

**LG ELECTRONICS INC.
REVIEW REPORT**

For the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

Review Report of Independent Accountants

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

We have reviewed the accompanying balance sheet of LG Electronics Inc. (the “Company”) as of September 30, 2002, and the related income statement for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002, expressed in Korean Won. These financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with accounting standards for preparing quarterly and semi-annual financial statements generally accepted in the Republic of Korea.

As discussed in Note 1 and 22 to the accompanying financial statements, the Company was spun off from LG Electronics Investment Ltd. (formerly, LG Electronics Inc.) on April 1, 2002. The electronics and information & communications businesses were transferred from LG Electronics Investment Ltd. to the Company. As of April 1, 2002, the Company has outstanding capital stock of ₩ 783,961 million including non-voting preferred stock, and the Company’s stock was listed on the Korean Stock Exchange on April 22, 2002.

Continued;

As discussed in Note 20 to the accompanying financial statements, for the six-month period ended September 30, 2002, the Company entered into various transactions with affiliated companies including sales of ₩ 4,857,179 million and purchases of ₩ 1,249,756 million. As of September 30, 2002, related accounts receivable and payable approximate ₩ 1,037,238 million and ₩ 652,003 million, respectively.

As discussed in Note 14 to the accompanying financial statements, the operations of the Company may be directly or indirectly affected by the general unstable economic conditions in the Republic of Korea and the impact of the implementation of structural reforms.

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

Seoul, Korea
October 14, 2002

LG ELECTRONICS INC.
NON-CONSOLIDATED BALANCE SHEET
(See independent accountants' review report)
As of September 30, 2002
(In millions of Korean Won)

ASSETS

Current Assets :

Cash and cash equivalents (Note 5)	₩	50,494
Short-term financial instruments		865
Marketable securities (Note 7)		269
Trade accounts and notes receivable, net (Notes 4, 5 and 20)		1,280,714
Inventories (Notes 6 and 8)		915,934
Other accounts receivable, net (Notes 4 and 5)		176,481
Prepaid expenses		62,877
Accrued income (Notes 4 and 5)		110,971
Advances (Note 4)		154,882
Derivatives transaction debit (Note 14)		43
Other current assets (Note 4)		3,595
Total current assets		<u>2,757,125</u>
Property, plant and equipment, less accumulated depreciation (Notes 8 and 21)		2,843,152
Long-term financial instruments (Note 3)		7,687
Investments securities (Note 7)		2,795,552
Refundable deposits (Note 5)		293,440
Long-term trade accounts receivable (Note 4)		1,889
Long-term prepaid expenses		64,852
Deferred tax assets, net (Note 18)		171,424
Long-term loans (Notes 4 and 20)		60,407
Intangible assets (Notes 9 and 21)		964,021
Total assets	₩	<u><u>9,959,549</u></u>

Continued;

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

LG ELECTRONICS INC.
NON-CONSOLIDATED BALANCE SHEET, Continued
(See independent accountants' review report)
As of September 30, 2002
(In millions of Korean Won)

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities :

Short-term borrowings (Note 10)	₩	332,001
Current maturities of long-term debt (Note 10)		633,515
Trade accounts and notes payable (Notes 5 and 20)		1,723,018
Other accounts payable (Note 5)		496,108
Income taxes payable (Note 18)		174,726
Accrued expenses (Note 5)		713,952
Withholdings		40,508
Advances from customers		204,254
Derivatives transaction credit (Note 14)		2,187

Total current liabilities		<u>4,320,269</u>
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Debentures, net of current maturities and discounts
on debentures (Note 11)

2,108,545

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

41,018

Accrued severance benefits, net (Note 13)

213,455

Product warranty provision

59,821

Other long-term liabilities

503

Total liabilities

6,743,611

Commitments and contingencies (Note 14)

Shareholders' Equity :

Capital stock (Note 15)

783,961

Capital surplus :

Additional paid-in capital (Note 16)

1,876,153

Retained earnings :

Unappropriated retained earnings carried forward

456,812

Capital adjustments (Note 17)

99,012

Total shareholders' equity

3,215,938

Total liabilities and shareholders' equity

₩ 9,959,549

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

LG ELECTRONICS INC.
NON-CONSOLIDATED INCOME STATEMENT
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002
(In millions of Korean Won except for earning per share amounts)

Sales (Notes 20 and 21)	₩	9,296,125
Cost of sales (Note 20)		7,046,927
Gross profit		<u>2,249,198</u>
Selling and administrative expenses		<u>1,629,727</u>
Operating income (Note 21)		<u>619,471</u>
Non-operating income :		
Interest income		17,570
Rental income		4,386
Foreign exchange gains		161,548
Gain on disposal of investments		9,997
Gain on disposal of property, plant and equipment		1,203
Equity in earnings of affiliates, net (Note 7)		164,171
Commission earned		14,906
Gain on business transfer		579
Gain on transaction of derivatives (Note 14)		16,338
Gain on valuation of derivatives (Note 14)		3,045
Refund of income taxes		2,452
Other		74,187
		<u>470,382</u>
Non-operating expenses :		
Interest expense		119,503
Foreign exchange losses		108,855
Loss from transfer of trade accounts and notes receivable		46,044
Loss from disposal of property, plant and equipment		25,225
Loss from disposal of investments		3,591
Loss from disposal of Intangible assets		293
Loss from redemption of debentures		1,302
Donations		3,170
Other bad debt expenses		58,822
Loss on transaction of derivatives (Note 14)		5,682
Loss on valuation of derivatives (Note 14)		3,717
Additional payment of income taxes		6,217
Other		48,740
		<u>431,161</u>
Ordinary income		658,692
Extraordinary gains		-
Extraordinary losses		-
Income before income taxes		<u>658,692</u>
Income taxes (Note 18)		<u>201,880</u>
Net income	₩	<u>456,812</u>
Basic earnings per share (Note 19) (in Korean Won)	₩	<u>2,913</u>
Basic ordinary income per share (Note 19) (in Korean Won)	₩	<u>2,913</u>

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

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

1. The Company:

Originally LG Electronics Inc. (currently LG Electronics Investment Ltd.) was incorporated in 1959 under the Commercial Code of the Republic of Korea to manufacture and sell electronics products. In 1970, the Company offered its shares for public ownership.

As discussed in Note 22 to the accompanying financial statements, the Company was spun off from LG Electronics Investment Ltd. (formerly, LG Electronics Inc.) on April 1, 2002 and engages in the business of electronic and information & communication products.

As of September 30, 2002, the Company has its manufacturing facilities in Kuro, Pyeongtaek, Chougju, Gumi, Changwon etc. The Company is a member of LG Group, which comprises affiliated companies under common management direction.

As of September 30, 2002, the Company has outstanding capital stock of ₩ 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 depositary receipts ("DRs") were listed on the London Stock Exchange in September, 2002.

2. Summary of Significant Accounting Policies:

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

Basis of Financial Statement Presentation -

The accompanying financial statements have been extracted from the Company's Korean language financial statements that were prepared in accordance with accounting standards for preparing quarterly and semi-annual financial statements generally accepted in the Republic of Korea. The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with accounting standards for preparing quarterly and semi-annual financial statements 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 financial statements have been condensed, restructured and translated into English from the Korean language financial statements. Some information including computation of employees' welfare, donations and environmental efforts attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position and results of operations, is not presented in the accompanying financial statements.

Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Korea.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

2. Summary of Significant Accounting Policies, Continued:

Spin-off Accounting -

Upon a resolution of the shareholders of LG Electronics Investment Ltd. (formerly, LG Electronics Inc.) on December 28, 2001, the Company was spun off from LG Electronics Investment Ltd. on April 1, 2002. The significant accounting policies followed by the Company in the spin off are as follows :

- Assets and liabilities are transferred based on book value.
- Capital adjustments including gain/loss on valuation of investment securities, which are directly related to assets and liabilities transferred to the Company, are also transferred to the Company.
- The difference between the Company's net assets transferred from LG Electronics Investment Ltd. and capital, after adjustment of capital adjustment, is credited to paid-in capital in excess of par value.

Revenue Recognition -

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

Marketable Securities and Investments in Debt and Equity Securities -

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

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

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

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

2. Summary of Significant Accounting Policies, Continued:

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

Investments in equity securities of companies over which the Company exerts significant control or influence (controlled investees) are recorded using the equity method of accounting. Differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are amortized over 5 years using the straight-line method. 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 by percentage of ownership.

Premiums and discounts on debt securities are amortized over the life of the debt using the effective interest method. Investments in debt securities which the Company has the intent and ability to hold to maturity are generally carried at cost, adjusted for the amortization of discounts or premiums (amortized cost). Other investments in debt securities are carried at fair value. Temporary differences between fair value and amortized cost are accounted for in the capital adjustment account.

Allowance for Doubtful Accounts -

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

Inventories -

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

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LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

2. Summary of Significant Accounting Policies, Continued:

Property, Plant and Equipment -

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

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

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

Interest expense and other similar expenses incurred during the construction period of assets on funds borrowed to finance construction are capitalized. Capitalized financing cost for the six-month period from April 1, 2002 to September 30, 2002 was approximately ₩ 2,733 million.

Lease Transactions -

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

Research and Development Costs -

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

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LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

2. Summary of Significant Accounting Policies, Continued:

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 Stock -

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

Product Warranty Provision -

The Company provides product warranties relating to product defects for a specified period of time after sale. Estimated costs of product warranties are charged to current operations at the time of sale and are included in the accompanying balance sheet as a product warranty provision.

Accrued Severance Benefits -

Employees and directors with more than one year of service in the Company and LG Electronics Investment Ltd. (formerly, LG Electronics Inc.) on an aggregate basis 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 on their retirement.

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LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

2. Summary of Significant Accounting Policies, Continued:

Income Taxes -

The Company recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between amounts reported for financial accounting and income tax purposes. Deferred tax assets and liabilities are computed on such temporary differences 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 certain that such deferred tax assets will be realized. The total income tax provision includes current tax expenses under applicable tax regulations and the change in the balance of deferred tax assets and liabilities.

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

Sale of Accounts and Notes Receivables -

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

Foreign Currency Translation -

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

The exchange rate used to translate U.S. Dollar denominated monetary assets and liabilities at September 30, 2002 is ₩1,225.5 : US\$1.

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LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

2. Summary of Significant Accounting Policies, Continued:

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 adjustment account and recorded in operations in the period when underlying transactions have effect on operations.

3. Restricted Financial Instruments :

As of September 30, 2002, long-term financial instruments of ₩ 7,334 million are deposited in connection with maintaining checking accounts, debt or research and development projects funded by government. The withdrawal of these financial instruments is restricted (see Notes 10 and 11).

4. Receivables :

Receivables, including trade accounts and notes receivable, as of September 30, 2002 comprise the following (Millions of Won) :

	<u>Original amount</u>	<u>Allowance for doubtful accounts</u>	<u>Discounts for present value</u>	<u>Carrying value</u>
Trade accounts and notes receivable	₩1,371,751	₩ 90,819	₩ 218	₩ 1,280,714
Other accounts receivable	215,831	39,350	-	176,481
Accrued income	116,749	5,778	-	110,971
Advances	156,419	1,537	-	154,882
Other current assets	3,622	27	-	3,595
Long-term trade accounts receivable	1,908	19	-	1,889
Long-term loans	104,388	43,981	-	60,407
	<u>₩1,970,668</u>	<u>₩ 181,511</u>	<u>₩ 218</u>	<u>₩ 1,788,939</u>

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

5. Assets and Liabilities Denominated in Foreign Currencies :

As of September 30, 2002, monetary assets and liabilities denominated in foreign currencies, other than those disclosed in Notes 10 and 11, are as follows:

	Foreign currencies (In Millions)		Won Equivalent (In Millions of Won)	
Cash and cash equivalents	USD	12	₩	14,834
	JPY	162		4,615
	EUR	5		5,491
	SEK	4		514
	AUD	3		2,291
	Others	-		1,805
			<u>26,550</u>	
Trade accounts receivable	USD	445		545,089
	JPY	458		4,567
	EUR	37		44,850
	GBP	2		4,129
	AUD	12		8,047
	DEM	1		817
	CAD	1		860
	Others	-		12,581
			<u>620,940</u>	
Other accounts receivable	USD	1		1,329
	FRF	4		697
			<u>2,026</u>	
Accrued income	USD	47		<u>57,245</u>
Refundable deposits	USD	2		2,004
	EUR	-		34
	JPY	58		574
			<u>2,612</u>	

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

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

	<u>Foreign currencies</u> (In Millions)		<u>Won Equivalent</u> (In Millions of Won)	
Trade accounts payable	USD	355	₩	435,227
	JPY	22,650		226,133
	EUR	3		3,097
	Others	-		188
				<u>664,645</u>
Other accounts payable	USD	88		107,532
	JPY	581		5,797
	EUR	18		21,127
	AUD	7		4,813
	FRF	14		2,552
	CAD	2		1,695
	Others	-		1,050
				<u>144,566</u>
Accrued expenses	USD	50		60,690
	EUR	1		1,619
	Others	-		22,720
			<u>85,029</u>	

6. Inventories:

Inventories as of September 30, 2002 comprise the following :

	<u>Millions of Won</u>	
Merchandise	₩	19,852
Finished products		278,125
Work in process		227,169
Raw materials		296,843
Parts and supplies		93,945
	₩	<u>915,934</u>

See Note 8 for inventories insured against various property risks.

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

7. Marketable Securities and Investments Securities :

Marketable securities as of September 30, 2002 are government and municipal bonds which are due within one year.

Investments securities as of September 30, 2002 are as follows :

	Percentage of Ownership(%) at September 30, 2002	Millions of Won		
		Acquisition Cost	Net Asset Value	Carrying Value
<Equity method of accounting>				
<u>Domestic Companies</u>				
LG Micron Ltd.	17.24	₩ 5,000	₩ 34,535	₩ 34,535
LG Sports Ltd.	39.25	2,204	3,888	3,888
LG Innotek Co., Ltd.	69.80	59,308	115,860	115,860
LG Investments Security Inc.	8.34	262,432	148,696	148,696
LG.Philips LCD Co., Ltd.	50.00	726,169	744,764	744,764
LG IBM PC Co., Ltd.	49.00	11,907	12,637	12,637
Hi Plaza Inc.	98.89	70,430	55,535	55,535
<u>Overseas Companies</u>				
Goldstar Electronics Tailand Co., Ltd. (G.S.T.) (*2)	49.00	36	36	36
Hitachi/LG Data Storage Inc.	49.00	7,684	14,761	14,761
LG Electronics Austria GmbH (LGEAG) (*2)	100.00	116	116	116
LG Electronics Alabama, Inc. (LGEAI)	100.00	63,940	60,243	60,243
LG Electronics Almaty Kazak Co., Ltd. (LGEAK)	100.00	3,746	11,335	11,335
LG Electronics Antwerp Logistics N.V. (LGEAL)	100.00	967	623	623
LG Electronics Australia PTY, Ltd.(LGEAP)(*1)	100.00	1,558	-	-
LG Electronics Argentina S.A. (LGEAR) (*1)	100.00	7,410	-	-
Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT)	50.00	14,718	13,124	13,124
LG Electronics da Amazonia Ltda. (LGEAZ) (*1)	100.00	46,652	-	-
LG Electronics Colombia, Ltda. (LGEGB)	60.00	3,330	137	137

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

7. Marketable Securities and Investments Securities, Continued:

	Percentage of Ownership(%) at September 30, 2002	Millions of Won		
		Acquisition Cost	Net Asset Value	Carrying Value
<Equity method of accounting>				
<u>Overseas Companies, Continued</u>				
LG Electronics China Co., Ltd. (LGECH)	100.00	₩ 37,614	₩ 35,562	₩ 35,562
LG Electronics Canada, Inc. (LGECI)	100.00	13,779	6,978	6,978
LG Collins Electronics Manila Inc. (LGECEM)	92.25	20,302	6,477	6,477
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGECT)	50.00	22,953	13,128	13,128
LG Electronics Deutschland GMBH (LGEDG)	100.00	26,938	3,415	3,415
PT LG Electronics Display Devices Indonesia (LGEDI)	100.00	32,085	53,100	53,100
LG Electronics Design Tech, Ltd. (LGEDT) (*2)	100.00	1,002	1,002	1,002
LG Electronics Egypt Cairo S.A.E. (LGECEC)	100.00	4,382	3,477	3,477
LG Electronics Egypt S.A.E (LGECEG)	78.00	2,630	3,438	3,438
LG Electronics Espana S.A. (LGEES)(*1)	100.00	3,374	-	-
LG Electronics Gulf FZE (LGECEF)	100.00	2,489	2,865	2,865
LG Electronics HK Limited (LGECHK)	100.00	4,316	3,663	3,663
LG Electronics Huizhou Inc. (LGECHZ)	80.00	2,319	9,752	9,752
LG Electronics India Ltd. (LGEIL)	100.00	32,076	79,165	79,165
PT LG Electronics Indonesia (LGEIN)	100.00	29,431	16,627	16,627
LG Electronics Italy S.P.A. (LGEIS)	100.00	14,136	65	65
LG Electronics Japan Inc.(LGEJP)	100.00	12,978	3,875	3,875
LG Electronics Mlawa SP.Zo.O. (LGEEMA)	100.00	7,066	11,240	11,240
LG Electronics Morocco S.A.R.L (LGEML)	100.00	3,532	3,119	3,119

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

7. Marketable Securities and Investments Securities, Continued:

	Percentage of Ownership(%) at September 30, 2002	Millions of Won		
		Acquisition Cost	Net Asset Value	Carrying Value
<Equity method of accounting>				
LG Electronics Middle East Co., Ltd. (LGEME) (*2)	100.00	₩ 462	₩ 462	₩ 462
LG-MECA Electronics Haiphong, Inc. (LGEMH)	70.00	1,690	1,940	1,940
LG Electronics Magyar Kft. (LGEMK)	100.00	5,575	9,679	9,679
LG Electronics (M) SDN.BHD (LGEML) (*2)	100.00	11	11	11
LG Electronics Monterrey Mexico S.A de C.V.(LGEMM)	100.00	19,800	14,582	14,582
LG Electronics Mexico S.A.de C.V. (LGEMS)(*1)	100.00	1,936	-	-
LG MITR Electronics Co., Ltd. (LGEMT)	87.74	15,925	6,350	6,350
LG Electronics North of England Ltd. (LGENE)	100.00	11,229	11,582	11,582
Nanjing LG-Tontru Color Display System Co., Ltd.(LGENT)	70.00	14,571	6,029	6,029
LG Electronics Polska SP.Zo.O. (LGEPL)	100.00	4,117	7,303	7,303
Nanjing LG Panda Appliance Co., Ltd.(LGEPN)	70.00	9,465	11,066	11,066
LG Electronics Peru S.A.(LGEPR) (*1)	100.00	1,879	-	-
LG Electronics Panama S.A. (LGEPS)(*1)	100.00	2,333	-	-
LG Electronics Qinhuangdao Inc. (LGEQH)	100.00	4,104	5,519	5,519
Triveni Digital Inc. (*2)	100.00	899	899	899
LG Electronics Russia Inc. (LGERI) (*2)	95.00	391	391	391
LG Electronics S.A. Pty Ltd. (LGESA) (*1)	100.00	3,382	-	-
LG Electronics Service Europe Netherlands B.V.(LGESE)	100.00	10,470	16,681	16,681
Shanghai LG Electronics Co., Ltd. (LGESH)	70.00	4,229	1,360	1,360

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
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7. Marketable Securities and Investments Securities, Continued:

	Percentage of Ownership(%) at September 30, 2002	Millions of Won		
		Acquisition Cost	Net Asset Value	Carrying Value
<Equity method of accounting>				
LG Electronics de SaoPaulo Ltda. (LGESP)(*1)	100.00	₩ 28,481	₩ -	₩ -
LG SEL Electronics Vietnam Ltd. (LGESV)	100.00	6,035	8,773	8,773
LG Electronics Sweden AB (LGESW)	100.00	5,668	2,959	2,959
LG Electronics Shenyang Inc. (LGESY)	78.87	15,139	6,506	6,506
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	49,479	94,726	94,726
LG Electronics Thailand Co., Ltd. (LGETH)	93.75	7,122	18,236	18,236
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	66.94	5,609	1,139	1,139
LG Electronics U.K. Ltd. (LGEUK) (*1)	100.00	10,486	-	-
LG Electronics Ukraine Co., Ltd. (LGEUR) (*2)	100.00	1,041	1,041	1,041
LG Electronics U.S.A., Inc. (LGEUS)	100.00	37,985	23,616	23,616
LG Electronics Wales Ltd. (LGEWA)	100.00	101,812	58,847	58,847
Langchao LG (Yantai) Digital Mobile Technology Research & Development Co., Ltd. (LGEYT) (*2)	49.00	824	824	824
Langchao LG Digital Mobile Communication Co., Ltd.(*2)	49.00	9,669	9,669	9,669
LG Soft India PVT, LTD (LGSII) (*2)	88.00	2,920	2,920	2,920
EIC PROPERTIES PTE LTD Zenith Electronics Corporation (Zenith) (*1)	38.20	9,636	9,283	9,283
100.00	236,860	-	-	
LG Infocomm U.S.A. Inc. (LGICUS)	100.00	4,673	6,599	6,599
LG Infocomm Thailand, Inc. (LGICTH)	60.00	3,246	3,833	3,833

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

7. Marketable Securities and Investments Securities, Continued:

	Percentage of Ownership(%) at September 30, 2002	Millions of Won		
		Acquisition Cost	Net Asset Value	Carrying Value
<Equity method of accounting>				
Vietnam Korea Exchange, Ltd. (VKX)	40.00	₩ 1,736	₩ 1,510	₩ 1,510
LG TOPS	40.00	2,699	2,244	2,244
LG Electronics System India, Ltd. (LGSYS) (*1)	100.00	6,400	-	-
Electromagnetica Goldstar S.R.L. (*2)	50.00	508	508	508
SLD Telecom Pte, Ltd. (*2)	44.00	10,042	10,042	10,042
LG.Philips Displays Holding B.V.	50.00	1,086,431	608,677	608,677
LG (Yantai) Information & Communication Technology Co., Ltd. (*2)	100.00	2,720	2,720	2,720
COMMIT Incorporated (*2)	100.00	4,990	4,990	4,990
LG Holdings (HK) Ltd.(*2)	31.82	23,448	23,448	23,448
Investments applying for the equity method of accounting Sub-total		₩ 3,349,136	₩ 2,470,202	₩ 2,470,202

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

7. Marketable Securities and Investments Securities, Continued:

	Percentage of Ownership(%) at September 30, 2002	Millions of Won		
		Acquisition Cost	Market Value or Net Asset Value	Carrying Value
<Marketable equity securities>				
Hynix Semiconductor Inc.	0.38	₩ 24,298	₩ 799	₩ 799
KT Corp.	0.76	127,441	129,329	129,329
LG Card Co., Ltd.	0.46	1,820	13,074	13,074
Nara MND	12.34	812	3,516	3,516
Voiceware Co., Ltd.	13.08	206	1,684	1,684
Vodavi Technology Inc.	19.86	2,928	1,987	1,987
		157,505	150,389	150,389
<Non-marketable equity securities>				
<u>Domestic Companies</u>				
Innopla Co., Ltd.	19.90	245	645	245
Castec Korea Co., Ltd.	5.00	150	489	150
Msoltech	10.00	635	242	635
Airlinktek	10.00	589	245	589
Korea Information				
Certificate Authority Inc.	9.35	1,852	1,774	1,852
STIC Co., Ltd.	94.00	28,200	29,959	28,200
Association of Electronics				
Environment	36.04	2,368	1,795	2,368
Megaround Co., Ltd.	19.90	318	315	318
TEMCO, Inc.	13.04	1,200	1,200	1,200
Netgenetech. Co., Ltd.	15.01	176	176	176
MACHI	9.50	150	150	150
Manager Society, Inc.	3.70	200	200	200
Mobisys Telecom	11.63	279	279	279
Thermo Metrix Technology	19.90	158	158	158
WOWLINUX	8.33	100	100	100
Other	-	1,093	1,093	1,093

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

7. Marketable Securities and Investments Securities, Continued:

	Percentage of Ownership(%) at September 30, 2002	Millions of Won		
		Acquisition Cost	Market Value or Net Asset Value	Carrying Value
<u>Overseas Companies</u>				
GEMFIRE	4.41	₩ 1,835	₩ 170	₩ 1,835
Erlang Technology	8.40	1,129	187	1,129
Mainstreet Networks (*3)	5.45	1,468	-	-
iTV Corporation (*3)	13.08	1,957	-	-
Pocket Science (*3)	4.42	473	-	-
Neopoint Inc. (*3)	16.62	1,604	-	-
E2OPEN.COM	6.25	12,751	3,606	12,751
Cenix Inc.	2.07	3,272	958	3,272
Monet Mobile Networks	1.90	1,299	871	1,299
SUNPOWER.INC	10.35	1,257	219	1,257
Other	-	347	347	347
		65,105	45,178	59,603
<u><Debt securities></u>				
Bonds issued by government		1,243	900	900
Senior secured note issued by Zenith		131,900	100,714	100,714
ABS subordinated bond		13,700	13,700	13,700
Other		44	44	44
		146,887	115,358	115,358
Other investments total		369,497	310,925	325,350
Investments securities Total		₩ 3,718,633	₩ 2,781,127	₩ 2,795,552

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

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

(*3) Acquisition cost was written off due to negative net book value of the investment as of September 30, 2002.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

7. Marketable Securities and Investments Securities, Continued:

For the six-month period ended September 30, 2002, 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 :

	Millions of Won			
	April 1, 2002	Addition	Amortization	September 30, 2002
<u>Domestic Companies</u>				
LG Sports Ltd.	₩ (4)	₩ -	₩ 1	₩ (3)
LG Innotek Co., Ltd.	(995)	757	246	8
LG Investments Security Inc.	36,707	-	(7,424)	29,283
LG.Philips LCD Co., Ltd.	2,495	-	(366)	2,129
Hi Plaza Inc.	(2,591)	-	267	(2,324)
<u>Overseas Companies</u>				
LG Electronics India Ltd. (LGEIL)	375	-	(250)	125
Nanjing LG-Tontru Color Display System Co., Ltd.(LGENT)	13	-	(9)	4
LG Electronics Service Europe Netherlands B.V.(LGESE)	(144)	-	26	(118)
LG Electronics Shenyang Inc. (LGESY)	494	-	(76)	418
LG.Philips Displays Holding B.V.	213,519	-	(25,120)	188,399
Other	6,418	992	(5,352)	2,058
	<u>₩ 256,287</u>	<u>₩ 1,749</u>	<u>₩ (38,057)</u>	<u>₩ 219,979</u>

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

7. Marketable Securities and Investments Securities, Continued:

For the six-month period ended September 30, 2002, the details of the elimination of unrealized gain or loss according to the equity method accounting are as follows :

	Millions of Won			
	Inventories	Property, Plant and Equipment	Intangible Assets	Total
<u>Domestic Companies</u>				
LG Micron Ltd.	₩ (59)	₩ -	₩ -	₩ (59)
LG Innotek Co., Ltd.	4,605	-	-	4,605
LG.Philips LCD Co., Ltd.	142	1,010	19,249	20,401
LG IBM PC Co., Ltd.	748	-	-	748
Hi Plaza Inc.	(1,956)	-	-	(1,956)
<u>Overseas Companies</u>				
LG Electronics Alabama, Inc. (LGEAI)	3,144	-	-	3,144
LG Electronics Huizhou Inc. (LGEHZ)	(3,491)	-	-	(3,491)
LG Electronics India Ltd. (LGEIL)	987	-	-	987
PT LG Electronics Indonesia (LGEIN)	2,249	130	-	2,379
Nanjing LG-Tontru Color Display System Co., Ltd.(LGENT)	(3,581)	70	-	(3,511)
LG Electronics Service Europe Netherlands B.V.(LGESE)	7,668	-	-	7,668
LG Electronics Shenyang Inc. (LGESY)	(4,363)	28	-	(4,335)
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	(2,965)	161	-	(2,804)
LG Electronics U.S.A., Inc. (LGEUS)	3,588	-	-	3,588
LG.Philips Displays Holding B.V.	282	-	-	282
Other	(14,040)	327	-	(13,713)
	₩ (7,042)	₩ 1,726	₩ 19,249	₩ 13,933

(*) In the above table, positive number represents equity in earnings of affiliates and negative number represents equity in loss of affiliates.

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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7. Marketable Securities and Investments Securities, Continued:

Changes in investments in subsidiaries and affiliates accounted for using the equity method for the six-month period ended September 30, 2002 are as follows :

	Millions of Won			
	April 1, 2002	Equity in earnings (loss) of affiliates, net	Other	September 30, 2002
<u>Domestic Companies</u>				
LG Micron Ltd.	₩ 31,870	₩ 3,665	₩ (1,000)	₩ 34,535
LG Sports Ltd.	4,118	(230)	-	3,888
LG Innotek Co., Ltd.	78,482	8,672	28,706	115,860
LG Investments Security Inc.	151,959	(1,973)	(1,290)	148,696
LG.Philips LCD Co., Ltd.	572,202	173,037	(475)	744,764
LG IBM PC Co., Ltd.	11,120	1,517	-	12,637
Hi Plaza Inc.	53,508	2,027	-	55,535
LG Card Co., Ltd.	7,183	-	(7,183)	-
<u>Overseas Companies</u>				
LG Electronics Alabama, Inc. (LGEAI)	48,491	11,752	-	60,243
LG Electronics Huizhou Inc. (LGEHZ)	14,173	(2,676)	(1,745)	9,752
LG Electronics India Ltd. (LGEIL)	63,878	19,959	(4,672)	79,165
PT LG Electronics Indonesia (LGEIN)	7,953	8,587	87	16,627
Nanjing LG-Tontru Color Display System Co., Ltd.(LGENT)	7,779	(698)	(1,052)	6,029
LG Electronics Service Europe Netherlands B.V.(LGESE)	1,611	12,868	2,202	16,681
LG Electronics Shenyang Inc. (LGESY)	9,570	(1,728)	(1,336)	6,506
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	99,287	4,770	(9,331)	94,726
LG Electronics U.S.A., Inc. (LGEUS)	36,277	(11,014)	(1,647)	23,616
LG.Philips Displays Holding B.V.	507,773	(40,746)	141,650	608,677
Other	445,245	(23,618)	10,638	432,265
	₩2,152,479	₩ 164,171	₩ 153,552	₩ 2,470,202

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
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7. Marketable Securities and Investments Securities, Continued:

The equity method of accounting and net book value of non-marketable equity securities are recorded based on the most recent unaudited financial statements.

At September 30, 2002, the differences between the market value and the acquisition cost of the investments in marketable equity securities are accounted for as capital adjustments.

As of September 30, 2002, accumulated losses of equity investees to which the equity method of accounting has been suspended due to accumulated losses are follows :

	Millions of Won
LG Electronics Argentina S.A. (LGEAR)	₩ 14,300
LG Electronics Espana S.A. (LGEES)	6,656
LG Electronics Panama S.A. (LGEPS)	8,001
LG Electronics de SaoPaulo Ltda. (LGESP)	8,583
LG Electronics U.K. Ltd. (LGEUK)	23,240
Zenith Electronics Corporation (Zenith)	283,115
LG Electronics System India, Ltd. (LGSYS)	16,511
Other	26,253
	₩ 386,659

A senior secured note issued by Zenith outstanding on September 30, 2002, 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+3.0% on an annual basis
Maturity of principal : November 1, 2009

In June 2002, LG.Philips Displays Holding B.V. increased its capital stock and the Company contributed US\$ 125 million (₩ 153,275 million) equivalent to its existing percentage of ownership (50%).

During the six-month period ended September 30, 2002, the Company purchased 1,413,600 shares of common stock of LG Innotek Co., Ltd. for ₩ 28,173 million.

During the six-month period ended September 30, 2002, the Company purchased 2,360,018 shares of common stock of KT Corp. for ₩ 127,441 million.

The Company made US\$ 19 million (₩ 23,448 million) of capital contribution to LG Holding (HK) Ltd.

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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8. Property, Plant and Equipment:

Property, plant and equipment as of September 30, 2002 comprise the following :

	Millions of Won	
Buildings	₩	1,005,112
Structures		92,496
Machinery and equipment		1,089,456
Tools		657,477
Furniture and fixtures		499,172
Vehicles		21,123
		3,364,836
Accumulated depreciation		(1,362,253)
		2,002,583
Land		697,489
Construction in progress		128,520
Machinery in transit		14,560
	₩	2,843,152

At September 30, 2002, the value of the Company's land, as determined by the local government in Korea for property tax assessment purpose, approximates ₩ 591,707 million.

At September 30, 2002, 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 ₩ 4,586,833 million.

A substantial portion of property, plant and equipment at September 30, 2002 is pledged as collateral for various loans from banks, including Korea Development Bank, up to a maximum Won equivalent amount of approximately ₩ 389,389 million (see Notes 10 and 11).

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

9. Intangible Assets :

Intangible assets at September 30, 2002 comprise the following :

	Millions of Won	
Goodwill	₩	306,098
Development costs		170,554
Industrial property rights		425,586
Other		61,783
	₩	964,021

Details of research and development costs incurred for the six-month period ended September 30, 2002 are as follows :

	Millions of Won	
Capitalized	₩	23,119
Expensed		312,592
	₩	335,711

As a result of LG Electronics Investment Ltd. (formerly, LG Electronics Inc.)'s merger with LG Information & Communications, Ltd. in September 2000, LG Electronics Investment Ltd. recognized goodwill of ₩393,820 million and acquired industrial property rights of ₩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 ₩ 38,180 million, respectively, for the six-month period ended September 30, 2002.

10. Short-Term Borrowings:

Short-term borrowings at September 30, 2002 comprise the following :

	Annual Interest Rate (%) at September 30, 2002	Millions of Won
<u>Bank overdrafts</u>	9.44	₩ 1
<u>Won currency loans</u> :		
General term loans	5.86	7,000
Commercial Paper	4.73 - 4.83	325,000
		₩ 332,001

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

Continued;

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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10. Short-Term Borrowings, Continued:

Current maturities of long-term debt at September 30, 2002 comprise the following :

	In Millions of Won
Debentures	₩ 592,550
Discount on debentures	(2,278)
Long-term debt	43,243
	₩ 633,515

11. Long-Term Debt :

Long-term debt at September 30, 2002 comprises the following:

	Annual Interest Rate (%) at September 30, 2002	In Millions
<u>Debentures</u>		
Private, non-guaranteed payable through 2006	7.65 – 16.50	₩ 380,000
Public, non-guaranteed payable through 2006	5.00 – 9.00	1,860,000
Floating rate notes in foreign currency, payable through 2006	LIBOR+0.66-1.9	490,200
		(US\$ 400)
		2,730,200
Less : current maturities		(592,550)
discount on debentures		(29,105)
		₩ 2,108,545

In July 2002, all of exchangeable bonds were redeemed prior to their maturity by execution of the option of the bondholders.

Continued;

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

	Annual Interest Rate (%) at September 30, 2002	In Millions	
<u>Won currency loans</u>			
Kookmin Bank	3.0	₩	251
<u>Foreign currency loans</u>			
Korea Development Bank	LIBOR+1.95-2.15		44,642
Woori Bank	LIBOR+0.4		1,993
Korea First Bank	LIBOR+1.5		14,550
Export-Import Bank of Korea	LIBOR+0.625-1.175		2,307
Banque Paribas	LIBOR+0.7		5,020
Societe General	LIBOR+0.6		10,253
Bank of Tokyo-Mitsubishi	LIBOR+0.74		5,245
			84,261
			(US\$ 69)
			84,261
	Less : current maturities		(43,243)
		₩	41,018

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

The maturities of long-term debt outstanding at September 30, 2002 are as follows:

	Millions of Won		
For the twelve-month period ending September 30,	Debentures	Long-term debt	Total
2004	₩ 820,000	₩ 19,150	₩ 839,150
2005	645,100	13,020	658,120
2006	550,000	8,630	558,630
2007	122,550	12	122,562
2008 and thereafter	-	206	206
	₩ 2,137,650	₩ 41,018	₩ 2,178,668

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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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 September 30, 2002, future lease payments under operating lease agreements are as follows :

Period	Millions of Won
October 1, 2002 ~ September 30, 2003	₩ 4,828
October 1, 2003 ~ September 30, 2004	2,964
	₩ 7,792

13. Accrued Severance Benefits:

Accrued severance benefits at September 30, 2002 are as follows:

	Millions of Won
Transfer from LG Electronics Investment Ltd.	₩ 483,591
Severance payments	(53,366)
Transfer-in from affiliated companies, net	3,956
Provisions	65,024
	499,205
Severance insurance deposits	(262,580)
Contribution to National Pension Fund	(23,170)
	₩ 213,455

As of April 1, 2002 (date of spin-off), ₩ 483,591 million of accrued severance benefits for all employees of the Company was transferred from LG Electronics Investment Ltd.

At September 30, 2002, the severance benefits are funded approximately 52.6% through employees severance insurance plans with Kyobo Life Insurance Co., Ltd. and other life insurance companies. The amounts funded under employees severance insurance plans (severance insurance deposits) are presented as deduction from accrued severance benefits.

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

On September 30, 2002, the Company provided several notes and checks to financial institutions as collateral in relation to various borrowings and guarantees of indebtedness.

On September 30, 2002, the Company has entered into bank overdraft facility agreements with various banks amounting to ₩ 542,200 million.

On September 30, 2002, the outstanding balance of export trade accounts receivable sold at discount to various financial institutions with recourse is ₩ 2,852,639 million.

On September 30, 2002, the Company was a party to various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

On September 30, 2002, the Company has entered into factoring agreements for domestic trade accounts receivable with Hana Bank. However, in relation to the agreements, at September 30, 2002, there is no outstanding balance of factored accounts receivable.

On September 30, 2002, the Company has entered into sales contracts with several companies, which comprise approximately ₩ 100,102 million of sales to KTICOM Co., Ltd., ₩ 11,467 million of sales to LG Telecom, Ltd., ₩ 5,889 million of sales to KT Corp., ₩ 5,343 million of sales to Hanaro Telecom, Inc., and ₩ 58,603 million of sales to SK Telecom Co., and others.

On September 30, 2002, the Company was contingently liable for guarantees approximating ₩ 1,494,171 million on indebtedness of its subsidiaries and affiliates as follows :

	Millions of Won
<u>Domestic companies</u>	
Woosung Corp.	₩ 1,923
Other	4,209
	6,132
<u>Overseas companies</u>	
LG Electronics Wales Ltd.	100,305
PT LG Electronics Display Device Indonesia	78,432
LG Electronics Alabama Inc.	95,589
LG Electronics U.S.A., Inc.	138,482
LG.Philips Displays Holding B.V.	245,100
LG Electronics Tianjin Appliance Co., Ltd.	88,030
LG Electronics Mexico S.A.de C.V.	70,770
Zenith Electronics Corporation	42,893
Other	628,438
	1,488,039
Total	₩ 1,494,171

Continued;

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

In order to reduce the impact of changes in exchange rates on future cash flows, the Company has entered into foreign currency forward contracts. As of September 30, 2002, the Company has outstanding forward contracts with Citibank and others for selling US dollars amounting to US\$ 80 million (contract rates : ₩1,173.70 : US\$ 1 ~ ₩1,345.60 : US\$ 1, contract due dates : October 2002 through March 2003).

As of September 30, 2002, the Company has outstanding forward contracts with HSBC for selling Euro and buying Yen amounting to € 5 million (contract rates : ¥ 114.29 : € 1 ~ ¥ 115.24 : € 1, contract due dates : November 2002 through February 2003).

As of September 30, 2002, the Company has outstanding forward contracts with Credit Agricole Indosuez for selling Euro and buying US Dollars amounting to US\$ 11 million (contract rates : € 0.8823 : US\$ 1 ~ € 0.9937 : US\$ 1, contract due dates : October 2002 through November 2002).

As a result of the above foreign currency forward contracts, an unrealized valuation gain of ₩ 1,761 million and an unrealized valuation loss of ₩ 3,717 million were charged to operations for the six-month period ended September 30, 2002.

In order to reduce the impact of changes in exchange rates, the Company has entered into foreign currency option contracts. An unrealized valuation gain of ₩ 1,284 million was charged to operations for the six-month period ended September 30, 2002. A summary of the terms of outstanding currency option contracts at September 30, 2002 is as follows :

	Option Type	Amount (In millions)	Exercising price	Contract due date
Citi Bank	Put	US\$ 10.0	₩ 1,190.0/US\$	November 6, 2002
	Call	US\$ 10.0	₩ 1,243.8/US\$	November 6, 2002
	Put	US\$ 9.0	₩ 1,230.0/US\$	December 18, 2002
	Call	US\$ 9.0	₩ 1,275.0/US\$	December 18, 2002
	Put	EURO 5.05	¥ 115.0/€	December 24, 2002
	Call	EURO 5.05	¥ 118.7/€	December 24, 2002
	Put	US\$ 8.0	₩ 1,150.0/US\$	January 23, 2003
	Call	US\$ 8.0	₩ 1,225.2/US\$	January 23, 2003
	Put	US\$ 10.0	₩ 1,190.0/US\$	February 25, 2003
	Call	US\$ 10.0	₩ 1,249.4/US\$	February 25, 2003
Deutsche Bank	Put	US\$ 10.0	₩ 1,150.0/US\$	October 22, 2002
	Call	US\$ 10.0	₩ 1,194.0/US\$	October 22, 2002
	Put	US\$ 10.0	₩ 1,150.0/US\$	October 23, 2002
	Call	US\$ 10.0	₩ 1,200.2/US\$	October 23, 2002
	Put	US\$ 10.0	₩ 1,180.0/US\$	October 29, 2002
	Call	US\$ 10.0	₩ 1,244.0/US\$	October 29, 2002

Continued;

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

	Option Type	Amount (In millions)	Exercising price	Contract due date
Deutsche Bank	Put	US\$ 10.0	₩ 1,290.0/US\$	November 8, 2002
	Call	US\$ 10.0	₩ 1,315.9/US\$	November 8, 2002
	Put	US\$ 10.08	₩ 1,253.5/US\$	December 12, 2002
	Call	US\$ 10.08	₩ 1,253.5/US\$	December 12, 2002
	Put	US\$ 10.0	₩ 1,150.0/US\$	January 22, 2003
	Call	US\$ 10.0	₩ 1,209.0/US\$	January 22, 2003
	Put	US\$ 10.0	₩ 1,190.0/US\$	January 28, 2003
	Call	US\$ 10.0	₩ 1,250.0/US\$	January 28, 2003
Credit Lyonnais	Put	US\$ 7.0	¥ 115.0/US\$	October 25, 2002
	Call	US\$ 7.0	¥ 116.15/US\$	October 25, 2002
Fleet National Bank	Put	US\$ 8.0	₩ 1,335.0/US\$	October 14, 2002
	Call	US\$ 8.0	₩ 1,364.5/US\$	October 14, 2002
USB Warburg	Put	US\$ 10.0	₩ 1,210.0/US\$	December 16, 2002
	Call	US\$ 10.0	₩ 1,244.5/US\$	December 16, 2002

As a result of interest rate swap contracts settled during the six-month period ended September 30, 2002 and the above derivatives contracts, a gain of ₩ 16,338 million and a loss of ₩ 5,682 million were recognized as non-operating income or expenses for the six-month period ended September 30, 2002.

At December 14, 2000, LG Electronics Investment Ltd. has entered into a leasehold deposits sales agreement with LG Shinhan Securitization L.L.C. ("SPC") to securitize the leasehold deposits owned by the Company. LG Electronics Investment Ltd. has sold leasehold deposits whose book value is ₩133,854 million to the SPC for ₩120,400 million, and in 2001 LG Electronics Investment Ltd. repurchased a substantial portion of leasehold deposits for ₩119,898 million. At the time of spin-off, such agreements were transferred to the Company.

As of September 30, 2002, the Company has ₩13,700 million of subordinated bond issued by the SPC and ₩3,300 million of long-term loan due from the SPC. The Company provides management services related to the leasehold deposits owned by the SPC and receives a service fee from the SPC. The holders of the bonds issued by the SPC based on the leasehold deposits have rights to request the Company to purchase the bonds under certain adverse conditions within two years after the date upon which the bond sales are completed.

Continued;

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

At September 30, 2002, the Company is named as the defendant in legal actions which were brought against the Company by AVS Corporation in Canada and Mahmood Saleh Abbar Co. in Saudi Arabia. In addition, the Company is named as the defendant or the plaintiff in various foreign and domestic legal actions arising from the normal course of business. The aggregate amounts of domestic claims as the defendant and the plaintiff are approximately ₩ 176 million in 14 cases and ₩ 1,359 million in 12 cases, respectively, as of September 30, 2002. The Company believes that the outcome of these matters is uncertain but, in any event, they would not result in a material ultimate loss for the Company. Accordingly, no provision for potential losses arising from these claims is reflected in the accompanying financial statements.

Zenith Electronics Corporation ("Zenith"), a subsidiary, has experienced significant financial difficulties resulting from continuous losses. Zenith filed a pre-packaged plan of reorganization under Chapter 11 of the Bankruptcy Code of the United States of America, and the reorganization plan was approved by the court in November 1999. As a result of the reorganization plan, the Company owns 100% of equity in the restructured Zenith. However, due to continuous losses and accumulated deficits, as of September 30, 2002 Zenith's total liabilities are greater than its total assets by ₩ 283,115 million (US\$ 231 million). As of September 30, 2002, the Company has ₩ 141,478 million (US\$115 million) of senior secured notes issued by Zenith, ₩ 73,530 million (US\$60 million) of loans to Zenith, and ₩ 42,893 million (US\$35 million) of guarantees provided to Zenith. As of September 30, 2002 the company provides ₩ 58,800 million of bad debt allowance for the above senior secured notes and loans. (see Note 7).

In response to general unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Company may be either directly or indirectly affected by these general unstable economic conditions and the reform program described above. The accompanying financial statements reflect management's 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.

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

15. Capital Stock :

As of September 30, 2002, capital stock is as follows :

	Number of issuance (shares)	Par value	Millions of Won
Common stock	₩ 139,606,263	₩ 5,000	₩ 698,031
Preferred stock(*)	17,185,992	5,000	85,930
	₩ 156,792,255		₩ 783,961

As of September 30, 2002, the number of shares authorized is 600,000,000 shares.

(*1) As of September 30, 2002, 17,185,992 shares of non-voting preferred stock are issued and outstanding. The preferred shareholders have no voting rights and are entitled to non-participating and non-cumulative preferred dividends at a rate of one percentage point over those for common stock. This preferred dividend rate is not applicable to stock dividends.

16. Capital Surplus:

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

17. Capital Adjustments:

At September 30, 2002, capital adjustments are as follows:

	Millions of Won
Treasury stock	₩ (12,636)
Gain on valuation of investments	111,656
Loss from disposal of treasury stock	(8)
	₩ 99,012

As of September 30, 2002, the Company retains treasury stocks amounting to 230,476 shares of common stock and 4,681 shares of preferred stock. The Company has intention to give the treasury stock to the employees as compensations or sell in the future.

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
(See independent accountants' review report)
for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

18. Income Taxes:

For the six-month period ended September 30, 2002, income tax expenses are as follows :

	Millions of Won	
Current income taxes	₩	182,696
Deferred income taxes		19,184
	₩	201,880

The statutory income tax rate applicable to the Company, including resident tax surcharges, is approximately 29.7%. 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	₩	658,692
Statutory tax rate		29.7%
Expected taxes at statutory rate		195,632
Permanent difference and other		6,848
Tax credits		(600)
Actual taxes		₩201,880
Effective tax rate		30.65%

Continued;

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

Changes in components of deferred taxes for the six-month period from April 1, 2002 to September 30, 2002 are as follows (in Millions of Won):

	As of April 1, 2002	Increases	Decreases	As of September 30, 2002
<u>Deferred tax assets</u>				
Deferred foreign exchange loss, net	₩ 3,757	₩ -	₩ 899	₩ 2,858
Equity method of accounting	336,494	-	48,759	287,735
Bad debt expenses	52,583	47,661	41,828	58,416
Product warranty provision	11,946	5,821	-	17,767
Other	22,872	13,041	10,570	25,343
Total	<u>427,652</u>	<u>66,523</u>	<u>102,056</u>	<u>392,119</u>
<u>Deferred tax liabilities</u>				
Amortization of intangible assets	(52,824)	7,889	8,414	(53,349)
Customs duty drawback	(4,728)	(4,903)	(4,728)	(4,903)
Reserve for technology development	(86,323)	-	(15,890)	(70,433)
Deferred taxation of investment securities	(89,815)	-	-	(89,815)
Other	(3,354)	(2,195)	(3,354)	(2,195)
Total	<u>(237,044)</u>	<u>791</u>	<u>(15,558)</u>	<u>(220,695)</u>
Net deferred tax assets	<u>₩ 190,608</u>	<u>₩67,314</u>	<u>₩86,498</u>	<u>₩ 171,424</u>

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

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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for the six-month period from April 1, 2002 (date of spin-off) to September 30, 2002

19. Earnings Per Share:

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

Basic earnings per share for the six-month period ended September 30, 2002 are calculated as follows:

	Millions of Won (except for EPS data)	
<u>Basic earnings per share</u>		
Net income as reported on the income statement	₩	456,812
Less : Preferred stock dividends (*)		(9,147)
Additional income available for dividend allocated to preferred stock		(41,495)
Net income allocated to common stock		406,170
Weighted average number of common shares outstanding		139,430,479
Basic earnings per share	₩	2,913

(*) Calculated based on the six-month period using previous year's dividend ratio of LG Electronics Investment Ltd.

Basic ordinary income per share for the six-month period ended September 30, 2002 is the same as basic earnings per share, because there were no extraordinary gains or losses.

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

Significant transactions entered into in the ordinary course of business with related parties for the six-month period ended September 30, 2002 and the related account balances outstanding at September 30, 2002 are summarized as follows:

	Millions of Won			
	Sales	Purchases	Receivables	Payables
LG Electronics U.S.A., Inc.	₩ 250,720	₩ 682	₩ 3,030	₩ 13,474
LG Electronics Alabama, Inc.	109,729	9,833	4,628	3,144
LG Electronics Australia PTY, Ltd.	130,522	2,383	8,667	2,522
LG Electronics Service				
Europe Netherlands B.V.	259,232	102	26,176	15,890
Hitachi/LG Data Storage Inc.	583,334	78,720	63,096	30,715
Zenith Electronics Corporation	34,165	20	233,667	9,843
LG.Philips Displays Holding B.V.	7,998	125,994	4,009	53,484
LG Infocomm U.S.A. Inc.	798,435	111	46,924	-
LG Electronics Investment Ltd.	147	1,918	31,990	-
LG CNS Inc.	4,017	87,031	21,802	16,076
LG Innotek Co., Ltd.	2,034	95,946	1,686	24,081
Hi Plaza Inc.	416,192	8,659	23,604	371
LG Telecom, Ltd.	226,422	10,856	142,432	2,889
Others	2,034,232	827,501	425,527	479,514
	<u>₩4,857,179</u>	<u>₩1,249,756</u>	<u>₩1,037,238</u>	<u>₩652,003</u>

21. Segment Information:

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

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

Digital Display & Media division : VCR, PC, computer, CD-ROM and audio, TV, monitor and PDP
Digital Appliance division : Refrigerator, washing machine, air conditioner, microwave oven and vacuum cleaner
Mobile Handset division : CDMA handset, GSM handset, wireless telephone, WLL handset
Telecommunication System division : Mobile telecommunication, transmitter, switchboard, keyphone system

Continued;

LG ELECTRONICS INC.
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21. Segment Information, Continued:

Financial Data by Business Division (Millions of Won)

	Million of Won					
	Total	Digital Display & Media	Digital Appliance	Mobile handset	Telecommunication system	Supporting Division
I. Sales						
External Sales	₩ 9,296,125	₩ 3,989,020	₩ 2,979,408	₩ 1,756,106	₩ 456,263	₩ 115,328
Inter-division Sales	115,812	38,587	11,490	23,113	1,661	40,961
	<u>9,411,937</u>	<u>4,027,607</u>	<u>2,990,898</u>	<u>1,779,219</u>	<u>457,924</u>	<u>156,289</u>
II. Operating Income (Loss)	<u>619,471</u>	<u>183,548</u>	<u>308,041</u>	<u>181,061</u>	<u>(20,564)</u>	<u>(32,615)</u>
III. Fixed Assets						
Propetry, plant & equipment	2,843,152	833,898	820,279	168,140	261,736	759,099
Intangible assets	964,021	74,501	12,766	328,938	104,252	443,564
Total	<u>3,807,173</u>	<u>908,399</u>	<u>833,045</u>	<u>497,078</u>	<u>365,988</u>	<u>1,202,663</u>
Depreciation&amortization	<u>291,790</u>	<u>83,569</u>	<u>56,706</u>	<u>50,053</u>	<u>28,232</u>	<u>73,230</u>

Financial data by Geographic Area (Millions of Won)

	Total	Domestic	North		Central & South		Asia	Oceania	Other
			America	Europe	America	Central Asia			
Sales									
External sales	₩9,296,125	₩3,412,035	₩2,175,824	₩865,643	₩186,231	₩380,859	₩1,978,453	₩166,447	₩130,633
Ratio (%)	100%	37%	23%	9%	2%	4%	21%	2%	1%
Inter-division Sales	115,812	115,812	-	-	-	-	-	-	-
	<u>₩9,411,937</u>	<u>₩3,527,847</u>	<u>₩2,175,824</u>	<u>₩865,643</u>	<u>₩186,231</u>	<u>₩380,859</u>	<u>₩1,978,453</u>	<u>₩166,447</u>	<u>₩130,633</u>

LG ELECTRONICS INC.
NOTES TO FINANCIAL STATEMENTS, Continued
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22. Spin-off:

Upon a resolution of the board of directors on November 15, 2001 and a resolution of the shareholders on December 28, 2001, the Company was spun off from LG Electronics Investment Ltd. on April 1, 2002. On April 2, 2002, the Company has completed a registration process for the new company, according to the Commercial Code of the Republic of Korea.

According to provisions in the Commercial Code Article 530-2, LG Electronics Investment Ltd. established the Company to engage in the electronics and information & communications businesses.

The Company issued shares within the net assets amounts, which is the difference between transferred assets and liabilities, and the shares are distributed to the shareholders of LG Electronics Investments Ltd. in proportion to their shares.

Accrued severance liabilities for employees working for the Company are transferred effective April 1, 2002.

The Company and LG Electronics Investment Ltd. jointly and severally hold guarantee for the obligations before the spin-off.

Condensed financial information as of April 1, 2002, of two companies after the spin-off is, as follows :

	Millions of Won					
	(Prior to spin-off)			(Post spin-off)		
			LG Electronics Investment Ltd.			LG Electronics Inc.
Assets	₩	11,982,532	₩	2,972,213	₩	9,443,488
Liabilities		7,514,855		887,074		6,627,781
Equity		4,467,677		2,085,139		2,815,707

Depository receipts (4,383,591 shares of non-voting preferred stock) which were transferred to the Company upon the spin-off were listed on the London Stock Exchange in September, 2002.