

**LG ELECTRONICS INC.  
REPORT ON AUDIT OF  
NON-CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 1999**

## REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying non-consolidated balance sheet of LG Electronics Inc. (the "Company") as of December 31, 1999 and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LG Electronics Inc. as of December 31, 1999, and the results of its operations, the changes in its retained earnings and its cash flows for the year then ended, in conformity with financial accounting standards generally accepted in the Republic of Korea.

As discussed in Note 22 to the accompanying financial statements, during 1999 the Company entered into various transactions with affiliated companies such as LG Electronics U.S.A. Inc., including sales of ₩4,725,470 million and purchases of ₩1,049,335 million. As of December 31, 1999, related accounts receivable and payable approximate ₩372,491 million and ₩275,529 million, respectively.

Continued;

As discussed in Note 7 to the accompanying financial statements, pursuant to a share transfer agreement dated May 20, 1999, the Company transferred 61,512,076 shares of LG Semicon Co., Ltd. to Hyundai Electronics Industries Co., Ltd. in exchange for ₩1,726,208 million and recognized a gain on disposal of investment of ₩1,102,930 million. The price is subject to adjustment based on certain factors.

As discussed in Note 7 to the accompanying financial statements, pursuant to a joint venture agreement with Koninklijke Philips Electronics N.V. ("Philips") dated July 24, 1999, the Company transferred certain of the Company's stock rights in LG. Philips LCD CO., Ltd. (formerly LG LCD Co., Ltd.) to Philips. As a result, the Company reduced its ownership of LG. Philips LCD Co., Ltd. to 50% and recognized a gain on disposal of investment of ₩1,179,939 million.

As discussed in Note 14 to the accompanying financial statements, Zenith Electronics Corporation ("Zenith"), a subsidiary, has experienced significant financial difficulties resulting from continuous losses. Zenith filed a pre-packaged plan of reorganization under Chapter 11 of the Bankruptcy Code of the United States of America on August 23, 1999, and the reorganization plan was approved by the court on November 5, 1999. Under the approved reorganization plan, all outstanding common stock of Zenith was cancelled and the holders of common stock received no distribution. The Company converted US\$ 200 million of US\$ 365 million of Zenith's obligations to the Company into common stock of Zenith which represents 100% of equity in the restructured Zenith. The remaining portion of Zenith's obligations was exchanged for senior secured notes issued by Zenith and an investment in an overseas subsidiary.

Without qualifying our opinion, we draw attention to Note 14 of the accompanying financial statements. The operations of the Company have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these significant uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

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

Seoul, Korea  
February 2, 2000

**LG ELECTRONICS INC.**  
**NON-CONSOLIDATED BALANCE SHEET**  
**As of December 31, 1999**  
**(In millions of Korean Won)**

ASSETS

Current Assets :

Cash and cash equivalents (Note 5)	₩	85,965
Short-term financial instruments (Note 3)		11,680
Trade accounts and notes receivable (Notes 4, 5 and 22)		480,718
Other accounts receivable (Notes 4 and 5)		172,728
Inventories (Note 6)		550,447
Prepaid expenses		66,264
Accrued income (Notes 4 and 5)		80,971
Advances (Note 4)		60,838
Other current assets (Note 4)		24,741
Total current assets		<u>1,534,352</u>

Property, plant and equipment, less accumulated depreciation (Note 8, 10 and 11)		2,726,249
Long-term financial instruments (Note 3)		25,610
Investments (Note 7)		4,119,959
Refundable deposits (Note 5)		228,432
Long-term trade accounts receivable (Note 4)		8,556
Long-term other accounts receivable (Note 4)		45,439
Long-term prepaid expenses		28,121
Deferred tax assets, net (Note 19)		238,289
Long-term loans (Note 4)		31,202
Intangible assets (Note 9)		106,109
Total assets	₩	<u>9,092,318</u>

Continued;

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

**LG ELECTRONICS INC.**  
**NON-CONSOLIDATED BALANCE SHEET, Continued**  
**As of December 31, 1999**  
**(In millions of Korean Won)**

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities :

Short-term borrowings (Note 10)	₩	129,781
Current maturities of long-term debt (Note 10)		1,366,092
Trade accounts and notes payable (Notes 5 and 22)		981,343
Other accounts payable (Note 5)		486,765
Income taxes payable (Note 19)		547,582
Accrued expenses (Note 5)		196,406
Withholdings		40,288
Advances from customers		96,324
Dividends payable		127,431
		<hr/>
Total current liabilities		3,972,012

Debentures, net of current maturities and discounts  
(premiums) on debentures (Note 11)

1,399,007

Long-term debt, net of current maturities (Note 11)

397,983

Long-term other accounts payable (Note 11)

5,205

Accrued severance benefits, net (Note 13)

128,730

Other long-term liabilities

3,051

Total liabilities

---

5,905,988

---

Commitments and contingencies (Note 14)

Shareholders' Equity :

Capital stock (Note 15)

---

632,116

---

Capital surplus :

Additional paid-in capital

493,508

Gain on merger (Note 16)

29,732

Revaluation surplus (Note 16)

339,676

Total capital surplus

---

862,916

---

Retained earnings (Note 17) :

Legal reserve

41,499

Other reserves

1,399,154

Unappropriated retained earnings carried  
forward

44

Total retained earnings

---

1,440,697

---

Capital adjustments (Note 18)

---

250,601

---

Total shareholders' equity

---

3,186,330

---

Total liabilities and shareholders' equity

---

₩ 9,092,318

---

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

**LG ELECTRONICS INC.**  
**NON-CONSOLIDATED INCOME STATEMENT**  
**for the year ended December 31, 1999**  
(In millions of Korean Won except for EPS amounts)

Sales (Note 22)	₩ 10,546,099
Cost of sales	<u>8,356,103</u>
Gross profit	2,189,996
Selling and administrative expenses	<u>1,505,984</u>
Operating income	<u>684,012</u>
Non-operating income :	
Interest income	87,553
Dividends income	27,278
Foreign exchange gains	228,425
Gain on disposal of property, plant and equipment	14,431
Gain on disposal of investments (Note 7)	2,399,222
Gain on valuation of investments (Note 7)	49,528
Gain on disposal of intangible assets (Note 7)	281,391
Royalty income	43,114
Refund of income taxes	18,480
Other	<u>74,361</u>
	<u>3,223,783</u>
Non-operating expenses :	
Interest expense	509,269
Foreign exchange losses	260,780
Loss from transfer of trade accounts and notes receivable	106,437
Loss from disposal of property, plant and equipment	63,500
Loss from disposal of investments	33,256
Loss from redemption of debentures	75,718
Equity in loss of affiliates, net	146,371
Donations	95,846
Other	<u>28,713</u>
	<u>1,319,890</u>
Ordinary income	2,587,905
Extraordinary gains	-
Extraordinary losses	<u>-</u>
Income before income tax expenses	2,587,905
Income tax expenses (Note 19)	<u>582,884</u>
Net income	<u>₩ 2,005,021</u>
Ordinary income and earnings per share (Note 20) (in Korean Won)	
- Basic	<u>₩ 18,494</u>
- Diluted	<u>₩ 18,258</u>

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

**LG ELECTRONICS INC.**  
**NON-CONSOLIDATED STATEMENT OF**  
**APPROPRIATIONS OF RETAINED EARNINGS**  
**for the year ended December 31, 1999**  
**Date of appropriation : March 17, 2000**  
**(In millions of Korean Won)**

Unappropriated retained earnings before appropriations :	
Unappropriated retained earnings	
carried over from prior year	₩ 33
Additional provision of severance benefits (Note 13)	(11,907)
Cumulative effect of retroactive adoption of the	
revised accounting standards (Note 17)	(727,055)
Net income for the year	2,005,021
	1,266,092
Reversal of other reserve	
Reserve for technological development	11,290
	1,277,382
Appropriations of retained earnings (Note 17) :	
Legal reserve	12,800
Reserve for business rationalization	200,000
Reserve for technological development	937,160
Cash dividends (Note 21)	127,378
	1,277,338
Unappropriated retained earnings to be	
carried forward to subsequent year	₩ 44

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

**LG ELECTRONICS INC.**  
**NON-CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the year ended December 31, 1999**  
**(In millions of Korean Won)**

CASH FLOWS FROM OPERATING ACTIVITIES :

Net income	₩	2,005,021
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation		370,763
Amortization of discounts and premiums on debentures		28,250
Provision for severance benefits		92,070
Bad debt expense		74,569
Gain on valuation of investments, net		(43,718)
Foreign currency translation gains, net		(24,089)
Gain on disposal of investments, net		(2,365,967)
Loss on disposal of property, plant and equipment, net		49,069
Loss on redemption of debentures		75,718
Equity in loss of affiliates, net		146,371
Gain on disposal of intangible assets		(281,392)
Others, net		2,336
Changes in assets and liabilities :		
Increase in trade accounts and notes receivable		(38,310)
Decrease in other accounts receivable		42,284
Increase in inventories		(107,553)
Increase in prepaid expenses		(4,042)
Decrease in advances		37,213
Increase in other current assets		(7,534)
Decrease in long-term prepaid expenses		2,158
Decrease in long-term trade accounts receivable		4,357
Decrease in deferred income tax assets		15,991
Increase in trade accounts and notes payable		242,387
Increase in other accounts payable		113,456
Increase in accrued expenses		47,153
Increase in advances from customers		17,841
Severance benefits transferred from affiliates		8,854
Increase in income taxes payable		533,953
Decrease in withholdings		(24,709)
Payment of severance benefits		(135,293)
Decrease in national pension fund		5,947
Net cash provided by operating activities	₩	<u>883,154</u>

Continued;

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



**LG ELECTRONICS INC.**  
**NON-CONSOLIDATED STATEMENT OF CASH FLOWS, Continued**  
**for the year ended December 31, 1999**  
**(In millions of Korean Won)**

CASH FLOWS FROM INVESTING ACTIVITIES :

Decrease in short-term financial instruments	₩	162,820
Proceeds from disposal of marketable securities		6,640
Proceeds from disposal of investments		3,124,663
Proceeds from disposal of property, plant and equipment		67,738
Proceeds from disposal of intangible assets		288,000
Decrease in other current assets		4,762
Decrease in long-term financial instruments		90,170
Increase in refundable deposits		(4,560)
Increase in long-term financial instruments		(40,467)
Increase in severance insurance deposits		(86,300)
Acquisition of marketable securities		(10,371)
Acquisition of investments		(2,216,799)
Acquisition of property, plant and equipment		(422,424)
Acquisition of intangible assets		(36,600)
Decrease in long-term loans		7,159
Others		1,297
		<hr/>
Net cash provided by investing activities		935,728
		<hr/>

CASH FLOWS FROM FINANCING ACTIVITIES :

Decrease in short-term borrowings		(377,167)
Increase in debentures		153,758
Increase in long-term debt		83,493
Payment of current maturities of long-term debt		(1,386,056)
Payment of debentures		(299,230)
Payment of long-term debt		(16,577)
Payment of dividends		(13,512)
Other		(5,988)
		<hr/>
Net cash used in financing activities		(1,861,279)
		<hr/>

DECREASE IN CASH AND CASH EQUIVALENTS (42,397)

CASH AT BEGINNING OF THE YEAR (Note 24) 

---

 128,362

CASH AT END OF THE YEAR (Note 24) 

---

 ₩ 85,965 

---

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

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS  
for the year ended December 31, 1999  
-----

1. The Company:

LG Electronics Inc. (the "Company") was incorporated in 1959 under the Commercial Code of the Republic of Korea to manufacture and sell electronic products. The Company is a member of the LG Group, which comprises affiliated companies under common management direction. In 1970, the Company offered its shares for public ownership. As of December 31, 1999, the Company has outstanding capital stock of ₩632,116 million, including non-voting preferred stock of ₩95,478 million (see Note 15). The Company's common shares are listed on the Korean stock exchange and its depositary receipts ("DRs") are listed on the London and Luxembourg stock exchanges.

2. Summary of Significant Accounting Policies:

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

Basis of Financial Statement Presentation -

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

As permitted by the revised financial accounting standards generally accepted in the Republic of Korea, the Company has presented its financial statements for the year ended December 31, 1999 only.

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

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

2. Summary of Significant Accounting Policies, Continued:

Investments in Debt and Equity Securities -

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

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

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

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

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

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

2. Summary of Significant Accounting Policies, Continued:

Investments in Debt and Equity Securities, Continued -

Premiums and discounts on debt securities are amortized over the life of the debt using the effective interest method. Investments in debt securities which the Company has the intent and ability to hold to maturity are generally carried at cost, adjusted for the amortization of discounts or premiums (amortized cost). Declines in the fair value of debt securities which are anticipated to be permanent are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the amortized cost of the investment.

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

Allowance for Doubtful Accounts -

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

Inventories -

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

Property, Plant and Equipment -

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

Continued;

LG ELECTRONICS INC.  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 for the year ended December 31, 1999  
 -----

2. Summary of Significant Accounting Policies, Continued:

Property, Plant and Equipment, Continued -

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

During 1999, Company changed its estimated useful lives for property, plant and equipment. As a result of this change, depreciation for the year ended December 31, 1999 is approximately ₩12,657 million less than that which would have been reported under the previous estimated useful lives.

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

Interest expense and other similar expenses incurred during the construction period of assets on funds borrowed to finance construction are capitalized. Capitalized financing cost for the year ended December 31, 1999 was approximately ₩11,982 million.

Lease Transactions -

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

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

2. Summary of Significant Accounting Policies, Continued:

Research and Development Costs -

Research costs are expensed when incurred. Development costs directly relating to new technology on new products of which the estimated future benefits are probable are recognized as intangible assets. Amortization of development costs is computed using the straight-line method over five years from the commencement of commercial production or use of related products. Such costs are subject to continual analysis of recoverability. In the event that such amounts are estimated not to be recovering they are written-down or written-off. Pursuant to the provision of the revised financial accounting standards, all of deferred research cost of ₩425,582 million carried over from the previous year is amortized and deducted from beginning retained earnings.

Intangible Assets -

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

Discounts (Premiums) on Debentures -

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

Treasury Debentures -

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

Accrued Severance Benefits -

Employees and directors with more than 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 represents the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

Pursuant to the revised Financial Accounting Standards generally accepted in the Republic of Korea effective January 1, 1999, underaccrued severance benefits of ₩11,907 million as of December 31, 1998 were deducted from retained earnings as of January 1, 1999.

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

2. Summary of Significant Accounting Policies, Continued:

Accrued Severance Benefits, Continued -

The contributions to national pension fund made under the National Pension Plan and the severance insurance deposit are deducted from accrued severance benefits. Contributed amounts are refunded from the National Pension Plan and the insurance companies to employees on their retirement.

Income Taxes -

The Company recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between amounts reported for financial accounting and income tax purposes. Deferred tax assets and liabilities are computed on such temporary differences including tax credits by applying enacted statutory tax rates applicable to the years when such differences are expected to be reversed. Deferred tax assets are recognized to the extent that it is more likely than not that such deferred tax assets will be realized. The total income tax provision includes current tax expenses under applicable tax regulations and the change in the balance of deferred tax assets and liabilities.

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

Sale of Accounts and Notes Receivables -

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

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 (US\$ 1:₩1,145.40), and resulting translation gains and losses are recognized currently. Foreign currency denominated convertible bonds are translated at the historical exchange rates prevailing as of the date of issuance.

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

2. Summary of Significant Accounting Policies, Continued:

Derivative Financial Instruments -

The Company utilizes several derivative financial instruments such as forward exchange, swap and option contracts to reduce its exposure resulting from fluctuations in foreign currency and interest rates. The instruments are valued at fair market value. For derivative financial instruments used to hedge risk arising from underlying transactions or commitments, gains or losses on valuation of the instruments are charged to current operations when incurred. For derivative financial instruments used to hedge potential risk on anticipated future transactions, gains or losses on valuation of the instruments are recorded as an adjustment to capital when incurred.

Significant Changes in Financial Accounting Standards in Korea -

The Company adopted the revised Financial Accounting Standards in the Republic of Korea effective January 1, 1999. Pursuant to the provision of the revised financial accounting standards, the Company recognized deferred income taxes, adopted the equity method of accounting for investments in equity securities of affiliated companies over which the Company can exercise significant influence, and charged research costs to expense. The cumulative effect on assets and liabilities arising in accordance with adoption of revised standards was added to or deducted from beginning retained earnings or capital adjustments pursuant to the revised accounting standards.

As a result of cumulative effects of retroactive adoption of the revised Financial Accounting Standards, retained earnings as of January 1, 1999 and net income for the year ended December 31, 1999 were decreased by ₩727,055 million and ₩77,198 million, respectively, and capital adjustments as of December 31, 1999 was increased by ₩208,159 million (see Note 17).

3. Restricted Financial Instruments :

As of December 31, 1999, short-term financial instruments of ₩5,923 million and long-term financial instruments of ₩6,846 million are deposited in connection with maintaining checking accounts, various short-term borrowings and long-term debt, and research and development projects funded by the government. The withdrawal of these financial instruments is restricted (see Notes 10 and 11).

In addition, long-term financial instruments of ₩16,882 million as of December 31, 1999 represent deposits made under group severance insurance plans. The withdrawal of such deposits is restricted to the actual payment of severance benefits (see Note 13).



LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

4. Receivables :

Receivables, including trade accounts and notes receivable, as of December 31, 1999 comprise the following :

	Millions of Won			
	Costs	Allowance for doubtful accounts	Discounts for present value	Carrying value
Trade accounts and notes receivable	₩ 521,656	₩ 38,259	₩ 2,679	₩ 480,718
Other accounts receivable	175,702	2,974	-	172,728
Accrued income	81,789	818	-	80,971
Advances	62,011	1,173	-	60,838
Other current assets	24,800	59	-	24,741
Long-term other accounts receivable	60,174	602	14,133	45,439
Long-term loans	31,517	315	-	31,202
Long-term trade accounts receivable	8,642	86	-	8,556
	₩ 966,291	₩ 44,286	₩ 16,812	₩ 905,193

Maturities of certain trade accounts and notes receivable from customers which suffer financial difficulties and are in process of corporate reorganization under the court are rescheduled and the receivables are discounted to record present value. Future annual maturities of such receivables outstanding as of December 31, 1999 are as follows :

For the year ending December 31,	Millions of Won		
	Amount to be collected	Present value (* )	Discount
2000	₩ 3,206	₩ 2,973	₩ 233
2001	2,359	2,220	139
2002	2,512	2,125	387
2003	2,913	2,207	706
2004	2,029	1,479	550
2005 and thereafter	2,000	1,336	664
	₩ 15,019	₩ 12,340	₩ 2,679

Future annual maturities of notes receivable from Hyundai Electronics Industries Co., Ltd. outstanding as of December 31, 1999, in relation to the Company's share transfer of LG Semicon Co., Ltd., are as follows :

For the year ending December 31,	Millions of Won		
	Amount to be collected	Present value (* )	Discount
2002	₩ 60,174	₩ 46,041	₩ 14,133

(\* ) Weighted average interest rate of long-term debt of the Company for the year ended December 31, 1999 (11%) is used to calculate discounted present value.

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

5. Assets and Liabilities Denominated in Foreign Currencies :

As of December 31, 1999, monetary assets and liabilities denominated in foreign currencies, other than those disclosed in Notes 10 and 11, are as follows:

	Foreign currencies (In Millions)	Won Equivalent (Millions of Won)
Cash and cash equivalents	US\$	39
	₩	45,004
	¥	287
	ESP	180
	AUD	2
	GBP	2
	ITL	1,891
Others		13,951
		<u>69,175</u>
Trade accounts receivable	US\$	198
	DEM	10
	₩	71
	HKD	40
	Others	
		<u>246,842</u>
Accrued income	US\$	29
	Others	
		<u>33,064</u>
Other accounts receivable	US\$	3
	ITL	436
	FFR	7
	Others	
		<u>4,461</u>
Refundable deposits	₩	26
	USD	2
		<u>2,093</u>
Trade accounts payable	US\$	342
	₩	8,975
	DEM	2
	ITL	1,076
	Others	
		<u>494,087</u>
Other accounts payable	US\$	67
	DEM	7
	FFR	44
	ESP	167
	₩	199
	Others	
		<u>98,172</u>
Accrued expenses	US\$	11
	DEM	2
	Others	
		<u>₩ 13,907</u>

LG ELECTRONICS INC.  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 for the year ended December 31, 1999  
 -----

6. Inventories:

Inventories as of December 31, 1999 comprise the following:

	Millions of Won
Merchandise	₩ 15,582
Finished products	251,799
Work in process	85,983
Raw materials	122,099
Parts and supplies	74,984
	₩ 550,447

At December 31, 1999, inventories are insured against fire and other casualty losses up to approximately ₩501,787 million.

7. Investments :

Investments in subsidiaries and affiliates and other investments as of December 31, 1999 are as follows :

Investments in subsidiaries and affiliates –

	Percentage of Ownership(%) as of December 31, 1999	Millions of Won		
		Acquisition Cost	Net Asset Value	Carrying Value
<u>Domestic Companies</u>				
LG Construction Co., Ltd.	8.56	₩ 35,148	₩ 70,244	₩ 70,244
LG Micron Ltd.(*3)	25.00	5,000	35,375	35,375
LG Department Store Co., Ltd. (*3)	49.13	66,012	44,179	44,179
LG Industrial Systems Co., Ltd. (*3)	32.51	252,725	150,028	150,028
LG International Corp.	2.94	20,253	18,074	18,074
LG Sports Ltd. (*3)	33.00	1,896	1,715	1,715
LG Mart Co., Ltd. (*3)	45.00	248,422	275,863	275,863
LG Internet Inc. (*3)	78.38	29,988	8,170	8,170
LG Precision Co., Ltd.	49.23	24,592	72,571	72,571
LG Information & Communications Co., Ltd.	27.10	352,013	413,402	413,402

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999

-----

7. Investments, Continued:

Investments in subsidiaries and affiliates, Continued:

	Percentage of Ownership(%) at December 31, 1999	Millions of Won		
		Acquisition Cost	Net Asset Value	Carrying Value
LG Investments Security Inc. (*3)	7.41	233,833	194,359	194,359
LG Capital Co., Ltd. (*3)	6.17	18,482	29,085	29,085
LG Telecom, Ltd.	3.77	41,705	18,239	18,239
LG Hitachi Ltd.	98.24	12,150	18,487	18,487
LG-Caltex Oil Corp.	3.07	50,004	95,314	95,314
LG-EDS Systems Inc. (*3)	10.00	360	4,605	4,605
LG. Philips LCD Co., Ltd.	50.00	726,169	692,782	692,782
LG IBM PC Co., Ltd. (*3)	49.00	11,907	8,433	8,433
Kukdong City Gas Inc. (*3)	4.56	17,088	12,823	12,823
Dacom Corporation	25.95	746,669	787,312	787,312

Overseas Companies

Goldstar Electronics Tailand Co., Ltd. (G.S.T.) (*2)	49.00	36	36	36
LG Electronics Alabama, Inc. (LGEAI)	100.00	63,939	73,709	73,709
LG Electronics Almaty Kazak Co., Ltd. (LGEAK) (*3)	100.00	3,746	3,965	3,965
LG Electronics Antwerp Logistics N.V. (LGEAL) (*3)	100.00	967	115	115
LG Electronics Australia PTY, Ltd. (LGEAP) (*1)	100.00	1,558	-	-
Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT) (*2)	50.00	9,764	9,764	9,764
LG Electronics da Amazonia Ltda. (LGEAZ)	100.00	34,663	15,941	15,941
Beijing LG Electronics Components Co., Ltd. (LGEBJ) (*3)	40.00	2,025	2,248	2,248
LG Electronics China Co., Ltd. (LGECH) (*3)	100.00	37,614	38,146	38,146
LG Electronics Canada, Inc. (LGECI) (*3)	100.00	13,780	11,032	11,032
LG Collins Electronics Manila Inc. (LGEKM) (*3)	92.23	20,302	9,226	9,226
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGECT)	50.00	22,953	29,388	29,388
LG Electronics Deutschland GMBH (LGEDG) (*3)	100.00	26,938	686	686
PT LG Electronics Display Devices Indonesia (LGEDI) (*3)	100.00	79,543	115,692	115,692

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999

-----

7. Investments, Continued:

Investments in subsidiaries and affiliates, Continued:

	Percentage of Ownership(%) at December 31, 1999	Millions of Won		
		Acquisition Cost	Net Asset Value	Carrying Value
LG Electronics Design Tech, Ltd. (LGEDT) (*2)	100.00	1,002	1,002	1,002
LG Electronics Egypt S.A.E (LGEEG) (*3)	51.00	1,577	3,109	3,109
LG Electronics Espana S.A. (LGEES) (*3)	100.00	3,374	1,292	1,292
LG Electronics Gulf FZE (LGEGF) (*3)	100.00	2,489	2,966	2,966
LG Electronics HK Limited (LGEHK) (*3)	100.00	4,316	246	246
LG Hotline CPT Ltd. (LGEHL) (*1)	50.00	10,561	-	-
LG Electronics Huizhou Inc. (LGEHZ) (*3)	45.00	1,277	2,704	2,704
LG Electronics India PVT Ltd. (LGEIL)	100.00	32,076	42,426	42,426
PT LG Electronics Indonesia (LGEIN) (*3)	100.00	29,431	9,850	9,850
LG Electronics Italy S.P.A. (LGEIS) (*1)	100.00	3,106	-	-
LG Electronics Japan Inc. (LGEJP) (*1)	100.00	12,978	-	-
LG Electronics Mlawa SP.Zo.O. (LGEMA) (*2)	100.00	7,066	7,066	7,066
LG Electronics Middle East Co., Ltd. (LGEME) (*2)	100.00	462	462	462
LG-MECA Electronics Haiphong, Inc. (LGEMH) (*2)	70.00	1,690	1,690	1,690
LG Electronics Magyar Kft. (LGEMK) (*3)	100.00	5,575	5,136	5,136
LG Electronics Mexico S.A.de C.V. (LGEMS)	98.48	1,936	8,764	8,764
LG MITR Electronics Co., Ltd. (LGEMT) (*3)	87.74	15,925	3,531	3,531
LG Electronics North of England Ltd. (LGENE) (*3)	100.00	11,229	10,555	10,555
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT) (*3)	70.00	14,571	6,861	6,861
LG Electronics Polska SP.Zo.O. (LGEPL) (*3)	100.00	4,117	3,798	3,798
Nanjing LG Panda Appliances Co., Ltd. (LGEPN) (*3)	40.00	3,737	3,980	3,980
LG Electronics Peru S.A. (LGEPR) (*1)	100.00	1,879	-	-
LG Electronics Panama S.A. (LGEPS) (*3)	100.00	2,333	3,571	3,571

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999

-----

7. Investments, Continued:

Investments in subsidiaries and affiliates, Continued:

	Percentage of Ownership(%) at December 31, 1999	Millions of Won		
		Acquisition Cost	Net Asset Value	Carrying Value
LG Electronics Qinhuangdao Inc. (LGEQH) (*3)	80.00	3,284	3,392	3,392
LG Electronics Research Center of America, Inc. (LGERCA) (*2)	100.00	899	899	899
LG Electronics Russia Inc. (LGERI) (*2)	95.00	391	391	391
LG Electronics S.A. Pty Ltd. (LGESA) (*3)	100.00	3,382	3,722	3,722
LG Electronics Service Europe Netherland B.V. (LGESE) (*2)	100.00	3,978	3,978	3,978
Shuguang LG Electronics Co., Ltd. (LGESG)	40.35	56,511	75,682	75,682
Shanghai LG Electronics Co., Ltd. (LGESH) (*3)	50.00	3,021	3,571	3,571
LG Electronics DE Saopaulo Ltd. (LGESP)	100.00	28,481	14,628	14,628
LG SEL Electronics Vietnam Ltd. (LGESV) (*3)	55.00	1,711	4,092	4,092
LG Electronics Sweden AB (LGESW) (*2)	100.00	2,319	2,319	2,319
LG Electronics Shenyang Inc. (LGESY) (*3)	50.00	5,795	3,684	3,684
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	70.00	42,948	49,953	49,953
LG Electronics Thailand Co., Ltd. (LGETH) (*3)	49.00	3,407	4,444	4,444
LG Electronics Taiwan Co., Ltd. (LGETW) (*2)	100.00	4,281	4,281	4,281
LG Electronics U.K. Ltd. (LGEUK)	100.00	10,486	1,359	1,359
LG Electronics Ukraine Co., Ltd. (LGEUR) (*2)	100.00	1,041	1,041	1,041
LG Electronics U.S.A., Inc. (LGEUS) (*1)	100.00	15,673	-	-
LG Electronics Wales Ltd. (LGEWA)	100.00	101,812	77,249	77,249
LG Soft India PVT, LTD (LGSII) (*2)	88.00	2,920	2,920	2,920
Zenith Electronics Corporation (Zenith) (*1)	100.00	236,860	-	-
Investments in subsidiaries and affiliates total		<u>₩3,914,151</u>	<u>₩3,637,622</u>	<u>₩3,637,622</u>

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

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

(\*3) The equity method of accounting is applied based on most recent unaudited financial statements of subsidiaries and affiliates.

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999

-----

7. Investments, Continued:

Other investments -

	Percentage of Ownership(%) as of December 31, 1999	Millions of Won		
		Acquisition Cost	Market Value	Carrying Value
<Marketable equity securities>				
Hyundai Electronics Industries Co., Ltd.	0.44	₩ 28,221	₩ 52,634	₩ 52,634
P.D.I.	0.39	336	1,258	1,258
Korea stock market stabilization fund	2.36	23,235	22,806	22,806
Hanaro Telecom Inc.	2.50	117,428	117,900	117,900
		<u>169,220</u>	<u>194,598</u>	<u>194,598</u>
<Non-marketable equity securities>				
<u>Domestic Companies</u>				
Media Valley Inc.	1.81	300	310	300
Nara Mold & Die Co., Ltd.	19.90	597	1,220	597
Sunhan Tech Co., Ltd.	19.90	199	199	199
Castec Korea Co., Ltd.	5.00	150	150	150
Lotis Co., Ltd.	14.00	1,900	1,900	1,900
LG OTIS Elevator Co., Ltd.	19.90	89,550	89,550	89,550
Other	-	208	370	208
<u>Overseas Companies</u>				
TAISTAR	11.85	760	995	760
GEMFIRE	4.41	1,835	191	1,835
Mainstreet Networks (formerly, eT Communications)	5.45	1,468	-	1,468
iTV Corporation	13.08	1,957	-	1,957
PocketScience	4.42	473	-	473
		<u>99,397</u>	<u>94,885</u>	<u>99,397</u>
<Debt securities>				
Bonds issued by government		58,015	45,668	45,668
Senior secured note issued by Zenith		147,519	142,674	142,674
		<u>205,534</u>	<u>188,342</u>	<u>188,342</u>
Other investments total		474,151	477,825	482,337
Total		<u>₩ 4,388,302</u>	<u>₩ 4,115,447</u>	<u>₩ 4,119,599</u>

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

7. Investments, Continued:

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

	Millions of Won			
	Capital adjustment	Retained earnings	Net income	Total
Acquisition Cost				₩3,914,151
Adjustment :				
Capital surplus and capital adjustments	₩ 224,623	₩ -	₩ -	224,623
Prior years' net loss	-	(155,930)	-	(155,930)
Current year's net income	-	-	153,316	153,316
Elimination of unrealized profit	-	(204,569)	(280,892)	(485,461)
Dividends income	-	(13,077)	-	(13,077)
Carrying Value				₩3,637,622

At December 31, 1999, except for the Korea stock market stabilization fund, of which the differences between the market value and the acquisition cost are charged to current operations, investments in marketable equity securities, of which the differences between the market value and the acquisition cost are accounted for as capital adjustments, are as follows:

	Millions of Won		
	Acquisition Cost	Market Value	Capital Adjustment
P.D.I	₩ 336	₩ 1,258	₩ 922
Hyundai Electronics Industries Co., Ltd.	28,221	52,634	24,413
Hanaro Telecom Inc.	117,428	117,900	472
	₩ 145,985	₩ 171,792	₩ 25,807

Continued;



LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

7. Investments, Continued:

Pursuant to a share transfer agreement dated May 20, 1999, the Company transferred 61,512,076 shares of LG Semicon Co., Ltd. to Hyundai Electronics Industries Co., Ltd. in exchange for ₩1,726,208 million (present value ₩1,596,704 million) and recognized a gain on disposal of investment of ₩1,102,930 million. The price is subject to adjustment based on certain factors.

Pursuant to a joint venture agreement with Koninklijke Philips Electronics N.V. ("Philips") dated July 24, 1999, the Company transferred certain of the Company's stock rights in LG. Philips LCD CO., Ltd. (formerly, LG LCD Co., Ltd.) to Philips. As a result, the Company reduced its ownership of LG. Philips LCD Co., Ltd. to 50% and recognized a gain on disposal of investment of ₩1,179,939 million.

In 1999, the Company transferred its own patents in relation to the Thin Film Transistor Liquid Crystal Display ("TFT-LCD") to LG. Philips LCD Co., Ltd. in exchange for ₩288,000 million and recognized a gain on disposal of intangible assets amounting to ₩281,391 million. According to the equity method of accounting, unrealized profit of approximately ₩253,252 million, net of realized profit, arising from the sales of the patents by the Company to LG. Philips LCD Co., Ltd., an equity-method investee, is fully eliminated and charged to investment in LG. Philips LCD Co., Ltd.

Senior secured note of ₩142,674 million (US\$ 125 million) issued by Zenith outstanding at December 31, 1999, was converted from the Company's receivables from Zenith according to the reorganization plan of Zenith approved by the court in the United States of America on November 5, 1999 (see Note 14). The note's terms and conditions are as follows :

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

According to financial accounting standards generally accepted in Korea, the unrealized gain on valuation of investment in Dacom Corporation, an equity-method investee, of approximately ₩40,644 million previously accounted for as capital adjustment was credited to operations in 1999.

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

8. Property, Plant and Equipment:

Property, plant and equipment as of December 31, 1999 comprise the following :

	Millions of Won
Buildings	₩ 1,000,223
Structures	94,673
Machinery and equipment	985,193
Tools	697,789
Furniture and fixtures	405,810
Vehicles	24,777
	3,208,465
Accumulated depreciation	(1,270,871)
	1,937,594
Land	702,810
Construction in progress	77,973
Machinery in transit	7,872
	₩ 2,726,249

As of December 31, 1999, the value of the Company's land, as determined by the local government in Korea for property tax assessment purpose, approximates ₩581,759 million.

As of December 31, 1999, property, plant and equipment, other than land and certain construction in progress, are insured against fire and other casualty losses up to approximately ₩4,009,987 million.

A substantial portion of property, plant and equipment as of December 31, 1999 is pledged as collateral for various loans from banks, including Korea Development Bank, up to a maximum Won equivalent amount of approximately ₩583,009 million (see Notes 10 and 11).

LG ELECTRONICS INC.  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 for the year ended December 31, 1999  
 -----

9. Intangible Assets :

Intangible assets as of December 31, 1999 comprise the following :

	Millions of Won
Development costs	₩ 82,938
Industrial property rights	15,979
Other	7,192
	₩ 106,109

Details of research and development costs incurred for the year ended December 31, 1999 are as follows :

	Millions of Won
Capitalized	₩ 74,271
Expensed	179,697
	₩ 253,968

LG ELECTRONICS INC.  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 for the year ended December 31, 1999  
 -----

10. Short-Term Borrowings:

Short-term borrowings as of December 31, 1999 comprise the following :

	Annual Interest Rates (%) as of December 31, 1999	In Millions
<u>Bank overdrafts</u>	13.0	₩ 16,957
 <u>Won currency loans :</u>		
General term loans	7.0 - 12.2	81,500
Loans from insurance companies	8.1	20,000
		101,500
 <u>Foreign currency loans</u>		
	3.2	11,324
		( US\$ 1 )
		( ¥ 897 )
		₩ 129,781

See Notes 3 and 8 for collateral arrangements for these borrowings. Repayment of certain borrowings has been guaranteed by affiliated companies of the LG Group (see Note 14).

Current maturities of long-term debt as of December 31, 1999 comprise the following :

	Millions of Won
Debentures	₩ 1,154,450
Discount on debentures	(6,158)
Long-term debt	217,800
	₩ 1,366,092

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

11. Long-Term Debt :

Long-term debt as of December 31, 1999 comprises the following:

	Annual Interest Rate (%) at <u>December 31, 1999</u>	<u>In Millions</u>
<u>Debentures</u>		
Guaranteed, payable through 2001	11.0 - 25.0	₩ 787,100
Non-guaranteed, payable through 2004	8.1 - 21.4	311,000
General, payable through 2002	8.0 - 12.0	1,320,000
Floating rate notes in foreign currency, payable through 2000 (*1)	Libor+0.25~0.40	83,350 ( HK\$ 550 ) ( US\$ 2 )
		<u>2,501,450</u>
<u>Convertible Bonds (*2)</u>		
Foreign currency, issued in 1991	3.25	40 (US\$ - )
Foreign currency, issued in 1996	1.25	33,096 (US\$ 40)
Won currency, issued in 1998	1.00	100,000
		<u>133,136</u>
<u>Exchangeable Bonds (*3)</u>		
Foreign currency, issued in 1997	0.25	66,623 (US\$ 75)
		<u>2,701,209</u>
Less : treasury debentures		(117,171)
current maturities		(1,154,450)
discount on debentures		(38,170)
premium on debentures		7,589
		<u>₩ 1,399,007</u>

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

11. Long-Term Debt, Continued:

	Annual Interest Rate (%) at <u>December 31, 1999</u>		<u>In Millions</u>
<u>Won currency loans</u>			
Korea Development Bank	5.5 - 10.1	₩	91,266
Kookmin Bank	5.0 - 11.8		4,439
Korea Technology Banking Corporation	6.5 - 8.5		6,104
Housing and Commercial Bank	3.0 - 9.5		853
Hana Bank	7.0		920
Hanvit Bank	8.5		30,000
			133,582
<u>Foreign currency loans</u>			
Korea First Bank	Libor + 0.625		10,205
Korea Development Bank	8.9		12,022
Korea Development Bank	Libor + 0.5		45,816
Hanvit Bank	Libor + 0.4		66,386
Chohung Bank	Libor + 0.4		96,848
Korea Exchange Bank	Libor + 0.4		171,810
Kookmin Bank	Libor + 1.25		1,987
Export-Import Bank of Korea	Libor + 0.625		4,503
Citi Bank	Libor + 0.9		13,678
Banque Paribas	Libor + 0.7		9,384
Bank of Tokyo-Mitsubishi	Libor + 0.8		1,626
Societe General	Libor + 0.6		21,561
Sumitomo Bank	Libor + 0.65		14,903
Bank One	Libor + 2.5		11,472
			482,201
			( US\$ 415 )
			( ¥ 646 )
			481,140
	Less : current maturities		(217,800)
		₩	397,983

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

11. Long-Term Debt, Continued:

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

Treasury debentures of ₩117,171 million held by the Company as of December 31, 1999 are Won currency convertible bonds and a portion of exchangeable bonds.

(\*1) In 1985 and 1995, the Company issued foreign currency denominated floating rate notes aggregating US\$ 2 million and Hong Kong \$550 million, which are due on April 25, 2000 and May 25, 2000, respectively. Early redemption may be called for at the option of the noteholders or the Company under the terms of issuance. LG Chemical Ltd., an affiliated company, has guaranteed repayment of the notes issued in 1985.

(\*2) In 1991, the Company issued foreign currency denominated convertible bonds aggregating US\$ 70 million, bearing interest at 3.25% per annum. The bonds are convertible into non-voting preferred stock through November 2006, unless previously redeemed, at a specified conversion price, subject to adjustment based on the occurrence of certain events as provided for in the offering agreement. The adjusted conversion price as of December 31, 1999 is ₩16,343 per share. The fixed rate of exchange applicable to the exercise of the conversion rights is ₩726.50 per US\$ 1.00. The bonds will mature on December 31, 2006 at par value, unless previously converted or redeemed. Any bondholder may redeem all or some of the bonds held on June 24, 1999 at 144.926% of the principal amount of such bonds, together with interest accrued to the date of redemption.

In 1996, the Company issued foreign currency denominated convertible bonds aggregating US\$ 40 million, bearing interest at 1.25% per annum. The bonds are convertible into common stock through October 2006, unless previously redeemed, at a specified conversion price, subject to adjustment based on the occurrence of certain events as provided for in the offering agreement. The adjusted conversion price as of December 31, 1999 is ₩22,174 per share. The fixed rate of exchange applicable to the exercise of the conversion rights is ₩827.4 per US\$ 1.00. The bonds will mature on November 26, 2006 at par value, unless previously converted or redeemed. Any bondholder may redeem all or some of the bonds held on November 26, 2001 at 133.20% of the principal amount of such bonds, together with interest accrued to the date of redemption.

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

11. Long-Term Debt, Continued:

In 1998, the Company issued Won currency convertible bonds aggregating ~~₩~~100,000 million, bearing interest at 1.0% per annum. The bonds are convertible into common stock through November 2001, unless previously redeemed, at a specified conversion price, subject to adjustment based on the occurrence of certain events as provided for in the offering agreement. The adjusted conversion price as of December 31, 1999 is ~~₩~~20,555 per share. The bonds will mature on December 31, 2001 at 112.5% of the principal amount, unless previously converted or redeemed.

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

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

Continued;



LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

11. Long-Term Debt, Continued:

- Redemption at the option of the bondholders :  
The bondholders may require the Company to redeem any or all (in multiples of US\$ 10,000) of the bonds held by such holders on July 8, 2002 at 133.67% of the principal amount of such bonds, plus accrued interest.
  
- Exchange by bondholder  
Each bond is exchangeable for a pro rata share of the exchange property until November 30, 2007. The exchange property initially comprised 1,880,397 common shares of Hyundai Electronics, calculated by dividing the aggregate principal amount (converted into Won at a fixed exchange rate of US\$1.00 : ₩888.30) by the exchange price, but is subject to change as a result of any adjustment to the exchange price or an offer made for the common shares.

On July 1996, relating to construction of Bundang research center, the Company entered into a land purchase agreement with Korea Land Corporation under which the Company has acquired certain land and is obligated to pay the contracted amount on an installment basis through 2001. As of December 31, 1999, the Company has outstanding long-term other accounts payable for the agreement amounting to ₩5,205 million.

See Notes 3 and 8 for the related collateral arrangements for the Company's long-term debt. In addition, the repayment of a portion of long-term debt is guaranteed by affiliated companies of the LG Group (see Note 14).

The maturities of long-term debt outstanding as of December 31, 1999 are as follows:

For the year ending December 31,	Millions of Won			
	Debentures and Convertible bonds (*)	Long-term debt	Long-term other accounts payable	Total
2001	₩ 1,217,000	₩ 199,097	₩ 5,205	₩ 1,421,302
2002	100,000	158,187	-	258,187
2003	-	22,631	-	22,631
2004	30,000	10,977	-	40,977
2005 and thereafter	82,588	7,091	-	89,679
	<u>₩ 1,429,588</u>	<u>₩ 397,983</u>	<u>₩ 5,205</u>	<u>₩ 1,832,776</u>

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

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

12. Leases:

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

As of December 31, 1999, future lease payments under operating lease agreements are as follows :

For the year ending December 31,	Millions of Won
2000	₩ 45,759
2001	23,842
2002	3,018
2003	140
	₩ 72,759

13. Accrued Severance Benefits:

Accrued severance benefits as of December 31, 1999 are as follows:

	Millions of Won
Beginning balance	₩ 456,071
Severance payments	(135,293)
Transfer-in from affiliated companies	8,854
Provisions	99,300
Additional provisions (Note 2)	11,907
Conversion to severance insurance deposit	(5,997)
	434,842
Severance insurance deposits	(265,835)
Contribution to National Pension Fund	(40,277)
	₩ 128,730

The severance benefits are funded approximately 65% at December 31, 1999 through group severance insurance plans and employees severance insurance plans with Kyobo Life Insurance Co, Ltd. and other life insurance companies. The amounts funded under group severance insurance plans are recorded as long-term financial instruments and the amounts funded under employees severance insurance plans (severance insurance deposits) are presented as deduction from accrued severance benefits (Note 3).

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

14. Commitments and Contingencies:

At December 31, 1999, the Company provided 34 notes and 13 checks to financial institutions as collateral in relation to various borrowings and guarantees of indebtedness. In addition, the Company has received guarantees approximating ₩874,078 million from various banks for the repayment of certain debentures of the Company.

At December 31, 1999, the Company has entered into bank overdraft facility agreements with various banks amounting to ₩336,200 million.

At December 31, 1999, the outstanding balance of domestic trade notes receivable and export trade accounts receivable sold at discount to various financial institutions with recourse is ₩2,279,388 million.

At December 31, 1999, the Company was a party to various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

At December 31, 1999, the Company was contingently liable for guarantees approximating ₩1,492,126 million (including equivalent US\$ 757 million) on indebtedness of its subsidiaries and affiliates as follows :

	Millions of Won
<u>Domestic companies</u>	
LG Telecom, Ltd.	₩ 114,540
LG Precision Co., Ltd.	5,727
Other	26,011
	146,278
<u>Overseas companies</u>	
LG Electronics Wales Ltd.	264,759
PT LG Electronics Display Device Indonesia	127,630
LG Electronics Alabama Inc.	166,083
LG Electronics U.S.A., Inc.	116,831
LG Electronics North of England Ltd.	80,873
Shuguang LG Electronics Inc.	74,577
Other	515,095
	1,345,848
Total	₩ 1,492,126

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

14. Commitments and Contingencies, Continued :

In order to reduce the impact of changes in exchange rates on future cash flows, the Company enters into foreign currency forward contracts. As of December 31, 1999, the Company has outstanding forward contracts for selling US Dollars amounting to US\$ 130 million (contract rates : ₩1,134.1 : US\$ 1~₩1,187.6: US\$ 1, contract due dates : January through November 2000) and an unrealized gain of ₩ 1,490 million was credited to operations for the year ended December 31, 1999.

In order to reduce the impact of changes in interest rates, the Company enters into interest rate swap contracts and an unrealized gain of ₩171 million was recorded as a capital adjustment. A summary of the terms of outstanding interest rate swap contracts at December 31, 1999 is as follows (see Note 18) :

	Amount (In millions)	Buying rate (%) (*)	Selling rate (%)	Contract due date
Korea Exchange Bank	US\$ 50	5.45%	6M LIBOR	2001.6.5
Korea Exchange Bank	US\$ 40	5.9%	6M LIBOR	2000.8.24
Bankers Trust Company	US\$ 40	5.9%	6M LIBOR	2000.8.24
Citi Bank	US\$ 20	5.91%	6M LIBOR	2000.8.24

(\*) If 6 month LIBOR is over 6.25%, the rate deducting 0.34 or 0.35% point from 6 month LIBOR would be applied.

In order to reduce the impact of changes in exchange rates on future cash flows, the Company enters into foreign currency interest rate swap contracts to convert long-term debt denominated in US Dollars to Hong Kong Dollars. An unrealized loss of ₩3,051 million was charged to operations for the year ended December 31, 1999. A summary of the terms of outstanding currency interest rate swap contracts at December 31, 1999 is as follows :

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

In order to reduce the impact of changes in exchange rates on future cash flows, the Company enters into foreign currency option contracts. An unrealized gain of ₩1,111 million was credited to operations for the year ended December 31, 1999. A summary of the terms of outstanding currency option contracts at December 31, 1999 is as follows :

Continued;

LG ELECTRONICS INC.  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 for the year ended December 31, 1999  
 -----

14. Commitments and Contingencies, Continued :

	Option Type	Amount (In millions)	Exercising price	Contract due date
Citi Bank	Put	US\$ 21.5	<del>₩</del> 1,145.00	2000.3.31
	Call	US\$ 43.0	1,145.00	2000.3.31
Citi Bank	Put	US\$ 50.0	1,150.00	2000.5.16
	Call	US\$ 50.0	1,182.50	2000.5.16

As a result of above derivatives contracts, a gain of ~~₩~~28,825 million and a loss of ~~₩~~61,720 million were realized for the year ended December 31, 1999.

The Company is named as the defendant or the plaintiff in various legal actions arising from the normal course of business. The aggregate amounts of claims as the defendant brought against and the plaintiff brought by the Company are approximately ~~₩~~21,271 million in 5 cases and ~~₩~~14,226 million in 9 cases, respectively, as of December 31, 1999. The Company believes that the outcome of these matters is uncertain but, in any event, they would not result in a material ultimate losses on the Company's financial position or operations. Accordingly, no provision for potential losses arising from these claims is reflected in the accompanying financial statements.

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

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

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

14. Commitments and Contingencies, Continued :

Zenith Electronics Corporation ("Zenith"), a subsidiary, has experienced significant financial difficulties resulting from continuous losses. Zenith filed a pre-packaged plan of reorganization under Chapter 11 of the Bankruptcy Code of the United States of America on August 23, 1999, and the reorganization plan was approved by the court on November 5, 1999. Under the approved reorganization plan, all outstanding common stock of Zenith was cancelled and the holders of common stock received no distribution and the Company converted US\$ 200 million of US\$ 365 million of Zenith's obligations to the Company into common stock of Zenith which represents 100% of equity in the restructured Zenith. The remaining portion of Zenith's obligations was exchanged for senior secured notes issued by Zenith and an investment in an overseas subsidiary.

15. Capital Stock :

As of December 31, 1999, capital stock is as follows :

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

As of December 31, 1999, the number of shares authorized are 500,000,000 shares.

As of December 31, 1999, 19,095,547 shares of non-voting preferred stock are issued and outstanding. The preferred shareholders have no voting rights and are entitled to non-participating and non-cumulative preferred dividends at a rate of one percentage point over those for common stock. This preferred dividend rate is not applicable to stock dividends.

LG ELECTRONICS INC.  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 for the year ended December 31, 1999  
 -----

16. Capital Surplus:

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

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

17. Retained Earnings :

Retained earnings as of December 31, 1999 are as follows:

	Millions of Won
Legal reserve (*1)	₩ 41,499
Other reserves	
Reserve for business rationalization (*2)	326,180
Reserve for improvement of financial structure (*3)	84,458
Reserve for technological development (*4)	974,516
Reserve for export loss (*4)	14,000
	1,399,154
Unappropriated retained earnings carried forward to subsequent year	44
	₩ 1,440,697

(\*1) The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for payment of cash dividends, but may be transferred to capital stock through an appropriate resolution by the Company's board of directors or used to reduce accumulated deficit, if any, through appropriate resolution by the Company's shareholders.

Continued;

LG ELECTRONICS INC.  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 for the year ended December 31, 1999  
 -----

17. Retained Earnings, Continued :

- (\*2) Pursuant to the Tax Exemption and Reduction Control Law, the Company is required to appropriate, as a reserve for business rationalization, a portion of retained earnings equal to tax reductions arising from investment and other tax credits. This reserve is not available for dividends but may be transferred to capital stock through an appropriate resolution by the Company's board of directors or used to reduce accumulated deficit, if any, through appropriate resolution by the Company's shareholders.
- (\*3) In accordance with the provisions of the Financial Control Regulation for publicly listed companies, the Company is required to appropriate, as a reserve for improvement of financial structure, a portion of retained earnings equal to a minimum of 10% of its annual income plus at least 50% of the net gain from the disposal of property, plant and equipment after deducting related taxes, until equity equals 30% of total assets. This reserve is not available for dividends, but may be transferred to capital stock through an appropriate resolution by the Company's board of directors or used to reduce accumulated deficit, if any, through an appropriate resolution by the Company's shareholders.
- (\*4) Pursuant to the Corporate Income Tax Law of Korea, the Company is allowed to appropriate retained earnings as a reserve for technological development and export loss. These reserves are not available for dividends until used for the specified purposes or reversed.

Cumulative effects of retroactive adoption of the revised Financial Accounting Standards on retained earnings as of January 1, 1999 are as follows :

	Millions of Won
Equity method of accounting	₩ (482,093)
Amortization of deferred research cost	(425,582)
Loss on valuation of Korea stock market stabilization fund	(13,500)
Discounted present value of receivables	(3,264)
Deferred tax assets	254,281
Loss on valuation of marketable securities	(6,536)
Loss from sale of trade accounts and notes receivable	(34,735)
Other	(15,626)
	₩ (727,055)



LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

18. Capital Adjustments:

As of December 31, 1999, capital adjustments are as follows:

	Millions of Won
Gain on valuation of investment securities (Note 7)	₩ 250,430
Gain on valuation of derivative financial instruments (Note 14)	171
	₩ 250,601

19. Income Taxes:

Income tax expense for the year ended December 31, 1999 comprise the following:

	Millions of Won
Current income taxes	₩ 566,892
Deferred income taxes	15,992
	₩ 582,884

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

	Millions of Won
Income before taxes	₩ 2,587,905
Statutory tax rate	30.8%
Expected taxes at statutory rate	797,075
Permanent differences	(134,777)
Tax exemption and tax credits	(79,414)
Actual taxes	₩ 582,884
Effective tax rate	22.5%

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

19. Income Taxes, Continued :

Components of deferred taxes as of December 31, 1999 are as follows :

	Millions of Won			
	Beginning balance	Increases	Decreases	Ending balance
<u>Deferred tax assets</u>				
Deferred foreign exchange loss, net	₩ 52,607	₩ -	₩(30,196)	₩ 22,411
Losses from sales of receivables	-	33,130	-	33,130
The equity method of accounting	148,485	39,293	(12,120)	175,658
Bad debt expenses	8,409	16,663	(390)	24,682
Other	39,268	23,224	(33,857)	28,635
	248,769	112,310	(76,563)	284,516
Tax credits carried-forward	33,479	-	(33,479)	-
Deferred tax assets	282,248	112,310	(110,042)	284,516
<u>Deferred tax liabilities</u>				
Amortization of intangible assets	-	(18,299)	-	(18,299)
Gain on valuation of investments	4,158	(12,519)	(2,736)	(11,097)
Custom duty drawback	(9,906)	(8,198)	9,906	(8,198)
Other	(22,219)	(6,765)	20,351	(8,633)
Deferred tax liabilities	(27,967)	(45,781)	27,521	(46,227)
Net deferred tax assets	₩ 254,281	₩ 66,529	₩(82,521)	₩ 238,289

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

LG ELECTRONICS INC.  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 for the year ended December 31, 1999  
 -----

20. Earnings Per Share:

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

Basic earnings per share and ordinary income per share for the year ended December 31, 1999 are calculated as follows:

<u>Basic earnings per share and</u> <u>ordinary income per share</u>	<u>Millions of Won</u> <u>(except for EPS data)</u>
Net income as reported on the statement of income	₩ 2,005,021
Less : Preferred stock dividends	<u>(20,050)</u>
Net income allocated to common stock	1,984,971
Weighted average number of common shares outstanding	<u>107,327,666</u>
Basic earnings per share and ordinary income per share (*)	<u>₩ 18,494</u>

(\*) Because there are no extraordinary gains or losses, basic ordinary income per share is the same as basic earnings per share.

Diluted earnings per share is computed by dividing diluted net income, which is adjusted to add back the after-tax amount of interest expenses on any convertible debt, by the weighted average number of common shares and diluted securities outstanding during the year. 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 year, assuming conversion into common shares at January 1, 1999.

Diluted earnings per share and ordinary income per share for the year ended December 31, 1999 are calculated as follows:

Continued;

LG ELECTRONICS INC.  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 for the year ended December 31, 1999  
 -----

20. Earnings Per Share, Continued;

	Millions of Won (except for EPS data)
Net income allocated to common stock	₩ 1,984,971
Add : Interest expenses on convertible bonds, net of tax	1,906
	1,986,877
Weighted average number of common shares and diluted securities outstanding	108,820,224
Diluted earnings per share and ordinary income per share	₩ 18,258

The diluted securities outstanding for the year ended December 31, 1999 are as follows :

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

21. Dividends:

Unappropriated retained earnings available for dividends for 1999 are as follows :

	Millions of Won
Unappropriated retained earnings before appropriations	₩ 1,266,092
Reversal of voluntary reserves	11,290
Appropriations of legal reserve and reserve for business rationalization	(212,800)
	1,064,582
Appropriations of voluntary reserves	(937,160)
Unappropriated retained earnings available for dividends after appropriations	127,422
Dividends	₩ 127,378

Continued;

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

21. Dividends, Continued;

Details of dividends for the year ended December 31, 1999 are as follows :

Dividends

	Common shares	Preferred shares
Number of shares	107,327,666	19,095,547
Par value	₩ 5,000	₩ 5,000
Dividend ratio	20%	21%
Total dividends	<u>₩ 107,327,666,000</u>	<u>₩ 20,050,324,350</u>

Dividend Payout Ratio

Total dividends to be paid out (A)	₩ 127,377,990,350
Net income (B)	2,005,021,086,932
Dividend payout ratio ((A)/(B))	6.35%

Dividend Yield Ratio

	Common shares	Preferred shares
Dividend per share (A)	₩ 1,000	₩ 1,050
Market price as of December 31, 1999 (B)	₩ 47,000	₩ 25,060
Dividend Yield Ratio ((A)/(B))	2.13%	4.19%

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

22. Transactions with Related Parties:

Significant transactions entered into in the ordinary course of business with related parties for the year ended December 31, 1999 and the related account balances outstanding at December 31, 1999 are summarized as follows.

	Millions of Won			
	Sales	Purchases	Receivables	Payables
LG Electronics U.S.A., Inc.	₩ 696,998	₩ 12,777	₩ 13,993	₩ 12,754
LG Electronics Alabama, Inc.	317,061	8,415	6,491	8,794
LG Goldstar France S.A.R.L.	221,287	10,500	1,131	10,239
PT LG Electronics Display Devices Indonesia	215,896	41,193	16,259	286
Zenith Electronics Corporation	75,994	6,153	143,490	6,153
Other	3,198,234	970,297	191,127	237,303
	₩4,725,470	₩1,049,335	₩372,491	₩275,529

23. Segment Information:

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

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

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

Continued;

LG ELECTRONICS INC.  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 for the year ended December 31, 1999

-----

23. Segment Information, Continued;

Financial Data by Business Division (Millions of Won)

	Total	Business Division			Supporting Division
		Multimedia	Home Appliances	Display	
. Sales					
External Sales	₩10,546,099	₩2,952,759	₩3,032,259	₩4,205,273	₩355,808
Inter-division Sales	1,459,978	43,754	994,172	377,902	44,150
	<u>12,006,077</u>	<u>2,996,513</u>	<u>4,026,431</u>	<u>4,583,175</u>	<u>399,958</u>
. Ordinary Income (Loss)	<u>684,012</u>	<u>216,419</u>	<u>525,231</u>	<u>522,974</u>	<u>(580,612)</u>
. Fixed Assets					
Tangible and Intangible assets	<u>2,832,358</u>	<u>415,288</u>	<u>796,847</u>	<u>766,147</u>	<u>854,076</u>
Depreciation	<u>370,763</u>	<u>58,081</u>	<u>82,535</u>	<u>152,963</u>	<u>77,184</u>

Financial data by Geographic Area (Million of Won)

	Total	Domestic	North America	Central & South America	Europe	Central Asia	Asia	Pacific	Others
Sales	₩12,006,077	₩ 4,163,891	₩ 2,407,551	₩ 376,425	₩ 1,364,540	₩ 423,478	₩ 2,917,293	₩ 149,002	₩ 203,897

LG ELECTRONICS INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 1999  
-----

24. Supplemental Cash Flow Information :

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.

Pursuant to the provision of the revised Financial Accounting Standards, the Company amended the beginning balance of the cash and cash equivalents on the statement of cash flows as of January 1, 1999. As a result of retroactive adoption of the revised standards, the beginning balance of cash and cash equivalents on the statement of cash flows as of January 1, 1999 was decreased by ₩131,153 million.

Significant transactions not affecting cash flows for the year ended December 31, 1999 are as follows :

	<u>Millions of Won</u>
Transfer to property, plant and equipment from construction in progress	₩ 35,735
Transfer to machinery and equipment from machinery in transit	79,602
Additional provision of severance benefits	11,907
Reclassify current maturities of debenture	1,154,450
Reclassify current maturities of long-term debt	217,800
Retroactive adoption of the revised standards on prior year's research cost	425,582
Retroactive adoption of the revised standards on deferred income tax	254,280
Retroactive adoption of the revised standards on sales of receivables	34,734
Retroactive adoption of the revised standards on the equity method of accounting	251,797
Transfer to investments from receivables from Zenith	433,119

25 Subsequent Events:

On January 1, 2000, LG information Communications Co., Ltd., an affiliate, transferred its domestic sales division of its mobile phone business. The purchase price and payment terms are presently being negotiated.