Pyeongtaek, Chongju, Gumi, and Changwon in the Republic of Korea.

As of June 30, 2004, the Company has outstanding capital stock amounting to ₩783,961 million, including non-voting preferred stock. The Company's stock was listed on the Korean Stock Exchange on April 22, 2002, and its depository receipts ("DRs") were listed on the London Stock Exchange in September 2002.

As of June 30, 2004, LG Corp. owns a total of 32.1% of the Company's common stock, while financial institutions, foreign investors and others own the rest of the Company's common stock.

2. Summary of Significant Accounting Policies

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

Basis of Financial Statement Presentation

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

Accounting Estimates

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

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board (“KASB”) has published a series of Statements of Korean Financial Accounting Standards (“SKFAS”), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. SKFAS No. 1, *Accounting Changes and Corrections of Errors*, became effective for the Company on January 1, 2002, SKFAS No. 2, *Interim Financial Reporting*, through No. 9, *Convertible Securities*, became effective for the Company on January 1, 2003, and SKFAS No. 10, *Inventories*, SKFAS No. 12, *Construction-Type Contracts*, and SKFAS No. 13, *Debt Restructuring and Rescheduling*, became effective for the Company on January 1, 2004. The Company has adopted these statements in its interim financial statements for the six-month period ended June 30, 2004.

Revenue Recognition

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

Cash and Cash Equivalents

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

Securities

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

Securities are initially carried at cost, including incidental expenses, with cost being determined using the gross average method. Debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or premiums. Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable securities classified as available-for-sale securities whose fair value may not be determined, which are carried at cost. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at a reasonable interest rate determined considering the credit ratings by independent credit rating agencies.

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

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

Equity Method Investment Securities

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

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

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

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

Allowance for Doubtful Accounts

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

Inventories

Inventories are stated at the lower of cost or market, with cost being determined using the weighted-average method, except for inventories in-transit which is determined using the specific identification method. If the net realizable value of the inventory is less than its cost, the carrying amount is reduced to the net realizable value. The valuation loss is charged to cost of sales and presented as a deduction from the inventory. However, the recovery of the net realizable value of the inventory would be deducted from cost of sales up to the cost of the inventory before valuation.

Property, Plant and Equipment

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

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

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

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

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

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% of the estimated economic life of the leased property, or have a present value of the minimum lease payments at the beginning of the lease term amounting to more than 90% 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.

Research and Development Costs

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

Intangible Assets

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

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

Borrowing Costs

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

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

Discounts (Premiums) on Debentures

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

Treasury Stock

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

Product Warranty

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

Accrued Severance Benefits

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

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

Income Taxes

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

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

Sale of Accounts and Notes Receivable

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

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

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 or losses are recognized in current operations.

The exchange rate used to translate U.S. Dollar denominated monetary assets and liabilities as of June 30, 2004 and December 31, 2003 is ₩1,152.5: US\$1 and ₩1,197.8: US\$1, respectively.

Derivative Financial Instruments

The Company utilizes several derivative financial instruments (“derivatives”) such as forward exchanges, swaps and option contracts to reduce its exposure resulting from fluctuations in foreign currency and interest rates. The derivatives are carried at fair market value.

Unrealized gains or losses on derivatives for trading or fair value hedging purposes are recorded in current operations. Unrealized gains or losses on derivatives for cash flow hedging purposes are recorded in current operations for the portion of the hedge that is not effective. For the portions of cash flow hedges which are effective, unrealized gains or losses are accounted for in the capital adjustments account and recorded in current operations in the period when the underlying transactions have an effect on operations.

Convertible Bonds

The Company recorded a premium for conversion rights as a capital surplus representing the difference between the issuance price of convertible bonds and the present value of bonds under identical conditions without conversion rights. The Company offset conversion rights adjustment by the face value of convertible bonds and add call premium to the face value of convertible bonds.

3. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2004 and December 31, 2003 consist of the following:

<i>(in millions of Korean Won)</i>	Annual interest rate (%)		
	at June 30, 2004	2004	2003
Cash on hand	-	₩ 47	₩ 47
Checking accounts	-	4,572	2,873
Foreign currency checking accounts	-	99,024	24,977
Demand deposits	0.1 - 0.3	9,579	1,795
Foreign currency time deposits	0.33 – 4.00	403,459	120,161
Money market funds	3.00 – 4.25	590,000	127,000
Time deposits	-	-	210,000
Beneficiary certificates	-	-	50,000
		<u>₩ 1,106,681</u>	<u>₩ 536,853</u>

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

4. Financial Instruments

Short-term and long-term financial instruments as of June 30, 2004 and December 31, 2003 consist of the following:

<i>(in millions of Korean Won)</i>	Annual interest rate (%) at June 30, 2004	2004		2003	
Short-term financial instruments					
Installment deposits	6.5	₩	884	₩	732
Time deposits	-		-		40,000
			884		40,732
Long-term financial instruments					
Other deposits	0.0 - 4.5		11,624		9,623
		₩	12,508	₩	50,355

As of June 30, 2004 and December 31, 2003, long-term financial instruments are deposited in connection with maintaining checking accounts or research and development projects funded by the government. The withdrawal of these financial instruments is restricted.

5. Receivables

Receivables, including trade accounts and notes receivable, as of June 30, 2004 and December 31, 2003 consist of the following:

<i>(in millions of Korean Won)</i>	2004			
	Original amount	Allowance for doubtful accounts	Discounts for present value	Carrying value
Trade accounts and notes receivable	₩1,342,569	₩ (83,518)	₩ (7)	₩1,259,044
Other accounts receivable	388,047	(9,062)	(1,270)	377,715
Accrued income	185,162	(435)	-	184,727
Advances	68,608	(4,814)	-	63,794
Other current assets	1,920	(7)	-	1,913
Long-term loans	17,702	(243)	-	17,459
	<u>₩2,004,008</u>	<u>₩ (98,079)</u>	<u>₩ (1,277)</u>	<u>₩1,904,652</u>
	2003			
<i>(in millions of Korean Won)</i>	Original amount	Allowance for doubtful accounts	Discounts for present value	Carrying value
Trade accounts and notes receivable (*)	₩1,090,232	₩ (82,060)	₩(2,904)	₩1,005,268
Other accounts receivable	450,366	(12,288)	-	438,078
Accrued income	176,744	(410)	-	176,334
Advances	32,534	(4,508)	-	28,026
Other current assets	1,675	(4)	-	1,671
Long-term loans	27,436	(21,711)	-	5,725
-	<u>₩1,778,987</u>	<u>₩ (120,981)</u>	<u>₩(2,904)</u>	<u>₩1,655,102</u>

term trade accounts receivable are included.

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

6. Assets and Liabilities Denominated in Foreign Currencies

As of June 30, 2004 and December 31, 2003, monetary assets and liabilities denominated in foreign currencies, other than those disclosed in Notes 13 and 14, are as follows:

<i>(in millions)</i>	2004		2003	
	Foreign currency	Korean Won equivalent	Foreign currency	Korean Won equivalent
Cash and cash equivalents	US\$	371	₩	427,542
	JP ¥	750		7,982
	EUR	33		46,823
	Others	-		20,136
				<u>502,483</u>
Trade accounts receivable	US\$	355		409,010
	JP ¥	378		4,022
	EUR	38		52,557
	GBP	1		313
	AUD	7		5,733
	Others	-		2,115
				<u>473,750</u>
Other accounts receivable	US\$	39		44,999
	Others	-		14,834
				<u>59,833</u>
Accrued income	US\$	186		214,927
	Others	-		247
				<u>215,174</u>
Refundable deposits	JP ¥	58		618
	US\$	1		639
	Others	-		295
				<u>1,552</u>
Trade accounts payable	US\$	685		788,875
	JP ¥	12,813		136,326
	EUR	11		15,710
	Others	-		282
				<u>941,193</u>
Other accounts payable	AUD	10		7,830
	CAD	8		6,633
	EUR	40		55,841
	JP ¥	491		5,226
	US\$	73		84,029
	Others	-		6,085
				<u>165,644</u>
Accrued expenses	US\$	61		70,248
	Others	-		3,270
				<u>73,518</u>
Cash and cash equivalents	US\$	104	₩	125,047
	JP ¥	462		5,174
	EUR	6		9,093
	Others	-		5,823
				<u>145,137</u>
Trade accounts receivable	US\$	306		367,064
	JP ¥	762		8,528
	EUR	17		25,538
	GBP	1		1,468
	AUD	1		518
	Others	-		259
				<u>403,375</u>
Other accounts receivable	US\$	4		5,212
	Others	-		573
				<u>5,785</u>
Accrued income	US\$	119		142,787
	Others	-		61
				<u>142,848</u>
Refundable deposits	JP ¥	32		362
	US\$	1		1,720
	Others	-		410
				<u>2,492</u>
Trade accounts payable	US\$	616		737,951
	JP ¥	15,446		172,933
	EUR	11		16,179
	Others	-		1,454
				<u>928,517</u>
Other accounts payable	AUD	14		12,891
	CAD	5		5,087
	EUR	43		65,033
	JP ¥	3,743		41,910
	US\$	164		196,867
	Others	3		3,882
				<u>325,670</u>
Accrued expenses	US\$	64		76,106
	Others	-		4,661
				<u>80,767</u>

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

7. Inventories

Inventories as of June 30, 2004 and December 31, 2003 comprise the following:

<i>(in millions of Korean Won)</i>	2004			2003
	Acquisition cost	Inventory valuation allowance	Carrying value	Carrying value
Merchandise	₩ 37,424	₩ (1,750)	₩ 35,674	₩ 21,268
Finished products	485,393	(14,224)	471,169	550,286
Work-in-process	356,301	(4,044)	352,257	348,850
Raw materials	664,213	(7,458)	656,755	490,126
Parts and supplies	116,386	(1,930)	114,456	93,634
	<u>₩1,659,717</u>	<u>₩ (29,406)</u>	<u>₩ 1,630,311</u>	<u>₩ 1,504,164</u>

See Note 11 for inventories insured against various property risks.

8. Long-Term Investment Securities

Long-term investment securities as of June 30, 2004 and December 31, 2003 are as follows:

<i>(in millions of Korean Won)</i>	2004	2003
Available-for-sale securities	₩ 159,793	₩ 246,668
Held-to-maturity securities	850	44
	<u>₩ 160,643</u>	<u>₩ 246,712</u>

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

Available-for-sale securities as of June 30, 2004 and December 31, 2003 are as follows:

	Percentage of ownership (%) at June 30, 2004	2004			2003		
		Acquisition cost	Net asset value/Market value	Carrying value	Acquisition cost	Net asset value/Market value	Carrying value
<i>(in millions of Korean Won)</i>							
Marketable equity securities							
KT Corp. (*3)	-	₩ -	₩ -	₩ -	₩ 127,441	₩ 105,257	₩ 105,257
LG Investment & Securities Co., Ltd. (*5)	-	-	-	-	262,432	84,498	84,498
NARA MOLD & DIE Co., Ltd.	12.34	812	2,704	2,704	812	2,999	2,999
Voiceware Co., Ltd.	10.44	206	918	918	206	1,363	1,363
Vodavi Technology Inc.	19.86	2,928	4,602	4,602	2,928	5,992	5,992
		<u>3,946</u>	<u>8,224</u>	<u>8,224</u>	<u>393,819</u>	<u>200,109</u>	<u>200,109</u>
Non-marketable equity securities							
Domestic companies							
Innopla Co., Ltd.	19.90	245	555	245	245	555	245
Castec Korea Co., Ltd.	5.00	182	489	182	182	489	182
Msoltech	10.00	635	242	635	635	242	635
AL Tech Inc.	8.53	589	272	589	589	245	589
Korea Information Certificate Authority Inc.	9.35	1,852	1,686	1,852	1,852	1,695	1,852
Association of Electronics Environment	36.04	4,698	1,795	4,698	4,349	1,795	4,349
Megaround Co., Ltd.	14.79	318	315	318	318	315	318
Temco, Inc.	13.04	1,200	1,200	1,200	1,200	1,200	1,200
Netgenetech. Co., Ltd.	15.00	176	176	176	176	176	176
Manager Society, Inc.	3.70	200	200	200	200	200	200
Thermo Matrix Technology	19.90	158	158	158	158	158	158
Wowlinux	7.40	100	100	100	100	100	100
Silicon Works	12.00	501	501	501	501	501	501
TU Media Corporation	5.00	6,500	5,955	6,500	6,500	6,500	6,500
Others	-	2,220	2,220	2,220	1,618	1,618	1,618
		<u>47,889</u>	<u>23,831</u>	<u>29,356</u>	<u>46,938</u>	<u>24,032</u>	<u>43,499</u>
Overseas companies							
Gemfire Corp. (*1)	4.41	1,835	-	-	1,835	-	-
Erlang Technology Inc.	8.40	1,129	313	1,129	1,129	313	1,129
Neopoint Inc. (*1)	16.62	1,604	-	-	1,604	-	-
E2OPEN.COM (*4)	6.87	15,694	1,899	1,899	15,694	1,899	15,694
COMMIT Incorporated	13.47	4,990	4,990	4,990	4,990	4,990	4,990
Monet Mobile Networks (*1)	1.90	1,299	-	-	1,299	276	1,299
SUNPOWER.INC	10.35	1,257	258	1,257	1,257	258	1,257
Others	-	507	507	507	507	507	507
		<u>47,889</u>	<u>23,831</u>	<u>29,356</u>	<u>46,938</u>	<u>24,032</u>	<u>43,499</u>
Debt securities							
Bonds issued by the government		9	9	9	856	856	856
Convertible bonds issued by NeoDis Co., Ltd.		2,204	2,204	2,204	2,204	2,204	2,204
Commercial papers issued by LG Card Co., Ltd. (*2)		150,000	120,000	120,000	-	-	-
		<u>152,213</u>	<u>122,213</u>	<u>122,213</u>	<u>3,060</u>	<u>3,060</u>	<u>3,060</u>
		<u>₩ 204,048</u>	<u>₩ 154,268</u>	<u>₩ 159,793</u>	<u>₩ 443,817</u>	<u>₩ 227,201</u>	<u>₩ 246,668</u>

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

- (*1) Carrying value was fully written down due to the negative net book value of the investment as of June 30, 2004.
- (*2) Upon a resolution of the Board of Directors on February 6, 2004, the Company purchased commercial papers (having a face value of ₩150,000 million) of LG Card Co., Ltd., as part of the fulfillment of LG Card Co., Ltd.'s business normalization agreement with the creditor financial institutions and recognized an impairment loss of ₩30,000 million during the six-month period ended June 30, 2004. The commercial papers are scheduled to be substituted with LG Card Co., Ltd.'s subordinated convertible bonds whose terms, such as the interest rate and conversion price, will be agreed to by the creditor financial institutions and the LG Group reflecting market conditions after the debt-for-equity swap implemented by the creditor financial institutions. As of June 30, 2004, the terms of the subordinated convertible bonds were not yet determined.
- (*3) During the six-month period ended June 30, 2004, the Company disposed of all the shares (2,360,018 shares) of KT Corp., resulting in a loss of ₩18,697 million.
- (*4) Loss on valuation of available-for-sale securities amounting to ₩13,795 million was charged to capital adjustments.
- (*5) Upon a resolution of the Board of Directors on December 23, 2003, the Company entrusted its disposal and voting rights for the 10,180,531 shares of the common stock of LG Investment & Securities Co., Ltd. to Woori Bank, the representative of the creditor banks, as a part of the business normalization plan of LG Card Co., Ltd. In April 2004, in accordance with the business normalization plan, Korea Development Bank exercised its preemptive right to purchase the shares of LG Investment & Securities Co., Ltd.. The Company disposed of all the shares (10,180,531 shares), resulting in a loss of ₩51,696 million.

As of June 30, 2004 and December 31, 2003, held-to-maturity securities consist of the following:

<i>(in millions of Korean Won)</i>	<u>2004</u>	<u>2003</u>
Subordinated bonds of ABN-AMRO ABCP	₩ 806	₩ -
Others	44	44
	<u>₩ 850</u>	<u>₩ 44</u>

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

The annual maturities of debt securities classified as available-for-sale securities and held-to-maturity securities as of June 30, 2004 and December 31, 2003 are as follows:

(in millions of Korean Won)

Due in	2004		2003	
	Available-for-sale securities	Held-to-maturity securities	Available-for-sale securities	Held-to-maturity securities
Less than one year and one year	₩ 120,000	₩ -	₩ -	₩ -
Over one year through five years	2,213	806	3,060	-
Over five years through ten years	-	44	-	44
	<u>₩ 122,213</u>	<u>₩ 850</u>	<u>₩ 3,060</u>	<u>₩ 44</u>

The details of changes in accumulated gains (losses) on valuation of available-for-sale securities as recorded in capital adjustments for the six-month period ended June 30, 2004 are as follows:

<i>(in millions of Korean Won)</i>	January 1, 2004	Gain (loss)	Disposal	June 30, 2004
KT Corp.	₩ (22,184)	₩ -	₩ (22,184)	₩ -
NARA MOLD & DIE Co., Ltd.	2,187	(295)	-	1,892
Voiceware Co., Ltd.	1,157	(445)	-	712
LG Investment & Securities Co., Ltd.	(75,994)	23,534	(52,460)	-
Vodavi Technology Inc.	3,063	(1,389)	-	1,674
E2OPEN.COM	-	(13,795)	-	(13,795)
Bonds issued by the government	(241)	-	(241)	-
	<u>₩ (92,012)</u>	<u>₩ 7,610</u>	<u>₩ (74,885)</u>	<u>₩ (9,517)</u>

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

9. Equity Method Investment Securities

Equity method investment securities as of June 30, 2004 and December 31, 2003 are as follows:

<i>(in millions of Korean Won)</i>	Percentage of ownership (%) at June 30, 2004	2004			2003		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
Domestic companies							
LG Micron Ltd.	37.41	₩ 52,315	₩ 97,766	₩ 76,925	₩ 52,315	₩ 88,030	₩ 86,070
LG Sports Ltd. (*7)	-	-	-	-	1,404	1,203	1,204
LG Innotek Co., Ltd.	69.80	59,308	139,271	144,438	59,308	135,142	137,039
Hankuk Electric Glass Co., Ltd. (*6)	20.00	119,282	141,264	123,314	-	-	-
LG.Philips LCD Co., Ltd.	50.00	726,169	2,118,338	1,932,812	726,169	1,447,016	1,259,904
LG IBM PC Co., Ltd.	49.00	11,907	16,222	12,728	11,907	17,739	14,548
Hi Plaza Inc.	100.00	70,511	75,108	57,071	70,511	78,942	60,806
STIC Ventures Co., Ltd.	94.00	28,200	28,729	28,729	28,200	30,864	28,200
Hi Logistics System (HLS)	100.00	4,500	5,436	5,417	4,500	4,500	4,500
Overseas companies							
Goldstar Electronics Thailand Co., Ltd. (G.S.T.) (*2)	49.00	36	36	36	36	36	36
Hitachi-LG Data Storage Inc. (HLDS)	49.00	7,684	26,196	26,157	7,684	30,576	33,007
LG Electronics Austria GmbH (LGEAG) (*2)	100.00	116	116	116	116	116	116
LG Electronics Alabama, Inc. (LGEAI)(*8)	-	-	-	-	63,940	79,784	53,116
LG Electronics Almaty Kazak Co., Ltd. (LGEAK)	100.00	3,746	17,808	12,459	3,746	23,188	19,106
LG Electronics Antwerp Logistics N.V. (LGEAL) (*1)	100.00	967	1,217	-	967	1,660	-
LG Electronics Australia PTY, Ltd. (LGEAP) (*1)	100.00	1,558	3,352	-	1,558	9,544	-
LG Electronics Argentina S.A. (LGEAR) (*3)	100.00	7,410	-	-	7,410	-	-
Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT)	50.00	14,718	22,762	21,618	14,718	19,895	19,353
LG Electronics Colombia, Ltda. (LGECEB)	100.00	3,330	10,611	5,276	3,330	3,211	2,175
LG Electronics China Co., Ltd. (LGECH)(*4)	100.00	53,532	61,224	26,627	37,614	44,314	25,279

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

<i>(in millions of Korean Won)</i>	Percentage of ownership (%) at June 30, 2004	2004			2003		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG Electronics Canada, Inc. (LGECI)	100.00	13,779	15,326	10,040	13,779	16,302	12,293
LG Electronics Inc. Chile Limitada (LGECL)	100.00	5,856	5,116	4,060	5,856	5,856	5,856
LG Electronics Czech S.R.O. (LGE CZ)	100.00	6,534	6,840	5,635	6,534	7,165	7,165
LG Electronics Deutschland GmbH (LGEDG)	100.00	26,938	23,838	11,859	26,938	24,972	16,266
PT LG Electronics Display Devices Indonesia (LGEDI)	100.00	32,085	75,531	50,601	32,085	76,826	53,673
LG Electronics Design Tech, Ltd. (LGEDT) (*2)	100.00	1,002	1,002	1,002	1,002	1,002	1,002
LG Electronics Egypt Cairo S.A.E. (LGE EC)	100.00	4,382	1,399	3,207	4,382	489	2,619
LG Electronics Egypt S.A.E. (LGE EG)	78.00	2,630	2,725	1,717	2,630	1,515	952
LG Electronics Espana S.A. (LGE ES) (*1)	100.00	3,374	5,292	-	3,374	12,864	1,600
LG Electronics Gulf FZE (LGE GF) (*1)	100.00	2,489	3,870	-	2,489	4,000	-
LG Electronics HK Limited (LGE HK)	100.00	4,316	5,371	5,316	4,316	4,065	3,943
Recording Media Co., Ltd. (LGE HN) (*4)	49.00	4,031	3,906	3,860	3,036	3,036	3,036
LG Electronics Hellas S.A. (LGE HS)	100.00	6,063	6,623	3,083	6,063	7,380	5,676
LG Electronics Huizhou Inc. (LGE HZ)	80.00	2,319	25,907	12,591	2,319	29,485	19,943
LG Electronics India Pvt. Ltd. (LGE IL)	100.00	38,476	121,892	119,490	38,476	116,998	113,063
PT LG Electronics Indonesia (LGE IN)	100.00	29,431	36,929	19,061	29,431	43,147	23,867
LG Electronics Italy S.P.A. (LGE IS) (*1)	100.00	14,136	10,448	-	14,136	9,189	3,791
LG Electronics Japan Inc. (LGE JP)	100.00	12,978	2,071	855	12,978	3,682	3,095
LG Electronics Mlawa SP.Zo.O. (LGE MA)	100.00	7,066	20,612	10,218	7,066	21,175	16,988

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

<i>(in millions of Korean Won)</i>	Percentage of ownership (%) at June 30, 2004	2004			2003		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG Electronics Morocco S.A.R.L. (LGEMC)	100.00	3,532	5,054	1,447	3,532	7,046	2,265
LG Electronics Middle East Co., Ltd. (LGEME) (*2)	100.00	462	462	462	462	462	462
LG-MECA Electronics Haiphong, Inc. (LGEMH)	70.00	1,690	3,883	3,501	1,690	3,423	3,328
LG Electronics Magyar Kft. (LGEMK) (*1)	100.00	5,575	10,458	-	5,575	11,301	4,393
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) (*1)	100.00	19,800	893	-	19,800	13,747	6,393
LG Electronics Mexico S.A. de C.V. (LGEMS)	100.00	1,936	14,261	9,384	1,936	7,632	3,084
LG MITR Electronics Co., Ltd. (LGEMT)	88.00	15,925	13,303	5,721	15,925	12,781	8,078
LG Electronics North of England Ltd. (LGENE)	100.00	11,229	15,499	14,644	11,229	17,496	15,513
LG Electronics (Nanjing) Plazma Co., Ltd. (LGENP)	100.00	14,712	24,006	10,153	14,712	13,435	13,084
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	70.00	14,571	22,822	15,685	14,571	21,889	15,860
LG Electronics Philippines, Inc. (LGEPH) (formerly LGECM)	100.00	23,524	3,384	5,492	23,524	2,564	5,186
LG Electronics Polska SP.Zo.O. (LGEPL)	100.00	4,117	10,486	6,357	4,117	10,229	8,968
Nanjing LG Panda Appliance Co., Ltd. (LGEPN)	70.00	9,465	15,499	12,696	9,465	19,511	14,865
LG Electronics Peru S.A. (LGEPR) (*1)	100.00	1,879	(3,425)	-	1,879	1,783	481
LG Electronics Panama S.A. (LGEPS)	100.00	2,333	7,758	6,732	2,333	3,444	701
LG Electronics Portugal (LGEPT)	100.00	6,822	5,835	1,280	6,822	7,517	7,460
LG Electronics Qinhuangdao Co., Ltd. (LGEQH)	100.00	4,104	8,500	7,403	4,104	8,150	7,024
LG Electronics Russia Inc. (LGERI)	95.00	391	10,481	10,760	391	5,934	5,934
LG Electronics Romania S.R.L (LGERO) (*5)	100.00	7,350	5,894	5,746	-	-	-
LG Electronics S.A. Pty Ltd. (LGESA)	100.00	3,382	40,386	31,260	3,382	26,418	21,870

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

<i>(in millions of Korean Won)</i>	Percentage of ownership (%) at June 30, 2004	2004			2003		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG Electronics Service Europe Netherlands B.V. (LGESE)	100.00	10,470	33,015	43,205	10,470	16,601	20,203
Shanghai LG Electronics Co., Ltd. (LGESH) (*4)	70.00	6,409	10,752	6,178	4,229	9,218	5,950
LG Electronics de Sao Paulo Ltda. (LGESP)	100.00	28,481	63,260	48,166	28,481	51,530	41,214
LG Electronics Sweden AB (LGESW)	100.00	5,668	6,683	1,666	5,668	6,683	4,348
LG Electronics Shenyang Inc. (LGESY)	78.87	15,139	25,026	14,079	15,139	24,796	11,831
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	49,479	133,195	109,609	49,479	131,919	106,851
LG Electronics Thailand Co., Ltd. (LGETH)	93.75	7,122	26,418	21,872	7,122	27,690	22,630
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	100.00	59,205	47,108	44,128	59,205	54,250	51,842
LG Taistar Electronics Taiwan Co., Ltd. (LGETT) (*1)	100.00	8,439	1,418	-	8,439	1,700	-
LG Electronics United Kingdom Ltd. (LGEUK) (*1)	100.00	20,792	(10,301)	-	20,792	(7,145)	-
LG Electronics Ukraine Co., Ltd. (LGEUR) (*2)	100.00	1,041	1,041	1,041	1,041	1,041	1,041
LG Electronics U.S.A., Inc. (LGEUS) (*8)	100.00	148,109	131,003	123,529	37,985	36,918	42,594
LG SEL Electronics Vietnam Inc. (LGEVN)	100.00	6,035	8,502	7,983	6,035	13,319	12,646
LG Electronics Wales Ltd. (LGEWA) (*1)	100.00	676,082	(236,211)	-	676,082	(135,271)	-
Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT) (*4)	49.00	10,188	12,174	10,900	9,669	6,422	6,422
Kunshan LGMS Computer Co., Ltd. (LGMSK) (*4)	100.00	4,549	1,955	4,216	1,155	916	915
LG Soft India PVT, Ltd. (LGSII)	74.99	2,920	6,222	7,693	2,920	7,833	7,418
EIC Properties PTE, Ltd.	38.20	9,636	2,318	2,318	9,636	8,493	8,493
Zenith Electronics Corporation (Zenith) (*8)	-	-	-	-	487,215	(12,721)	-

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

<i>(in millions of Korean Won)</i>	Percentage of ownership (%) at June 30, 2004	2004			2003		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG Infocomm U.S.A. Inc. (LGICUS) (*8)	-	-	-	-	4,673	21,503	-
LG Infocomm Thailand, Inc. (LGICTH)	60.00	3,246	5,633	4,751	3,246	5,953	5,851
Vietnam Korea Exchange, Ltd. (V.K.X.)	40.00	1,736	1,787	1,861	1,736	2,316	2,328
LG TOPS (*3)	40.00	2,699	930	906	2,699	930	906
Langchao LG (Yantai) Digital Mobile Technology Research & Development Co., Ltd. (*2)	49.00	824	824	824	824	824	824
LGE (China) R&D Center	100.00	8,201	6,756	6,756	8,201	6,539	6,539
Electromagnetica Goldstar S.R.L. (*2)	50.00	508	508	508	508	508	508
SLD Telecom Pte. Ltd.	44.00	29,001	20,168	19,714	29,001	25,190	25,190
Triveni Digital Inc. (*2)	100.00	899	899	899	899	899	899
LG (Yantai) Information & Communication Technology Co., Ltd. (*2)	100.00	2,720	2,720	2,720	2,720	2,720	2,720
LG Holdings (HK) Ltd. (*4)	31.82	53,378	63,181	53,134	38,523	38,554	44,496
Qingdao LG Langchao Digital Communication Co., Ltd. (*4)	60.00	9,900	11,399	8,072	2,973	2,973	2,973
		<u>₩2,718,860</u>	<u>₩3,733,987</u>	<u>₩3,431,780</u>	<u>₩2,994,548</u>	<u>₩2,952,782</u>	<u>₩2,621,879</u>

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

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

(*3) The operations of this subsidiary were suspended as of June 30, 2004.

(*4) During the six-month period ended June 30, 2004, the Company purchased additional shares of common stock of these subsidiaries.

(*5) This subsidiary has just been established during the six-month period ended June 30, 2004.

(*6) The Company purchased the shares of this subsidiary during the six-month period ended

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

June 30, 2004.

(*7) The Company sold out all the shares of LG Sports Ltd., resulting in a loss amounting to ₩598 million.

(*8) During the six-month period ended June 30, 2004, the Company's investments in LGEAI, LGICUS, and Zenith were all transferred to LGEUS, making LGEUS the new parent company of the three investees.

The equity method of accounting is applied based on the affiliates' most recent available financial statements, some of which have not been audited or reviewed.

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

<i>(in millions of Korean Won)</i>	January 1, 2004	Addition	Amortization	June 30, 2004
Domestic companies				
LG Micron Ltd.	₩ 2,653	₩ -	₩ (295)	₩ 2,358
LG Innotek Co., Ltd.	528	-	(75)	453
Hi Plaza Inc.	(2,275)	-	344	(1,931)
Hankuk Electric Glass Co., Ltd.	-	(17,010)	1,701	(15,309)
	<u>906</u>	<u>(17,010)</u>	<u>1,675</u>	<u>(14,429)</u>
Overseas companies				
LG Electronics Mlawa SP. Zo. O. (LGEMA)	(775)	-	388	(387)
LG Electronics Service Europe Netherlands B.V. (LGESE)	(53)	-	26	(27)
LG Electronics Shenyang Inc. (LGESY)	228	-	(76)	152
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	10,716	-	(1,340)	9,376
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	2,901	-	(370)	2,531
LG Electronics Wales Ltd. (LGEWA)	(125,599)	-	25,120	(100,479)
Others	18,169	1,353	(2,736)	16,786
	<u>(94,413)</u>	<u>1,353</u>	<u>21,012</u>	<u>(72,048)</u>
	<u>₩ (93,507)</u>	<u>₩ (15,657)</u>	<u>₩ 22,687</u>	<u>₩(86,477)</u>

(*) In the above table, positive numbers represent goodwill while negative numbers represent negative goodwill.

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

For the six-month period ended June 30, 2003, the details of changes in differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee were as follows:

<i>(in millions of Korean Won)</i>	January 1, 2003	Addition	Amortization	June 30, 2003
Domestic companies				
LG Micron Ltd.	₩ -	₩ 2,947	₩ -	₩ 2,947
LG Sports Ltd.	(3)	1	1	(1)
LG Innotek Co., Ltd.	112	-	208	320
LG Investment & Securities Co., Ltd.	25,571	(25,571)	-	-
LG.Philips LCD Co., Ltd.	1,572	-	(786)	786
Hi Plaza Inc.	(2,963)	-	344	(2,619)
	<u>24,289</u>	<u>(22,623)</u>	<u>(233)</u>	<u>1,433</u>
Overseas companies				
LG Electronics Mlawa SP. Zo. O. (LGEMA)	(1,550)	-	388	(1,162)
LG Electronics Service Europe Netherlands B.V. (LGESE)	(105)	-	26	(79)
LG Electronics Shenyang Inc. (LGESY)	380	-	(76)	304
TaiZhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	13,395	-	(1,340)	12,055
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	1,459	2,079	(267)	3,271
LG.Philips Displays Holding B.V.	(175,839)	-	25,120	(150,719)
Others	7,202	13,947	(4,238)	16,911
	<u>(155,058)</u>	<u>16,026</u>	<u>19,613</u>	<u>(119,419)</u>
	<u>₩(130,769)</u>	<u>₩ (6,597)</u>	<u>₩ 19,380</u>	<u>₩ (117,986)</u>

(*) In the above table, positive numbers represent goodwill while negative numbers represent negative goodwill.

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

For the six-month period ended June 30, 2004 the details of the elimination of unrealized gain or loss arising from the equity method of accounting are as follows:

<i>(in millions of Korean Won)</i>	Inventories	Property, plant and equipment	Intangible assets	Equity securities	Total
Domestic companies					
LG Micron Ltd.	₩ (13,855)	₩ (4,707)	₩ -	₩ -	₩ (18,562)
LG Innotek Co., Ltd.	3,432	(88)	-	-	3,344
LG.Philips LCD Co., Ltd.	(5,319)	(12,344)	19,249	-	1,586
LG IBM PC Co., Ltd.	(277)	(25)	-	-	(302)
Hankuk Electric Glass Co., Ltd.	(2,640)	-	-	-	(2,640)
Hi Plaza Inc.	(243)	(2)	-	-	(245)
Hi Business Logistics	(19)	-	-	-	(19)
	<u>(18,921)</u>	<u>(17,166)</u>	<u>19,249</u>	<u>-</u>	<u>(16,838)</u>
Overseas companies					
LG Electronics China Co., Ltd. (LGECH)	(8,949)	(718)	-	-	(9,667)
LG Electronics Espana S.A. (LGEES)	(11,157)	-	-	-	(11,157)
LG Electronics Huizhou Inc. (LGEHZ)	(5,341)	-	-	-	(5,341)
LG Electronics India Pvt. Ltd. (LGEIL)	8	(205)	-	-	(197)
PT LG Electronics Indonesia (LGEIN)	315	(300)	-	-	15
LG Electronics Italy S.P.A. (LGEIS)	(15,059)	-	-	-	(15,059)
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	(747)	(41)	-	-	(788)
LG Electronics Service Europe Netherlands B.V. (LGESE)	5,809	-	-	-	5,809
LG Electronics Shenyang Inc. (LGESY)	2,451	(314)	-	-	2,137
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	1,539	33	-	-	1,572
LG Electronics U.S.A., Inc. (LGEUS)	(9,087)	(1,082)	-	(38,336)	(48,505)
LG Electronics Wales Ltd. (LGEWA)	1,043	(196)	-	-	847
Others	(57,012)	(1,525)	-	-	(58,537)
	<u>(96,187)</u>	<u>(4,348)</u>	<u>-</u>	<u>(38,336)</u>	<u>(138,871)</u>
	<u>₩(115,108)</u>	<u>₩(21,514)</u>	<u>₩19,249</u>	<u>₩ (38,336)</u>	<u>₩ (155,709)</u>

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

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

For the six-month period ended June 30, 2003, the details of the elimination of unrealized gain or loss arising from the equity method of accounting were as follows:

<i>(in millions of Korean Won)</i>	Inventories	Property, plant and equipment	Intangible assets	Equity securities	Total
Domestic Companies					
LG Micron Ltd.	₩ 218	₩ -	₩ -	₩ -	₩ 218
LG Innotek Co., Ltd.	8	-	-	6,250	6,258
LG.Philips LCD Co., Ltd.	(1,022)	1,052	19,248	-	19,278
LG IBM PC Co., Ltd.	679	-	-	-	679
Hi Plaza Inc.	(5,110)	-	-	-	(5,110)
	<u>(5,227)</u>	<u>1,052</u>	<u>19,248</u>	<u>6,250</u>	<u>21,323</u>
Overseas Companies					
LG Electronics Alabama, Inc. (LGEAI)	(1,423)	-	-	-	(1,423)
LG Electronics Huizhou Inc. (LGEHZ)	(2,645)	-	-	-	(2,645)
LG Electronics India Pvt. Ltd. (LGEIL)	(93)	-	-	-	(93)
PT LG Electronics Indonesia (LGEIN)	(2,074)	130	-	-	(1,944)
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	1,004	70	-	-	1,074
LG Electronics Service Europe Netherlands B.V. (LGESE)	(13,029)	-	-	-	(13,029)
LG Electronics Shenyang Inc. (LGESY)	45	28	-	-	73
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	(12,636)	160	-	-	(12,476)
LG Electronics U.S.A., Inc. (LGEUS)	(13,019)	-	-	-	(13,019)
LG.Philips Displays Holding B.V.	(84)	-	-	-	(84)
Others	(53,799)	328	-	-	(53,471)
	<u>(97,753)</u>	<u>716</u>	<u>-</u>	<u>-</u>	<u>(97,037)</u>
	<u>₩(102,980)</u>	<u>₩ 1,768</u>	<u>₩19,248</u>	<u>₩ 6,250</u>	<u>₩ (75,714)</u>

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

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

Changes in investments in subsidiaries and affiliates accounted for using the equity method for the six-month period ended June 30, 2004 are as follows:

<i>(in millions of Korean Won)</i>	Equity in earnings (losses) of affiliates, net				June 30, 2004
	January 1, 2004	For the three-month period ended March 31, 2004	For the three-month period ended June 30, 2004	Others	
Domestic companies					
LG Micron Ltd.	₩ 86,070	₩ (405)	₩ (6,287)	₩ (2,453)	₩ 76,925
LG Sports Ltd.	1,204	34	-	(1,238)	-
LG Innotek Co., Ltd.	137,039	9,221	(1,436)	(386)	144,438
Hankuk Electric Glass Co., Ltd.	-	3,095	1,402	118,817	123,314
LG.Philips LCD Co., Ltd.	1,259,904	313,215	352,949	6,744	1,932,812
LG IBM PC Co., Ltd.	14,548	644	1,938	(4,402)	12,728
Hi Plaza Inc.	60,806	2,117	(5,852)	-	57,071
STIC Ventures Co., Ltd.	28,200	21,048	(1,166)	(19,353)	28,729
Hi Logistics System (HLS)	4,500	476	442	-	5,418
	<u>1,592,271</u>	<u>349,445</u>	<u>341,990</u>	<u>97,729</u>	<u>2,381,435</u>
Overseas companies					
LG Electronics Alabama, Inc. (LGEAI)	53,116	5,995	5,010	(64,121)	-
LG Electronics Huizhou Inc. (LGEHZ)	19,943	(880)	(4,349)	(2,123)	12,591
LG Electronics India Pvt. Ltd. (LGEIL)	113,063	2,682	12,756	(9,011)	119,490
PT LG Electronics Indonesia (LGEIN)	23,867	(552)	218	(4,472)	19,061
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	15,860	(991)	1,355	(539)	15,685
LG Electronics Service Europe Netherlands B.V. (LGESE)	20,203	17,838	7,864	(2,700)	43,205
LG Electronics Shenyang Inc. (LGESEY)	11,831	1,574	2,172	(1,498)	14,079
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	106,851	1,359	5,755	(4,356)	109,609
LG Electronics U.S.A., Inc. (LGEUS)	42,594	(14,604)	(40,304)	135,843	123,529
Others	622,280	(10,320)	(15,610)	(3,254)	593,096
	<u>1,029,608</u>	<u>2,101</u>	<u>(25,133)</u>	<u>43,769</u>	<u>1,050,345</u>
	<u>₩ 2,621,879</u>	<u>₩ 351,546</u>	<u>₩ 316,857</u>	<u>₩ 141,498</u>	<u>₩ 3,431,780</u>

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

Changes in investments in subsidiaries and affiliates accounted for using the equity method for the six-month period ended June 30, 2003 were as follows:

<i>(in millions of Korean Won)</i>	January 1, 2003	Equity in earnings (losses) of affiliates, net		Others	June 30, 2003
		For the three-month period ended March 31, 2003	For the three-month period ended June 30, 2003		
Domestic companies					
LG Micron Ltd.	₩ 35,541	₩ 2,235	₩ 111	₩ 46,340	₩ 84,227
LG Sports Ltd.	1,916	1,324	(880)	(1,176)	1,184
LG Innotek Co., Ltd.	117,645	(1,744)	4,170	5,846	125,917
LG Investment & Securities Co., Ltd.	145,270	-	-	(145,270)	-
LG.Philips LCD Co., Ltd.	715,488	(15,736)	100,273	692	800,717
LG IBM PC Co., Ltd.	15,133	1,954	1,063	(4,664)	13,486
Hi Plaza Inc.	55,685	(12,148)	711	-	44,248
	<u>1,086,678</u>	<u>(24,115)</u>	<u>105,448</u>	<u>(98,232)</u>	<u>1,069,779</u>
Overseas companies					
LG Electronics Alabama, Inc. (LGEAI)	58,736	5,540	(1,005)	21,170	84,441
LG Electronics Huizhou Inc. (LGEHZ)	14,938	1,643	(2,345)	(1,588)	12,648
LG Electronics India Pvt. Ltd. (LGEIL)	77,191	5,637	20,252	(4,634)	98,446
PT LG Electronics Indonesia (LGEIN)	16,434	3,177	1,130	3,010	23,751
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	10,520	465	5,641	(162)	16,464
LG Electronics Service Europe Netherlands B.V. (LGESE)	23,498	6,725	6,156	92	36,471
LG Electronics Shenyang Inc. (LGESY)	8,205	2,163	(66)	(238)	10,064
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	99,315	2,388	2,564	(901)	103,366
LG Electronics U.S.A., Inc. (LGEUS)	39,822	(21,665)	11,786	(239)	29,704
LG.Philips Displays Holding B.V.	433,819	(32,927)	(17,469)	(1,881)	381,542
Others	485,873	(581)	(2,757)	59,685	542,220
	<u>1,268,351</u>	<u>(27,435)</u>	<u>23,887</u>	<u>74,314</u>	<u>1,339,117</u>
	<u>₩2,355,029</u>	<u>₩ (51,550)</u>	<u>₩ 129,335</u>	<u>₩ (23,918)</u>	<u>₩2,408,896</u>

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

As of June 30, 2004, the respective accumulated losses of equity investees from which the application of the equity method of accounting has been suspended due to their accumulated losses are as follows:

(in millions of Korean Won)

LG Electronics Australia PTY, Ltd. (LGEAP)	₩	10,632
LG Electronics Espana S.A. (LGEES)		2,257
LG Electronics Gulf FZE (LGE GF)		8,326
LG Electronics Italy S.P.A. (LGEIS)		10,009
LG Electronics Magyar Kft. (LGEMK)		1,499
LG Electronics Monterrey Mexico S.A. de C.V. (LGEMM)		4,213
LG Electronics Peru S.A. (LGEPR)		5,537
LG Electronics United Kingdom Ltd. (LGEUK)		21,620
LG Electronics Wales Ltd. (LGEWA) (*1)		61,481
Subsidiaries of LGEUS (*2)		90,854
Others		10,458
	<u>₩</u>	<u>226,886</u>

(*1) It includes an accumulated loss of LG.Philips Displays Holding B.V.

(*2) It includes accumulated losses of ₩87,693 million for Zenith and ₩3,161 million for LGICUS.

Upon a resolution of the Board of Directors on December 23, 2003, the Company purchased 1,614,675 shares representing 20% of common stock of Hankuk Electric Glass Co., Ltd. from LG Corp., at the price of ₩119,282 million on January 13, 2004.

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

10. Property, Plant and Equipment

Changes in property, plant and equipment for the six-month period ended June 30, 2004 are as follows:

<i>(in millions of Korean Won)</i>	Balance at January 1, 2004	Acquisitions and capital expenditure	Transfer-in (out)	Disposals	Depreciation	Balance at June 30, 2004	Accumulated depreciation at June 30, 2004
Land	₩ 703,327	₩ 3	₩ -	₩ (186)	₩ -	₩ 703,144	₩ -
Buildings	905,935	1,820	124,229	(2,392)	(13,854)	1,015,738	170,992
Structures	65,577	7,839	798	(518)	(2,393)	71,303	34,482
Machinery and equipment	634,708	16,699	246,738	(10,103)	(97,573)	790,469	653,484
Tools	399,837	88,765	24,600	(63,944)	(60,513)	388,745	273,724
Furniture and fixtures	207,633	43,741	1,531	(3,471)	(40,300)	209,134	328,410
Vehicles	8,088	2,851	929	(2,593)	(1,380)	7,895	11,177
Standing timber	4,356	4	-	(8)	-	4,352	-
Construction-in-progress	184,926	369,916	(331,829)	-	-	223,013	-
Machinery-in-transit	8,333	69,925	(66,996)	-	-	11,262	-
Total	₩3,122,720	₩ 601,563	₩ -	₩ (83,215)	₩(216,013)	₩3,425,055	₩1,472,269

Changes in property, plant and equipment for the six-month period ended June 30, 2003 were as follows:

<i>(in millions of Korean Won)</i>	Balance at January 1, 2003	Acquisitions and capital expenditure	Transfer-in (out)	Disposals	Depreciation	Balance at June 30, 2003	Accumulated depreciation at June 30, 2003
Land	₩ 701,614	₩ 12,060	₩ -	₩ (5,201)	₩ -	₩ 708,473	₩ -
Buildings	882,219	11,412	11,612	(5,278)	(13,011)	886,954	145,513
Structures	67,740	756	(10)	(529)	(2,333)	65,624	30,165
Machinery and equipment	563,864	29,041	23,737	(4,227)	(91,449)	520,966	621,954
Tools	345,816	68,155	16,454	(6,016)	(65,304)	359,105	410,408
Furniture and fixtures	205,579	31,579	5,273	(1,859)	(25,329)	215,243	306,275
Vehicles	7,052	2,327	33	(221)	(1,426)	7,765	14,195
Standing timber	4,366	1	1	(8)	-	4,360	-
Construction-in-progress	105,662	76,336	1,583	(620)	-	182,961	-
Machinery-in-transit	9,460	70,099	(72,045)	-	-	7,514	-
Total	₩2,893,372	₩ 301,766	₩ (13,362)	₩ (23,959)	₩(198,852)	₩2,958,965	₩1,528,510

As of June 30, 2004 and December 31, 2003, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, approximates ₩809,217 million and ₩676,051 million, respectively.

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

A substantial portion of property, plant and equipment as of June 30, 2004 is pledged as collateral for various loans from Korea Development Bank, up to a maximum Won equivalent of approximately ₩883,729 million. The said amount includes the equivalent of US\$99 million, JP ¥150 million and EUR360 million. (Notes 13 and 14).

11. Insured Assets

As of June 30, 2004, property, plant and equipment, other than land and certain construction-in-progress, and inventories are insured against fire and other casualty losses up to approximately ₩4,903,989 million. In addition, the Company is insured against business interruption losses, losses arising from the transportation of goods, and losses arising from the assembly of goods up to approximately ₩3,742,505 million, ₩279,365 million and ₩163,869 million, respectively.

12. Intangible Assets

Changes in intangible assets for the six-month period ended June 30, 2004 are as follows:

<i>(in millions of Korean Won)</i>	Goodwill	Industrial property rights	Development costs	Other intangible assets	Total
Balance as of January 1, 2004	₩256,102	₩381,139	₩115,571	₩83,488	₩836,300
Additions	3,666	5,955	-	10,373	19,994
Disposals	(48)	(230)	(2)	(52)	(332)
Amortization	(20,100)	(42,749)	(26,853)	(13,948)	(103,650)
Balance as of June 30, 2004	<u>₩239,620</u>	<u>₩344,115</u>	<u>₩88,716</u>	<u>₩79,861</u>	<u>₩752,312</u>
Accumulated amortization as of June 30, 2004	<u>₩171,634</u>	<u>₩348,992</u>	<u>₩266,319</u>	<u>₩82,778</u>	<u>₩869,723</u>

Changes in intangible assets for the six-month period ended June 30, 2003 were as follows:

<i>(in millions of Korean Won)</i>	Goodwill	Industrial property rights	Development costs	Organization costs	Other intangible assets	Total
Balance as of January 1, 2003	₩296,012	₩415,497	₩183,877	₩3,271	₩73,810	₩972,467
Additions	496	42,030	-	-	11,447	53,973
Disposals	(90)	-	-	-	-	(90)
Amortization	(20,093)	(41,244)	(34,162)	(3,271)	(10,936)	(109,706)
Balance as of June 30, 2003	<u>₩276,325</u>	<u>₩416,283</u>	<u>₩149,715</u>	<u>₩ -</u>	<u>₩74,321</u>	<u>₩916,644</u>
Accumulated amortization as of June 30, 2003	<u>₩121,899</u>	<u>₩242,904</u>	<u>₩191,913</u>	<u>₩ -</u>	<u>₩49,263</u>	<u>₩605,979</u>

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

Amortization of intangible assets presented under manufacturing costs and selling and administrative expenses for the six-month periods ended June 30, 2004 and 2003 consist of the following:

<i>(in millions of Korean Won)</i>	2004	2003
Manufacturing costs	₩ 17,446	₩ 16,575
Selling and administrative expenses	86,204	89,860
	<u>₩ 103,650</u>	<u>₩ 106,435</u>

The carrying value of significant intangible assets as of June 30, 2004 and December 31, 2003 consist of the following:

<i>(in millions of Korean Won)</i>	2004	2003	Remaining years for amortization
Goodwill	₩ 234,709	₩ 254,399	Six years
Industrial property rights	273,351	311,531	One through six years

As a result of LG Electronics Investment Ltd. (formerly LG Electronics Inc., now merged into LG Corp.)'s merger with LG Information & Communications, Ltd. in September 2000, LG Electronics Investment Ltd. recognized goodwill amounting to ₩393,820 million and acquired industrial property rights amounting to ₩578,788 million. At the time of spin-off, such goodwill and industrial property rights were transferred to the Company. Related amortization expenses of goodwill and industrial property rights approximate ₩19,690 million and ₩38,179 million, respectively, for the six-month period ended June 30, 2004.

Research and development costs incurred for the six-month periods ended June 30, 2004 and 2003 amounted to ₩606,286 million and ₩375,247 million, respectively, all of which were charged to ordinary research and development costs and research costs.

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

13. Short-Term Borrowings and Current Maturities of Long-Term Debt

Short-term borrowings as of June 30, 2004 and December 31, 2003 consist of the following:

<i>(in millions of Korean Won)</i>	Annual interest rate (%) at June 30, 2004	2004	2003
	General term loans	CD + 0.8 ~ 1.6	₩ 32,000
Commercial papers	4.98 ~ 5.73	298,730	149,319
Foreign currency loans	1.87	184,801	209,087
		<u>₩515,531</u>	<u>₩390,406</u>

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

See Note 10 for collateral arrangements for these borrowings.

Current maturities of long-term debt as of June 30, 2004 and December 31, 2003 consist of the following:

<i>(in millions of Korean Won)</i>	2004	2003
Debentures	₩ 590,698	₩ 986,494
Discount on debentures	(703)	(1,382)
Long-term debt	944	4,468
	<u>₩ 590,939</u>	<u>₩ 989,580</u>

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

14. Long-Term Debt

Long-term debt as of June 30, 2004 and December 31, 2003 consist of the following:

<i>(in millions)</i>	Annual interest rate (%) at June 30, 2004	2004	2003
Debentures			
Private, non-guaranteed payable through 2008	5.7 – 6.645	₩ 126,000	₩ 306,000
Public, non-guaranteed payable through 2008	4.5 – 6.36	2,120,000	2,090,000
Floating rate notes in foreign currency, payable through 2006	6M LIBOR + 0.5 – 1.25, 3M LIBOR+1.9	656,925	682,746
		<u>(US\$570)</u>	<u>(US\$570)</u>
		2,902,925	3,078,746
Convertible Bonds			
Zero coupon rate convertible bonds in foreign currency, payable through 2006	-	339,796 (US\$287.5)	339,796 (US\$287.5)
Zero coupon rate convertible bonds in foreign currency, payable through 2007	-	296,975 (US\$250)	- -
		<u>636,771</u>	<u>339,796</u>
		3,539,696	3,418,542
Less: Current maturities		(590,698)	(986,494)
Discount on debentures		(35,622)	(35,777)
Conversion rights adjustment		(60,070)	(13,840)
Premium for conversion rights		37,092	-
		<u>₩ 2,890,398</u>	<u>₩2,382,431</u>

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

- Type of bonds: Public convertible bond
- Total face value of bonds: US\$287.5 million (fixed exchange rate of ₩1,179.2: US\$1)
- Date of issuance: August 11, 2003
- Terms and conditions for issuance of bonds
 - Coupon rate: 0%
 - Maturity: August 11, 2006
 - Call option: The Company holds the right to redeem the bonds at face value on or at any time after August 12, 2005, provided that the market value per share of common stock remains at least 115% of the conversion price for at least 20 consecutive trading days during the 30-day trading period ending on the redemption date.
 - Put option: The bondholder holds the right to exercise a put option, in which the bondholder may require the Company to redeem the bonds at face value 18 months from the date of issuance.

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

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

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

- Type of bonds: Private convertible bond
- Total face value of bonds: US\$250 million (fixed exchange rate of ₩1,181.5: US\$1)
- Date of issuance: May 17, 2004
- Terms and conditions for issuance of bonds
 - Coupon rate: 0% , Effective interest rate to maturity: 3.96%
 - Maturity: May 17, 2007
 - The Company redeems the bonds at 112.49% of face value in a lump sum on the date of maturity.
 - Call option: The Company holds the right to redeem the bonds at 106.06% of face value any time between May 18, 2006 and 60days before maturity, provided that the market value per share of common stock remains at least 115% of the conversion price for at least 20 consecutive trading days, ending on the date on which redemption notice is given.
 - Put option: The bondholder holds the right to exercise a put option, in which the bondholder may require the Company to redeem the bonds at 106.06% of face value on the day 18 months from the date of issuance.
- Terms and conditions for conversion
 - Type of stock to be issued: registered common stock
 - Number of shares convertible: 3,216,191 shares
 - Conversion price: ₩91,840 per share. Conversion price could be adjusted if the average price per share is above ₩65,600. This average price, however, should be sustained during 20 consecutive trading days prior to 2 business days of the day after 6 month from the date of issuance.
 - Conversion period: May 18, 2005 through May 7, 2007

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

<i>(in millions of Korean Won, except otherwise stated)</i>	Annual interest rate (%) at June 30, 2004	2004		2003	
Foreign currency loans					
Banque Paribas	LIBOR + 0.7	₩	944	₩	1,963
Societe General	LIBOR + 0.6		-		2,505
Kookmin Bank	LIBOR + 1.25		21,898		22,758
Hong Kong Shanghai Bank	LIBOR + 1.45		34,575		-
Industrial Bank	LIBOR + 1.75		199,990		-
The Export-Import Bank of Korea	LIBOR + 1.54		28,582		-
			285,989		27,226
			(US\$75)		(US\$23)
			(EUR144)		-
Less: Current maturities			(944)		(4,468)
		₩	285,045	₩	22,758

See Note 10 for the related collateral arrangements for the Company's long-term debt.

The maturities of long-term debt outstanding as of June 30, 2004 are as follows:

(in millions of Korean Won)

For the period ending June 30,	Debentures and Convertible bonds	Long-term debt	Total
2006	₩ 1,301,250	₩ 6,915	₩ 1,308,165
2007	1,217,952	111,918	1,329,870
2008	-	90,021	90,021
2009	429,796	76,191	505,987
	₩ 2,948,998	₩ 285,045	₩ 3,234,043

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

15. Accrued Severance Benefits

Changes in accrued severance benefits for the six-month period ended June 30, 2004 and 2003 are as follows:

<i>(in millions of Korean Won)</i>	2004	2003
Beginning balance	₩ 555,362	₩ 500,909
Severance payments	(68,810)	(60,743)
Transfer-in from affiliated companies, net	83	1,266
Provisions	131,442	87,285
	<u>618,077</u>	<u>528,717</u>
Severance insurance deposit	(333,597)	(289,895)
Contributions to the National Pension Fund	(17,609)	(20,034)
	<u>₩ 266,871</u>	<u>₩ 218,788</u>

The severance benefits are funded at approximately 54.0% and 54.8% as of June 30, 2004 and 2003, respectively, through employee severance insurance plans with Kyobo Life Insurance Co., Ltd. and other life insurance companies. The amounts funded under employee severance insurance plans (severance insurance deposits) are presented as a deduction from accrued severance benefits.

16. Commitments and Contingencies

As of June 30, 2004, the Company provided several notes and checks to financial institutions as collateral in relation to various borrowings and guarantees of indebtedness.

As of June 30, 2004, the Company has various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

As of June 30, 2004, the Company has bank overdraft facility agreements with various banks amounting to ₩510,500 million.

As of June 30, 2004, the Company has transfer-transferee transaction agreements for export receivables with various banks amounting to ₩4,751,100 million. The outstanding balance of export trade accounts receivable sold at a discount to various financial institutions with recourse amounted to ₩4,576,297 million, which includes the equivalent of US\$2,853 million and EUR674 million.

As of June 30, 2004, the Company has agency contracts for settlement of account with various banks amounting to ₩1,010,000 million. The Company also has agreements for loan in connection with purchase, and card for purchase with Hana Bank amounting to ₩214,100 million. In relation to the agreements, as of June 30, 2004, outstanding balance of factored accounts receivable amounts to ₩39,473 million.

As of June 30, 2004, the Company has entered into sales contracts with several companies, the undelivered portions of which amounted to approximately ₩1,675 million for KT Corp.,

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

₩26,848 million for LG Telecom, Ltd., and ₩6,656 million for SK Telecom Co. and others.

As of June 30, 2004, the Company is contingently liable for guarantees approximating ₩1,515,671 million, including US\$983 million, on the indebtedness of its subsidiaries and affiliates as follows:

(in millions of Korean Won)

LG Electronics Wales Ltd. (LGEWA)	₩	37,509
PT LG Electronics Display Device Indonesia (LGEDI)		121,013
LG Electronics da Amazonia Ltda. (LGEAZ)		34,575
LG Electronics Japan Inc. (LGEJP)		54,796
LG Electronics Mexico S.A. de C.V. (LGEMS)		95,309
LG Electronics Monterrey Mexico S.A. de C.V. (LGEMM)		72,665
LG Electronics Service Europe Netherlands B.V. (LGESE)		81,756
LG Electronics de Sao Paulo Ltda. (LGESP)		58,778
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)		122,189
LG Electronics U.S.A., Inc. (LGEUS)		41,490
LG.Philips Displays Holding B.V.		230,500
Zenith Electronics Corporation		6,915
Others		558,176
	₩	<u>1,515,671</u>

In order to reduce the impact of changes in exchange rates on future cash flows, the Company has entered into foreign currency forward contracts. As of June 30, 2004, the Company has outstanding forward contracts with Deutsche Bank and others for selling US dollars amounting to US\$74 million (contract exchange rates: ₩1,158.90: US\$1 ~ ₩1,189.80: US\$1, contract due date: July through October 2004).

As of June 30, 2004, the Company has outstanding forward contracts with HongKong and Shanghai Banking Corporation (HSBC) and others for selling Euro and buying US Dollars amounting to €29 million (contract exchange rates: €1.1756: US\$1 ~ €1.2306: US\$1, contract due dates: July through September 2004).

As of June 30, 2004, the Company has outstanding forward contracts with UFJ Bank and others for selling US Dollars and buying Japanese Yen amounting to US\$64 million (contract exchange rates: ¥105.27: US\$1 ~ ¥113.50: US\$1, contract due dates: July through September 2004).

As a result of the above foreign currency forward contracts, an unrealized valuation gain amounting to ₩4,603 million was charged to current operations for the six-month period ended June 30, 2004.

In order to reduce the impact of changes in exchange rates, the Company has also entered into foreign currency option contracts. An unrealized valuation gain amounting to ₩9,098 million was recorded to current operations for the six-month period ended June 30, 2004.

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

A summary of the terms of outstanding currency option contracts as of June 30, 2004 is as follows:

Option type	Amount (in millions)	Exercise price	Contract due date
Put	US\$368.00	₩1,125.0/US\$ ~ ₩1,190.0/US\$	July 2, 2004 through December 29, 2004
Call	US\$348.00	₩1,102.2/US\$ ~ ₩1,230.0/US\$	July 2, 2004 through December 29, 2004

In order to reduce the impact of changes in interest rates and exchange rates, the Company has also entered into a cross currency swap contract. An unrealized valuation gain of ₩6,598 million was recorded to current operations for the six-month period ended June 30, 2004. A summary of the terms of the outstanding cross currency swap contract as of June 30, 2004 is as follows:

<i>(in millions)</i>	Transaction amount		Annual interest rate (%)		Maturity
	Receipts	Disbursement	Receipts	Disbursement	
Standard Chartered Bank	₩110,000	US\$93	4.50%	3M LIBOR + 0.79%	November 7, 2005
Barclays Bank	117,150	100	5.00%	3M LIBOR + 1.17%	February 26, 2007

As a result of the above derivatives contracts, a realized gain of ₩8,518 million and a realized loss of ₩10,192 million were recorded as a non-operating income and expense, respectively, for the six-month period ended June 30, 2004.

As of June 30, 2004, the Company is named as a 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 either 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 amounted to approximately ₩15,202 million as of June 30, 2004. The Company believes that the outcome of these legal actions is uncertain but, in any event, they would not result in a material ultimate loss for the Company. Accordingly, no provision for potential losses arising from these claims is reflected in the accompanying non-consolidated financial statements.

In common with certain other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices, including corporate governance. The Company may be either directly or indirectly affected by these volatile economic conditions and the reform program described above. The accompanying non-consolidated financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Company. Actual results may differ materially from management's current assessment.

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

17. Capital Stock

Capital stock as of June 30, 2004 and December 31, 2003 are as follows:

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

As of June 30, 2004 and December 31, 2003, the number of shares authorized is 600 million shares.

- (*) 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.

18. Capital Surplus

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

As a result of the issuance of foreign currency convertible bonds in August 2003 and May 2004, a premium for conversion rights of ₩29,471 million was recorded as a capital surplus representing the difference between the issuance price of convertible bonds and the present value of bonds under identical conditions without conversion rights. In addition, as a result of disposal of treasury stock, gains on disposal of treasury stock of ₩1,979 million were recorded as a capital surplus.

19. Retained Earnings

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

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

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

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

20. Capital Adjustments

Capital adjustments as of June 30, 2004 and December 31, 2003 consist of the following:

<i>(in millions of Korean Won)</i>	2004	2003
Treasury stock	₩ (46,657)	₩ (8,977)
Gain on valuation of equity method investment securities	143,377	163,609
Loss on valuation of available-for-sale securities	(9,517)	(92,012)
Loss from disposal of treasury stock	-	(62)
	₩ 87,203	₩ 62,558

The Company has retained treasury stocks consisting of 793,233 shares of common stock and 4,678 shares of preferred stock as of June 30, 2004, and 194,953 shares of common stock and 4,678 shares of preferred stock as of December 31, 2003. The Company intends to either grant these treasuries stock to employees and directors as compensation, or to sell these in the future.

21. Income Taxes

Income tax expense for the six-month periods ended June 30, 2004 and 2003 are as follows:

<i>(in millions of Korean Won)</i>	2004	2003
Current income taxes	₩ 141,206	₩ 222,624
Deferred income taxes	186,137	(106,155)
Income taxes added to capital	(751)	-
Income tax expense	₩ 326,592	₩ 116,469

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

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 for the six-month periods ended June 30, 2004, and 2003:

<i>(in millions of Korean Won)</i>	2004	2003
Income before taxes	₩ 1,404,756	₩ 572,640
Statutory tax rate	29.70%	29.70%
Expected taxes at statutory rate	417,206	170,068
Permanent differences	(9,116)	5,576
Tax credits	(81,376)	(59,518)
Others	(122)	343
Actual taxes	₩ 326,592	₩ 116,469
Effective tax rate	23.25%	20.34%

The reconciliations from income before income taxes to taxable income for the six-month periods ended June 30, 2004 and 2003 are as follows:

<i>(in millions of Korean Won)</i>	2004	2003
Income before income taxes	₩ 1,404,756	₩ 572,640
Temporary differences:		
Allowance for doubtful accounts	(22,628)	34,184
Product warranty reserve	4,709	31,725
Amortization of intangible assets	19,135	27,899
Equity method investment securities	(713,624)	(57,185)
Loss on impairment of investment securities	31,299	87,438
Duty refunds	(32,289)	(19,569)
Others	(1,875)	20,061
	689,483	697,193
Permanent differences	(30,693)	18,773
Taxable income	₩ 658,790	₩ 715,966

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

The income tax effects of temporary differences comprising the deferred income tax assets as of June 30, 2004 and December 31, 2003 are as follows:

<i>(in millions of Korean Won)</i>	2004	2003
Depreciation	₩ (3,167)	₩ 1,499
Allowance for doubtful accounts	26,602	37,829
Product warranty	24,390	23,095
Amortization of intangible assets	(14,329)	(21,470)
Equity method investment securities	(27,882)	169,227
Others	57,976	39,548
Deferred income tax assets	<u>₩ 63,590</u>	<u>₩ 249,728</u>

The Company periodically assesses its ability to recover deferred income tax assets. In the event of a significant uncertainty regarding the Company's ultimate ability to recover such assets, a valuation allowance is recorded to reduce the assets to its estimated net realizable value. The statutory income tax rate, including resident tax surcharges, applicable to the Company was approximately 29.7% in 2004 and 2003, and was amended to 27.5% effective for fiscal years beginning January 1, 2005, in accordance with the Corporate Income Tax Law enacted in December 2003. Deferred income tax assets were computed by applying the present tax rate of 29.7% for the temporary differences expected to be realized in 2004, and by applying the amended tax rate of 27.5% for the temporary differences expected to be realized in fiscal years beginning January 1, 2005 and thereafter.

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

22. Earnings Per Share

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

Basic earnings per share for the three-month and the six-month periods ended June 30, 2004 and 2003 are calculated as follows:

	2004		2003	
	Six-month period ended June 30, 2004	Three-month period ended June 30, 2004	Six-month period ended June 30, 2003	Three-month period ended June 30, 2003
<i>(in millions of Korean Won, except per share amounts)</i>				
Net income as reported on the statement of income	₩ 1,078,164	₩ 493,461	₩ 456,171	₩ 267,313
Less: Preferred stock dividends	(11,107)	(5,553)	(8,946)	(4,498)
Additional income available for dividends allocated to preferred stock	(108,023)	(48,987)	(41,491)	(25,000)
Net income allocated to common stock	959,034	438,921	405,734	237,815
Weighted-average number of common shares outstanding	139,222,663	139,165,243	139,314,670	139,326,905
Basic earnings per Share (in Won)	₩ 6,888	₩ 3,154	₩ 2,912	₩ 1,707

Basic ordinary income per share for the six-month periods ended June 30, 2004 and 2003 are the same as basic earnings per share for the six-month periods ended June 30, 2004 and 2003, respectively, because there were no extraordinary gains or losses.

Diluted earnings per share is computed by dividing diluted net income, which is adjusted by adding back the after-tax amount of interest expense on any convertible debt and dividends on any convertible preferred stock, by the weighted-average number of common shares and diluted securities outstanding during the period. Diluted ordinary income per share is computed by dividing diluted ordinary income allocated to common stock, which is diluted net income allocated to common stock as adjusted by extraordinary gains or losses, net of related income taxes, by the weighted-average number of common shares and diluted securities outstanding during the period.

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

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

<i>(in millions of Korean Won, except per share amounts)</i>	Six-month period ended June 30, 2004	Three-month period ended June 30, 2004
Net income allocated to common stock	₩ 959,034	₩ 438,921
Add: Interest expense on convertible bonds, net of tax (*)	4,144	2,698
	963,178	441,619
Weighted-average number of common shares and diluted securities outstanding	144,905,375	145,643,167
Diluted earnings per share and ordinary income per share (in Won)	₩ 6,647	₩ 3,032

(*) This is computed based on the effective tax rate of 23.25% (Note 21).

Diluted earnings per share and diluted ordinary income per share for the three-month and the six-month period ended June 30, 2003 are the same as basic earnings per share and basic ordinary income per share for the three-month periods and the six-month periods ended June 30, 2003, respectively, because there were no securities to claim for common stocks in circulation.

Diluted ordinary income per share for the six-month periods ended June 30, 2004 and 2003 is the same as diluted earnings per share for the six-month periods ended June 30, 2004 and 2003, respectively, because there were no extraordinary gains or losses.

Diluted earnings per share and diluted ordinary income per share for the year ended December 31, 2003 were ₩4,187.

The diluted securities outstanding as of June 30, 2004 are as follows:

Diluted security	Face value	Conversion period	Number of shares of common stock to be issued	Conversion price
Foreign currency denominated convertible bonds, issued in 2003	₩339,796 million (US\$287.5 million)	September 12, 2003 through July 28, 2006	4,887,500 shares	₩68,900 per share
Foreign currency denominated convertible bonds, issued in 2004	₩296,975 million (US\$250.0 million)	May 18, 2005 through May 7, 2007	3,216,191 shares	₩91,840 per share

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

23. 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, 2004 and 2003, and the related account balances outstanding as of June 30, 2004 and December 31, 2003, are summarized as follows:

<i>(in millions of Korean Won)</i>	Sales	Purchases	Receivables	Payables
LG Telecom, Ltd.	₩ 403,298	₩ 12,770	₩ 172,098	₩ 679
LG Chem, Ltd.	3,805	231,456	2,214	29,473
Hi Plaza Inc.	228,630	43,749	3,401	5,334
LG IBM PC Co., Ltd.	149,251	17,880	49,295	6,471
LG MRO	140	49,642	7,478	63,650
Hitachi-LG Data Storage Inc. (HLDS)	489,089	42,643	36,738	2,999
LG Electronics Wales Ltd. (LGEWA)	166,546	1,326	15	7
PT LG Electronics Display Devices Indonesia (LGEDI)	98,661	1,321	627	5
LG Electronics Huizhou Inc. (LGEHZ)	397,683	1,012	709	150
LG Electronics Italy S.P.A. (LGEIS)	342,175	31,995	6,501	16,397
LG Electronics Service Europe Netherlands B.V. (LGESE)	486,332	6,413	22,799	2,690
LG Electronics U.S.A. Inc. (LGEUS)	624,770	3,241	21,617	314
Zenith Electronics Corporation (Zenith)	2,955	62	79	363
LG Infocomm U.S.A. Inc. (LGICUS)	1,294,877	3,093	14,891	367
LG.Philips Displays Holding B.V. (*)	4,938	304,636	4,167	17,982
LG.Philips LCD Co., Ltd.	38,797	427,142	55,663	54,249
Others	3,230,554	750,684	327,186	295,638
2004	<u>₩ 7,962,501</u>	<u>₩ 1,929,065</u>	<u>₩ 725,478</u>	<u>₩ 496,768</u>
2003	<u>₩ 6,160,688</u>	<u>₩ 1,093,008</u>	<u>₩ 584,407</u>	<u>₩ 319,545</u>

(*) For the six-month period ended June 30, 2004, purchases of ₩304,636 million include the purchase of LG.Philips Displays Holding B.V.'s trade accounts receivable from the Company's subsidiaries amounting to ₩160,061 million.

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

24. Segment Information

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

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

Digital Display & Media division: VCR, CD-ROM, audio, TV, monitor, PC and PDP

Digital Appliance division: Refrigerator, washing machine, air conditioner, microwave oven and vacuum cleaner

Telecommunication

Equipment & Handset division: CDMA handset, GSM handset, wireless telephone, WLL handset, mobile telecommunication, transmitter, switchboard and keyphone system

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

<i>(in millions of Korean Won)</i>	Total	Business Division			Supporting Division
		Digital Display & Media	Digital Appliance	Telecommunication Equipment & Handset (*1)	
Sales					
External sales	₩ 12,025,422	₩4,535,339	₩3,488,547	₩3,918,967	₩82,569
Inter-division sales	224,481	71,350	5,904	12,444	134,783
	<u>12,249,903</u>	<u>4,606,689</u>	<u>3,494,451</u>	<u>3,931,411</u>	<u>217,352</u>
Operating income (loss)	<u>799,475</u>	<u>246,114</u>	<u>381,632</u>	<u>193,859</u>	<u>(22,130)</u>
Fixed assets					
Property, plant and equipment	3,425,055	1,376,495	850,501	456,234	741,825
Intangible assets	752,312	50,700	16,020	322,319	363,273
	<u>4,177,367</u>	<u>1,427,195</u>	<u>866,521</u>	<u>778,553</u>	<u>1,105,098</u>
Depreciation and amortization	<u>319,663</u>	<u>106,066</u>	<u>54,469</u>	<u>84,882</u>	<u>74,246</u>

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

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

Financial data by business division as of and for the six-month period ended June 30, 2003 were as follows:

<i>(in millions of Korean Won)</i>	Total	Business Division			
		Digital Display & Media	Digital Appliance	Telecommunication Equipment & Handset	Supporting Division
Sales					
External sales	₩ 9,843,366	₩3,245,964	₩3,244,979	₩3,263,956	₩ 88,467
Inter-division sales	114,093	44,063	8,561	16,420	45,049
	<u>9,957,459</u>	<u>3,290,027</u>	<u>3,253,540</u>	<u>3,280,376</u>	<u>133,516</u>
Operating income (loss)	<u>679,403</u>	<u>220,988</u>	<u>380,389</u>	<u>126,037</u>	<u>(48,011)</u>
Fixed assets					
Property, plant and equipment	2,958,965	871,745	839,847	429,101	818,272
Intangible assets	916,644	59,436	14,705	402,224	440,279
	<u>3,875,609</u>	<u>931,181</u>	<u>854,552</u>	<u>831,325</u>	<u>1,258,551</u>
Depreciation and amortization	<u>305,287</u>	<u>85,781</u>	<u>65,755</u>	<u>86,819</u>	<u>66,932</u>

Financial data by geographic area for the six-month period ended June 30, 2004 are as follows:

<i>(in millions of Korean Won)</i>	Total	Domestic	Central & South America						
			North America	Europe	South America	Central Asia	Asia	Oceania	Others
Sales									
External sales	₩12,025,422	₩2,657,549	₩2,936,610	₩1,671,427	₩337,079	₩609,501	₩2,838,458	₩287,281	₩687,517
Ratio (%)	100%	22%	24%	14%	3%	5%	24%	2%	6%
Inter-division sales	224,481	224,481	-	-	-	-	-	-	-
	<u>₩12,249,903</u>	<u>₩2,882,030</u>	<u>₩2,936,610</u>	<u>₩1,671,427</u>	<u>₩337,079</u>	<u>₩609,501</u>	<u>₩2,838,458</u>	<u>₩287,281</u>	<u>₩687,517</u>

Financial data by geographic area for the six-month period ended June 30, 2003 were as follows:

<i>(in millions of Korean Won)</i>	Total	Domestic	Central & South America						
			North America	Europe	South America	Central Asia	Asia	Oceania	Others
Sales									
External sales	₩9,843,366	₩2,499,500	₩2,796,748	₩927,115	₩204,831	₩482,886	₩2,250,874	₩180,166	₩501,246
Ratio (%)	100%	26%	28%	9%	2%	5%	23%	2%	5%
Inter-division sales	114,093	114,093	-	-	-	-	-	-	-
	<u>₩9,957,459</u>	<u>₩2,613,593</u>	<u>₩2,796,748</u>	<u>₩927,115</u>	<u>₩204,831</u>	<u>₩482,886</u>	<u>₩2,250,874</u>	<u>₩180,166</u>	<u>₩501,246</u>

See Report of Independent Accountants

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and 2003, and December 31, 2003
(Unaudited)

25. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the six-month periods ended June 30, 2004 and 2003 are as follows:

<i>(in millions of Korean Won)</i>	2004	2003
Transfer to buildings, machinery and others from construction-in-progress	₩ 331,829	₩ 26,768
Transfer to machinery and equipment from machinery-in-transit	66,996	49,868
Reclassification of current maturities of debentures	238,740	852,997
Reclassification of current maturities of long-term debt	-	4,801
Changes in capital adjustments arising from the equity method of accounting for investments	35,922	34,776
Changes in retained earnings arising from the equity method of accounting for investments	-	3,807

26. Subsequent Event

Upon a resolution of the Board of Directors in July, 2004, the Company invested ₩289,125 million(US\$ 250 million) in LG Electronics Wales Ltd.(“LGEWA”), which, in turn, was reinvested by LGEWA to its subsidiary, LG.Philips Displays Holding B.V.(“LPD”). This investment is according to an agreement with the LPD’s creditor financial institutions. The other conditions in the said agreement included the deferment of loan repayment and the reduction in the interest rate of the said loan. Further, the Company revoked previous guarantees to LPD and replaced it with new guarantees of ₩57,825 million(US\$50 million).