

DIGITAL<sup>ez</sup> LG

annual report 1998



**COMPANY PROFILE** | Since developing Korea's first radio in 1959, LG Electronics (LGE) has pioneered and led the Korean electronics industry for over four decades.

Spanning the globe through operations in 27 countries and distribution throughout 150 nations, LGE is now forging its image as a leading global enterprise.

LGE is an integrated electronic goods manufacturer that operates three business divisions: Displays, Home Appliances, and Multimedia. Its products range from consumer electronics and home appliances like TVs, VCRs, refrigerators, and air conditioners to display devices such as CPTs/CDTs, monitors, PDPs, and information systems products including CD-ROMs and PCs.

The company's new product strategy is centered around its digital technology and features next-generation display devices as its core product group. LGE is already recognized for its technological superiority in digital televisions and is channeling appropriate resources into this category to achieve growth and leadership position.

Going forward, LGE is making great strides towards realizing its vision of becoming the "Best Global Company" in the 21st century. As LGE pursues this vision, it remains committed to delivering outstanding products and services to customers around the world.

LGE plans to build "Digital LG" as its premier brand image and is making careful preparations to take the center stage in representing the cutting-edge electronics industry in the new millennium.

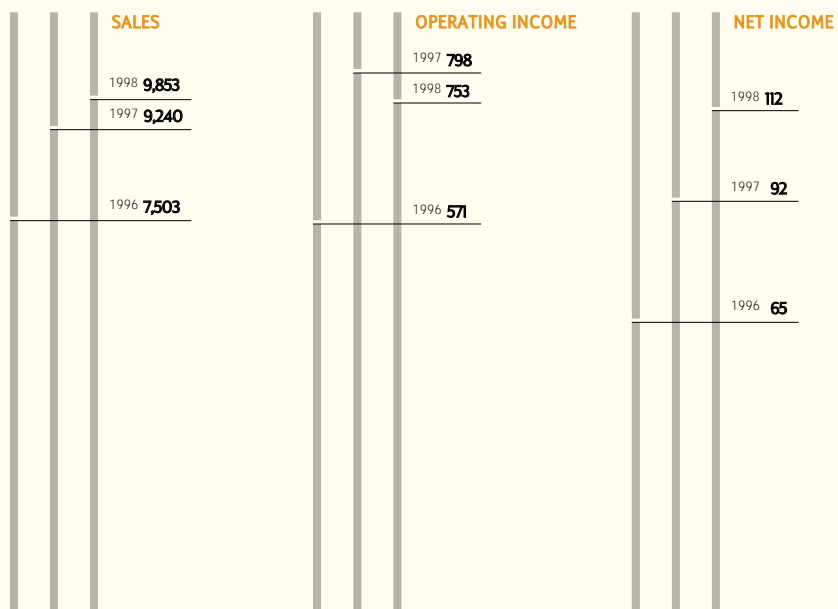
Company Profile	00
Financial Highlights	01
Confidence	02
Business Domain	03
Letter to Our Shareholders	04
LGE Commitment	08
Business Overview	10
Display Division	12
Home Appliance Division	14
Multimedia Division	16
LGE Vision	18
Financial Statements	19
LGE Network	44
Management	46
Board of Directors	47
Corporate Information	48
Corporate Chronology	49

## FINANCIAL HIGHLIGHTS

(US\$1=KRW 1,399, as of 1998 | US\$1=KRW 1,200, as of 1999)

(Unit: billion KRW)

	1998	1997	1996
<b>Sales</b>	9,853	9,240	7,503
- Domestic	2,570	3,503	3,096
- Overseas	7,283	5,737	4,407
Operating income	753	798	571
Ordinary income	167	116	13
Net income	112	92	65
<b>Investment</b>	921	978	1,060
- CAPEX	494	543	626
- R&D	427	435	434
Total shareholders' equity	1,834	1,527	1,491
Total capital stock	632	525	535
Earnings per share (Won)	1,264	1,034	700
Sales per share (Won)	93,432	87,467	70,121
Cash flow per share (Won)	6,470	5,110	4,148



# Performance and Technology In Full Swing

## **GROWTH OF 7% IN REVENUE AND 22% IN NET INCOME**

In fiscal year 1998 LG Electronics brought in ₩9,852.8 billion in revenue and ₩112 billion in net income, increases of 7% and 22%, respectively, over the previous year. The growth rate of revenue has slowed somewhat, but that of net income is still robust, despite unfavorable business conditions at home and abroad. These still-impressive figures were achieved by nationwide and worldwide LGE teamwork in enhancing quality, deepening the knowledge-based corporate culture, and expanding exports, all of which resulted in higher value, lower costs, and higher profits.

## **TO SPEED UP THIRD-GENERATION DIGITAL TECHNOLOGY**

LG Electronics has been concentrating its resources on speeding up digital technology for digital TVs and PDPs. After years of investment in these areas, we developed the world's first chip set for digital TV and a DTV card to receive digital signals. These successes were followed by 40" and 50" PDPs and the world's first 60" PDP. This runaway technological advantage will give us a fair chance to lead the world in third-generation digital technology.

## **TO CREATE NEW-CONCEPT, HIGH VALUE PRODUCTS**

LG Electronics is constantly developing high value products. They include clutch-free Turbo Drum Washing Machines, global-standard inverter refrigerators with super power-saving and low-noise features, optical-catalytic plasma air cleaners, high-performance notebook PCs, 4X DVD-ROM drives, 40X CD-ROM drives, CD-RW drives, fully-flat TVs, and PC monitors. These new-concept products are receiving plaudits at home and abroad.

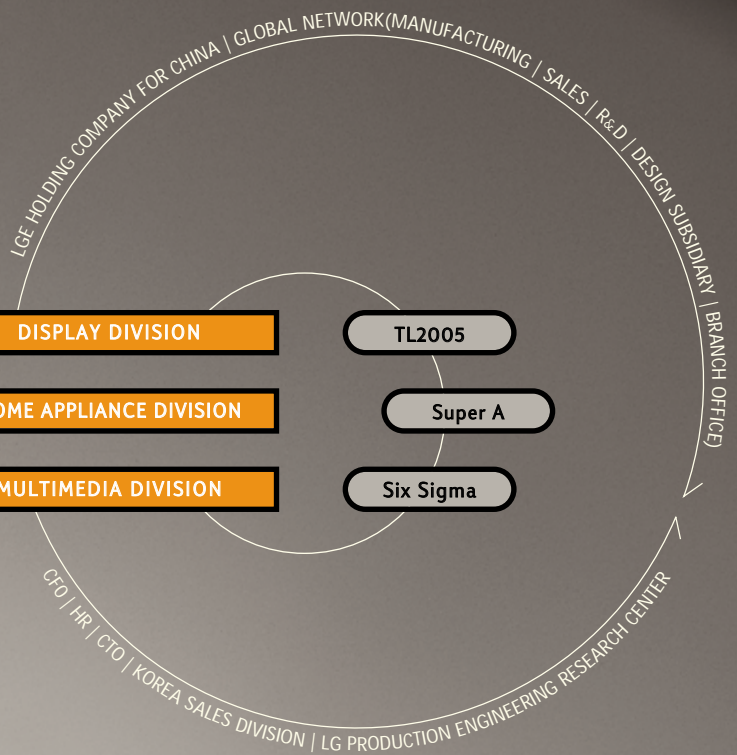
## **TO HEIGHTEN EFFICIENCY THROUGH RESTRUCTURING**

LG Electronics has carried out a reshuffle of its entire management to improve its financial structure and enhance its global competitiveness. In the process of this intensive restructuring, many business operations were abolished, sold, or made independent. We also put each overseas regional operation under the direct control of the respective business division to strengthen competitiveness. We shrank corporate staff from top to bottom for a leaner body with speedier performance, giving LGE people more flexibility, independence, and responsibility.



**BUSINESS DOMAIN** | Time and again LG Electronics has transformed itself to cope with an ever-changing

business milieu. With a leaner body, our increased responsibility and efficiency in every operation have brought more flexibility and independence. Centered on Vice Chairman & CEO, the newly restructured LGE comprises three business divisions (Displays, Home Appliances, and Multimedia), CFO, Human Resources, the Korea Sales Division, CTO's supervised laboratories, and the LGE Holding Company for China. The LG Production Engineering Research Center and full-time auditing all contribute to company-wide teamwork.





## Letter to Our Shareholders

The new millennium is just around the corner, and people expect fabulous advances to spring from digital technology.

At the dawn of this new millennium, we of LG Electronics dedicate ourselves to another energetic takeoff. After forty years of hard work for a better future, we are more than confident that the next chapter holds in store many hopeful stories.

For the past two years Korea has been pinched by an economic crisis so severe that many companies found it difficult to operate under normal management structure.

However, the people of LG Electronics, without flinching, not only managed to pull through but have prepared for the coming phase shift in the consumer electronics industry. In fiscal year 1998, LGE brought in KRW9,853 billion in revenue and KRW112 billion in net income, increases of 7% and 22%, respectively, over the previous year. Despite the unfavorable business circumstances, we saw strong performances in our CD-ROM drives, high-performance PCs, wide and large monitors, TFT-LCDs, and other high-value and strategic products on the global leading edge.

Our CD-ROM drives have kept their top global market share. Flatron®, the world's first fully-flat monitor, has impressed experts worldwide and won us new customers. Sales of our major

appliances, including air conditioners, refrigerators, washing machines, and TVs, have contributed to our success largely due to their differentiation by market under our Globalization strategy.

These successes were achieved by an overall transformation of the company. The threshold of the new millennium, we felt, was no time for standing pat. So we completely reorganized our management, downsized our business operations, and improved our financial health. This was all aimed at developing a new corporate culture of business efficiency and technological proficiency. Our objective is to simplify people's lives with easy-to-use and economical products. We know that this is the best way to serve our customers and return ample value to our shareholders.

LGE took the decisive step of restructuring by selling or otherwise disposing of operations in OA products, castings, pumps, and the like which seemed to have little future. We also spun off some areas of our management functions to specialized companies. This has allowed us to devote our resources to our core business areas.

Meanwhile we also worked to improve our financial posture. In fiscal year 1999 we plan to lower our debt-to-equity ratio below 200 percent. We have accelerated decision-making and the whole managerial process, which will also help improve efficiency in our financial operations.

In R&D we have had some remarkable accomplishments. Our new product strategy is centered around digital technology and features next-generation display devices as our core product group. We have developed the world's first chip set for digital TV, a digital TV receiver card, and 40" and 50" PDPs, soon to be followed by the world's first 60" PDP. These technological breakthroughs will give us a fair chance to set the pace in the digital age.

Before entering the door of the new millennium, we are continuously renovating corporate culture. Taking good and costly lessons from the privations of the past two years and turning them into progress, we are focusing on developing a range of skills, particularly in digital technology. To face the seemingly kaleidoscopic digital environment of the future, we are resetting our corporate identity to Digital LG, boosting performance with incentives, and keeping foremost in our minds both service to our customers and return to our shareholders.

## DIGITAL LG

To face the seemingly kaleidoscopic digital environment of the future,

**we are resetting our corporate identity to Digital LG,** boosting performance with incentives, and keeping foremost in our minds both service to our customers and return to our

For some years LGE's goal has been to build an identity as "Digital LG," Digital LG meshes gears with our TL2005(Technology Leadership 2005), which is directed at promoting effective R&D activities that spur cutting-edge, futuristic digital technology to achieve global leadership by 2005. It aims at harnessing our operational and technological competence in the fields of our greatest interest. Our intensive Digital LG and TL2005 mindset is creating successful new products. Recently we have been able to present consumers and manufacturers around the world with top-notch digital devices including a 64" digital TV, key components for digital TVs, 50" and 60" PDPs, a fully-flat TV, an inverter refrigerator, an intellrowave oven, a 40X CD-ROM drive, and a CD-RW.

Digital technology is developing exponentially. The more it develops, the more complicated things tend to get, which in turn tends to increase demand for simplification. Our Digital LG addresses this demand with multifunctional technology designed for effortless, one-touch operation. With Digital LG we hope to make things possible which have been believed impossible. We want to help people realize their dreams of a pleasant and easy life. In fact, that is our dream.

To make this happen, we have steadfastly transformed ourselves through R&D and restructuring. Our lively innovation in corporate culture is turning us toward the global market. We listen to what customers want and deliver things before we are even asked for them. With the solid backbone of Digital LG and a sound corporate culture, we look forward to standing in the forefront in the upcoming digital age.

## GLOBALIZATION

LG Electronics makes over 70% of its sales overseas. Establishing facilities in 27 countries for manufacturing, sales & marketing, R&D, logistics and customer services, we have put together a global network of 54 subsidiaries. Our 50,000 employees are taking the smiling face of LG Electronics to all corners of the world. LG Electronics plans to expand overseas manufacturing up to 70% by 2005 and to streamline its marketing network. LGE has reorganized operations to meet growing demand worldwide for speedier performance, simultaneously giving each operational unit more flexibility and responsibility.

In China, India, and other nascent markets we are steadily meshing marketing networks and building launching pads with optimal investment in production lines. In the vested markets of the advanced countries of Europe and North America, we are firming up the footing for digital technology. In whichever part of the world, we will deliver tailored service and products, as diverse as the faces of our global customers.

Since we introduced the smiling LG brand through sports marketing activities, LG Electronics has been able to impress sports fans with a friendly image. We have contributed to bonding people together in many sports arenas of the globe. We participated in World Cup France 98, as an official company representing the world home appliances sector. We are hosting the LG Cup Soccer Matches in China, the Middle East, Africa, and Latin America.

At the same time we are concerned with helping to prevent ecological collapse. We are turning our eyes to the needy people around us, especially backing character-building programs for young students and youth. This year we have been co-hosting "LG Scholarship Quiz" with



We will extend our social dedication locally and globally as much as we can. So that  
all of us in the world  
can thrive together warm-heartedly and  
with a single spirit.

the national broadcasting systems of Vietnam and Thailand to contribute to cultivating talent in those countries. Also in 1998 we opened LG Aladdin Park in Pakistan, offering amusement to Pakistani families. We will extend our social dedication locally and globally as much as we can. So that all of us in the world can thrive together warm-heartedly and with a single spirit.

### Super A AND Six Sigma

Launched in 1993, our "Super A" initiative has been an important vehicle for the growth of our company. Super A integrates all innovative tasks into one framework. It includes time and knowledge management, R&D, cost reduction, quality, marketing, customer service, and many other corporation-wide activities. Every year over 600 task teams gather information in numerous knowledge banks and together discuss, learn, and share tasks. We believe Super A has contributed remarkably to our corporate image, cost-effectiveness and productivity, and R&D to produce "hit products."

We also follow faithfully Six Sigma, our campaign not only for better quality but also for better R&D, more customer satisfaction, and improved management support. Six Sigma, applying statistical measures, detects any shortcomings in quality and promotes immaculate workmanship. It allows no more than 3.4 defects per million items produced, which can be considered to be zero defects. Since its introduction in 1996, Six Sigma has had the double effect of improving both the quality and the cost-effectiveness of our products and business processes.

We plan to run Six Sigma programs to educate all employees. Each division will promote a one-person-one-project campaign involving Six Sigma. Through Super A and Six Sigma, LGE is fundamentally rethinking its corporate culture.


In 1999 we at LG Electronics are working hard to realize our great ambitions: to make the most popular products in the world, to make LGE the most admired company in the world, and to create technological dreams in the world. We look forward to receiving continued encouragement from our customers, friends, shareholders, and partners throughout the world. Thank you.

Sincerely,

VICE CHAIRMAN & CEO  John Koo

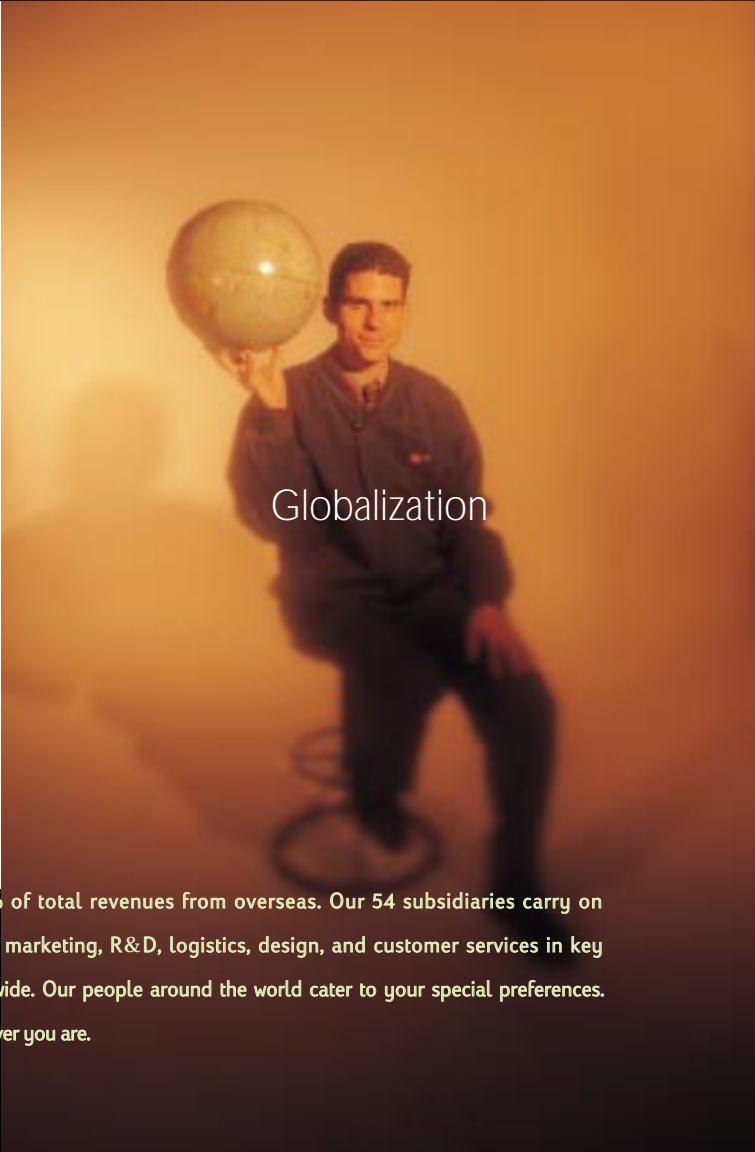
## LGE COMMITMENTS

### Digital Technology Leadership

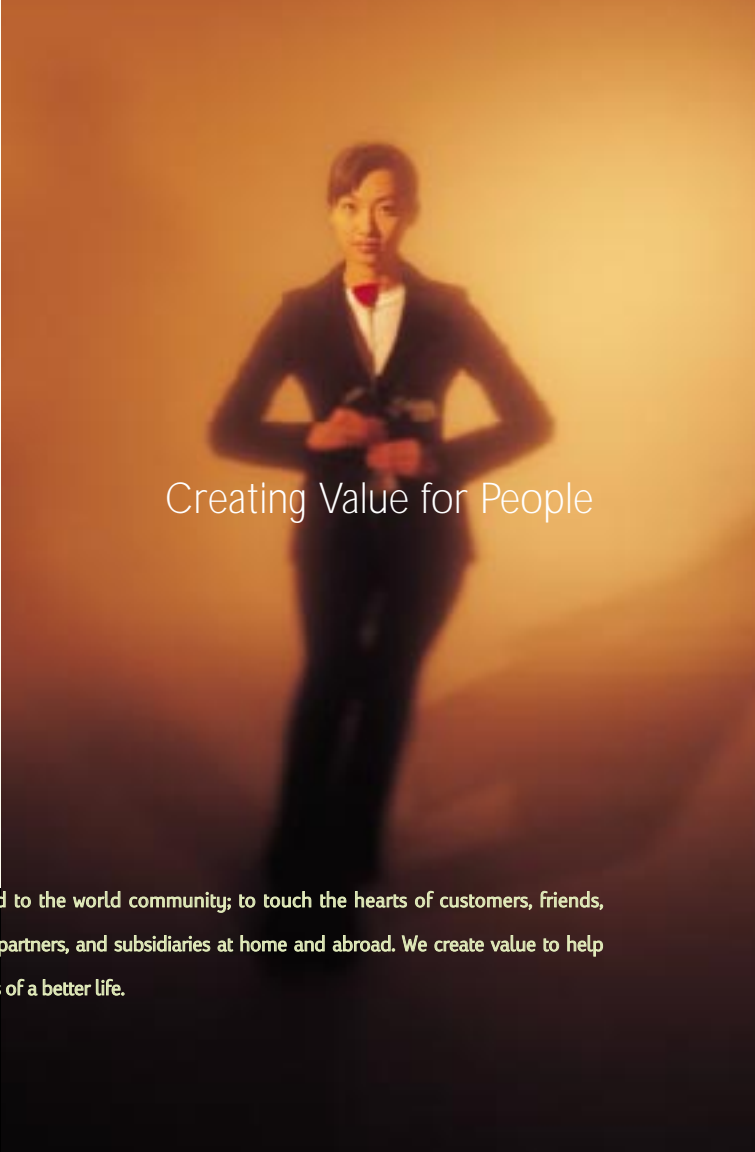


LG Electronics is raising the curtain on the new millennium with digital technology. We foster the birth and growth of new technology through our TL2005, which offers customers easy-to-use, very affordable, and technologically ingenious "Champion Products." We hope to play a starring role on the global stage in the digital age.


### Globalization



LGE brings in over 70% of total revenues from overseas. Our 54 subsidiaries carry on manufacturing, sales & marketing, R&D, logistics, design, and customer services in key geographical sites worldwide. Our people around the world cater to your special preferences. Whatever you want. Wherever you are.




Creating Value for People



LGE extends a warm hand to the world community; to touch the hearts of customers, friends, shareholders, employees, partners, and subsidiaries at home and abroad. We create value to help people realize their dreams of a better life.



Innovative Reorganization

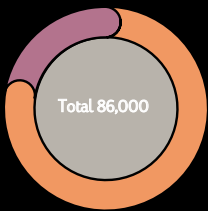


LGE is overhauling its robust management, and weeding out any unhealthy habits that might have taken root, to grow a corporate culture for the future. We are focused on developing our core competencies and improving our financial health, to serve people more efficiently and more affordably. See how we make things work for you.

BUSINESS OVERVIEW

'99 SALES PLAN (Unit: 100million won)

- Domestic | 21,000 | 24.4%
- Overseas | 65,000 | 75.6%



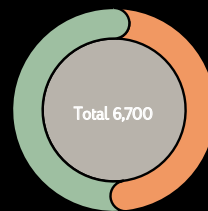
OVERSEAS SALES RATIO (Unit: %)

- Overseas
- Domestic

1996	59	41
1997	62	38
1998	74	26
1999	76	24

'99 INVESTMENT PLAN (Unit: 100million won)

- CAPEX | 3,300 | 49.3%
- R & D | 3,400 | 50.7%





1998, the 40th anniversary of the founding of LG Electronics, was a meaningful year for us. With all-out effort we made our way along the bumpy road of the Korean economy. We did our utmost to reduce cost, improve productivity and quality, and firm up our good reputation in overseas markets. At the same time, we launched our "Super A" and "Six Sigma" initiatives, which are our important vehicles for improving quality, management, and corporate culture.

These efforts have become tangible in a crop of new-concept, high-tech products. We have succeeded in developing a 2nd-generation chip set for digital TV, a wide 64" digital TV, a 50" PDP, soon followed by the world's first 60" PDP, and a fully-flat TV. We have introduced in the market a 40X CD-ROM drive, a 4X DVD-ROM drive and a CD-RW drive.

By giving our minds to the development of new products, we produced the world's first European-standard digital TVs and exported them to the UK. We also exported set-top boxes for digital TVs to the USA. The excellence of LGE's digital TV technology has been reconfirmed by its acquisition of KITE, the safety standard mark for digital TV given by the British Standards Institute (BSI), one of the most exacting safety standards organizations in the world. LGE's digital TVs and chip sets, ASIC-PC cards, and other application tools and components have earned high recognition all across the globe.

Our high-end products have been praised not only for their quality but also for their design. For instance, our two air conditioning models (LW-B0714CL, LW-E2132CL) were listed as "Best Buy" by *Consumers Digest* of the USA. Our DVD-ROM drive (DRD-820B) took first place in the performance test done by *PC Shopping*, a German computer magazine. Our Shark® (V5000) vacuum cleaner, one of our export drivers, was recognized for best design in the special issue of *International Design* of the USA. Our PC monitor Flatron® received the Good Design Award of the Association for Industrial Design Promotion of Japan.

1998 was a year of live sports marketing in the world. We were an official company of the 1998 France World Cup and hosted Copa LG 98, an international soccer tournament held in Costa Rica. Through International LG Cup Soccer Matches in the Middle East, Africa, and Latin America, and the LG Cup Korea-China Soccer Match, we have helped boost the spirit of sports and cultural exchanges, as well as the brand identity of LG Electronics. We have opened LG Aladdin Park in Karachi, the largest city in Pakistan. This theme park, which can entertain 20,000 visitors daily, will bring lots of fun to Pakistani families.

At LGE, labor and management work closely together. Our cooperative unity received the Presidential Award for Harmonious Labor-Management Relations in Korea. To push our competitive advantages we have carried out overall reorganization and business restructuring. We have downsized the number of staffers in the head office and in our overseas operations. We have shaken off inefficient operations and sold off or separated from some companies. This smaller but more flexible structure will strengthen our competence.



## DISPLAY DIVISION

The Display Division manufactures and markets core display products and application tools. It has four domestic operations, 17 overseas manufacturing and sales subsidiaries, nine sales subsidiaries, and 19 branch offices. In line with LGE's Globalization strategy, the division rolls out high value, profit-driven, high-tech products which should put it in the "World Top 3" in the near future.



60" Plasma Display Panel (PDP)



64" High Definition TV



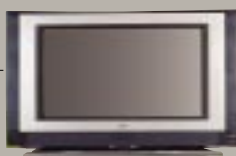
32" Wide CPT



Completely Flat CPT



Completely Flat CDT



32" Completely Flat TV



European Standard 28" Digital TV

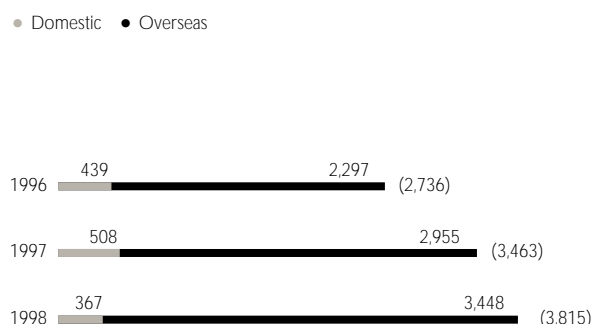


18.1" TFT-LCD Monitor



17" Completely Flat Monitor, Flatron

## DISPLAY SALES (Unit: billion won)



## CAPACITY (Unit: thousand Sets)

Product	Domestic	Overseas	
TV	4,600	4,000	
CPT	13,000	6,000	
MNT	6,200	780	
DFG	DY	17,700	8,800
	FBT	20,300	-
	GUN	24,500	-
	MGT	6,300	4,850

## PERFORMANCE

Due to Korea's economic conditions in Korea in fiscal year 1998, domestic revenue amounted to only ₩367.5 billion, 27.7% off the previous year. Despite the unstable international financial picture, the fluctuations in the Korean won, and other unfavorable variables, overseas revenue reached ₩3,447.6 billion, a 16.7% increase. This growth was made possible by dint of ongoing renovation and optimization of productivity. The division focused its efforts on digital R&D, developing the world's first chip set for digital TV as well as 40" and 50" PDPs and the soon-to-be-released 60" PDP, which will be the world's first. It procured CDT and CPT technologies and other high-end, new-concept products to satisfy the special needs of end users worldwide.

## TO BE IN THE "WORLD TOP 3"

The Display Division devotes diversified efforts to becoming one of the top three manufacturers in the world, expanding its capabilities in electronic tubes, a main profit driver. The division is fully determined to strengthen its proficiency in making innovative digital TVs and 3rd-generation digital products.

## R&D CALENDAR

Apr. 1998 Development of an IC for multifunctional PDP drives

Jun. 1998 Development of 40" PDP TV

Sep. 1998 Development of 50" PDP

Oct. 1998 Development of the world's first 60" PDP

Dec. 1998 A fully-flat 32" TV put on the market

Jan. 1999 Development of a high-end SD-grade set-top box receiving digital TV signals

Mar. 1999 Development of an 18.1" LCD monitor and an XGA LCD projector

The Home Appliance Division has been an indispensable seedbed in the 40-year career of LG Electronics. It first delivered refrigerators, washing machines, fans, and many more products into Korean homes. Now it is capable of addressing the varied needs of customers in 160 countries. Under its Globalization strategy, the division has made various consumer electronic appliances into top sellers in many countries. At present the division runs three domestic business operations, 10 overseas manufacturing subsidiaries, six sales subsidiaries, and 13 branch offices. With its award-winning products loaded with low-noise and high-performance functions, the division is broadening its hold on overseas markets.

## HOME APPLIANCE DIVISION



Inverter Refrigerator



Turbo Drum Washing Machine



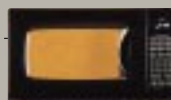
Vacuum Cleaner



Global-Standard Refrigerator



Gas Oven



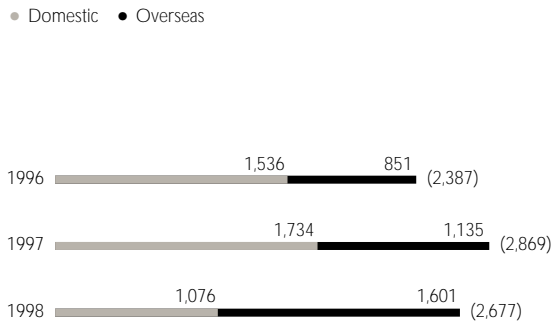
Intelllowave Oven



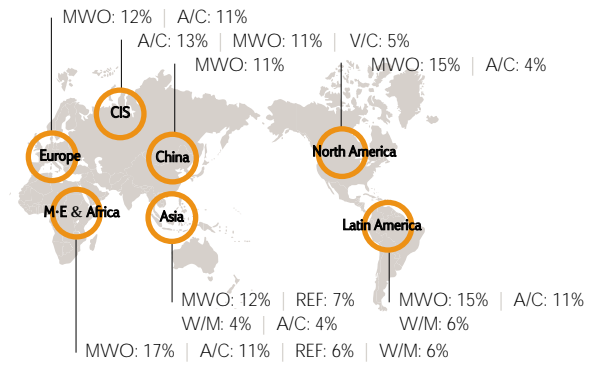
Air Conditioner



**HOME APPLIANCES SALES (Unit: billion won)**



**GLOBAL MARKET SHARE (Unit: %)**



**PERFORMANCE**

Lately Korean consumers' purses have been light due to the recession. Domestic revenue was only ₩1,076 billion in fiscal year 1998, a 37.9% drop from the previous year. More than balancing this, however, was the fact that overseas revenue reached ₩1,601 billion, a noteworthy growth of 41.1%, thanks to exquisite quality and performance and to the differentiated global-local strategy. LGE's Turbo Drum Washing Machine, refrigerator with door-back cooling feature, inverter refrigerator, optical-catalytic plasma air cleaner, and many other smart home appliances have attracted customers throughout the world market. We make it work better, which is why we stand first in 11 countries with refrigerators, in 14 countries with air conditioners, in nine countries with microwave ovens, in seven countries with washing machines, and in one country with vacuum cleaners.

**TO DELIVER HAPPINESS TO MANY HOMES**

The Home Appliance Division is highly aware that getting the best quality products first to the global market is the way to deliver happiness to many homes. To make this happen, the division has changed its way of thinking completely and managed to improve BEP to over 10%, taking low-cost, low-noise, and high-intelligence products a step further. The division is exerting nonstop efforts to meet the variegated needs and challenges of the new millennium.

**R&D CALENDAR**

- Jan. 1998 Development of a refrigerator with door-back cooling system
- Apr. 1998 Turbo Drum Washing Machine awarded the 1st Human Technology grand prize
- Jun. 1998 Two RAC models (LW-B0714CL, LW-E2132CL) selected in "Best Buy" by *Consumers Digest* of the USA
- Aug. 1998 Vacuum cleaner "Shark®" chosen the best design by International Design
- Sep. 1998 Introduction of a large, super power-saving, and low-noise side-by-side refrigerator
- Nov. 1998 Development of an optical-catalytic plasma air cleaner
- Feb. 1999 Development of an intellowave oven
- Mar. 1999 Development of a global-standard inverter refrigerator



# MULTIMEDIA DIVISION

The Multimedia Division handles R&D and manufacturing of multimedia products, together with their applications and peripherals, that will be more interactive, enjoyable, and affordable. The division is composed of three domestic business operations and the Multimedia Research Lab. It has strategic alliances with prestigious global companies like Sony, IBM, Microsoft, and Compaq. These partnerships have helped make our technology competitive not only domestically but also internationally.



Notebook PC



4X DVD-ROM Drive



40X CD-ROM Drive



CD-RW Drive



High-Video VCR



AHHA-Free Mini-Cassette Player

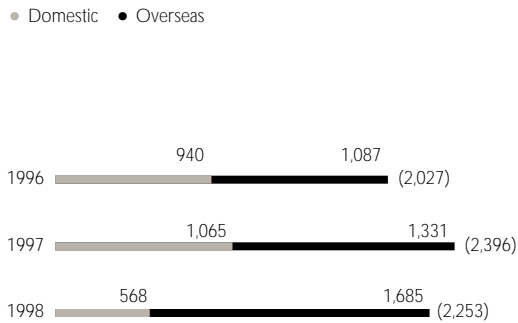


USB (Universal Serial Bus) PC Camera



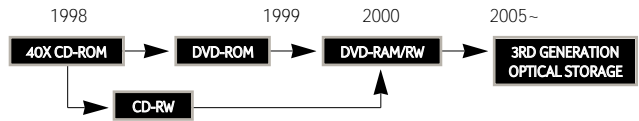
MP3 Player, MP Free

## MULTIMEDIA SALES (Unit: billion won)

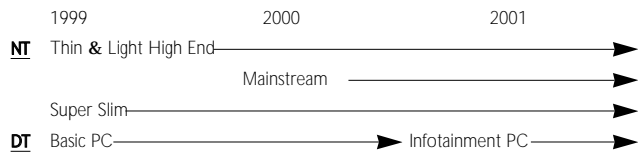


## PRODUCT PLAN

(Optical Storage)



(PC)



## PERFORMANCE

Domestic revenue in fiscal year 1998 was a poor ₩568.2 billion, plunging 46.7% from the previous year. But exports amounted to ₩1,684.4 billion, a 26.6% increase. The division handed over PCS handsets to LG Information & Communications and terminated laser printer and some other businesses to increase efficiency with a smaller structure. To cope with the many serious problems within Korea in 1998, the division concentrated on meticulous workmanship in new technology and products. Thus they could present customers with 2nd-generation DVD players and the world's first DIVX DVD players, shipped first to the USA. The division also developed red LDs for DVDs, 4X DVD-ROM drives, 40X CD-ROM drives, CD-RW drives, and high-end, high-performance notebook PCs.

## TO SPIN OFF SPECTACULAR DIGITAL MULTIMEDIA

The Multimedia Division's CD-ROM drives are receiving high recognition throughout the world. The division's latest interests are DVD-ROM drives for optical storage and ultra-thin, high-performance notebook PCs. Its dedicated specialists are keenly aware of the customer's ever-growing demand for easy-to-use, totally integrated, and yet very affordable multimedia packages.

## R&D CALENDAR

- Jan. 1998 Development of 2nd-generation DVD player
- Jun. 1998 The world's first DIVX DVD players shipped to the USA, development of red LD for DVDs
- Aug. 1998 Development of 4X DVD-ROM drive
- Sep. 1998 Development of ultra slim 24X CD-ROM drive
- Nov. 1998 Development of 40X CD-ROM drive
- Dec. 1998 Development of ultra slim and light notebook PC and of CD-RW

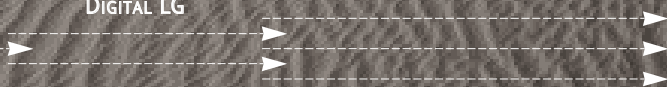
LGE VISION



GLOBAL TECHNOLOGY LEADERSHIP

DIGITAL LG

THE BEST GLOBAL COMPANY



LG Electronics wants to make people's lives better than their dreams.

Through Digital LG, its user-friendly technology.

Technology today seems to change at light speed.

Keeping ahead is not easy.

But Digital LG will be second to none.

It will deliver high-value, high-performance, and easy technology.

To give people more convenience and more happiness.



# Financial Statements

Financial Statements for the Years ended December 31, 1998 and 1999 and Independent Auditors' Report

**BALANCE SHEETS**

**STATEMENTS OF INCOME**

**STATEMENTS OF RETAINED EARNINGS APPROPRIATIONS**

**STATEMENTS OF CASH FLOWS**

**NOTES TO FINANCIAL STATEMENTS**

**REPORT OF INDEPENDENT ACCOUNTANTS**

**BALANCE SHEETS (LGE Inc. Only)**

(Years ended December 31, 1998 and 1997)

(In millions of Korean Won)

	1998	1997
<b>ASSETS</b>		
<b>Current Assets</b>		
- Cash and bank deposits (Notes 3, 5 and 28)	<b>₩289,370</b>	₩507,239
- Marketable securities (Note 4)	<b>53,070</b>	39,919
- Trade accounts and notes receivable, less allowance for doubtful accounts of ₩6,407 million in 1998 and ₩11,775 million in 1997 (Notes 5 and 24)	<b>634,309</b>	1,091,284
- Other accounts receivables, less allowance for doubtful accounts of ₩5,864 million in 1998 and ₩2,660 million in 1997 (Note 5)	<b>492,235</b>	237,848
- Inventories (Note 6)	<b>441,145</b>	761,437
- Prepaid expenses	<b>96,957</b>	68,260
- Other current assets (Note 5)	<b>201,103</b>	138,065
Total current assets	<b>2,208,189</b>	2,844,052
- Property, plant and equipment, less accumulated depreciation (Notes 8 and 16)	<b>2,825,730</b>	2,851,846
- Investments in subsidiaries and affiliates (Note 7)	<b>2,500,973</b>	1,481,503
- Other investments (Note 7)	<b>63,520</b>	65,467
- Non-current bank deposits (Note 3 and 13)	<b>274,337</b>	284,732
- Refundable deposits	<b>223,591</b>	247,840
- Deferred charges (Note 9)	<b>467,449</b>	923,008
- Intangible assets	<b>21,811</b>	23,313
- Other non-current assets (Note 5)	<b>124,419</b>	118,534
Total assets	<b>₩8,710,019</b>	₩8,840,295

(In millions of Korean Won)

	1998	1997
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
- Short-term borrowings (Note 10)	₩506,962	₩662,967
- Current maturities of long-term debt (Note 10)	1,380,559	1,433,005
- Trade accounts and notes payable (Notes 5 and 24)	740,573	788,834
- Other accounts payable (Notes 5)	378,213	600,101
- Income taxes payable (Note 20)	13,629	2,373
- Accrued expenses (Note 5)	145,665	162,566
- Withholdings	64,997	147,547
- Other current liabilities	92,048	57,299
Total current liabilities	<u>3,322,646</u>	<u>3,854,692</u>
- Debentures, net of current maturities, discounts (premiums) on debentures and adjustments for conversion rights (Note 11)	2,562,199	1,673,849
- Long-term debt, net of current maturities (Note 11)	573,260	1,302,853
- Long-term accounts payable	8,409	38
- Accrued severance benefits, net (Note 13)	409,848	481,164
- Deferred liabilities (Note 9)	-	242
Total liabilities	<u>6,876,362</u>	<u>7,312,838</u>
<b>Shareholders' Equity:</b>		
Capital stock (Notes 1 and 15)	632,116	524,616
Capital surplus:		
- Additional paid-in capital	496,708	415,008
- Gain on merger	29,732	29,731
- Revaluation surplus (Note 16)	352,427	332,284
Total capital surplus	<u>878,867</u>	<u>777,023</u>
Retained earnings (Note 17):		
- Legal reserve	28,699	27,339
- Other reserves	273,285	182,085
- Unappropriated retained earnings carried forward to subsequent year	33	16
Total retained earnings	<u>302,017</u>	<u>209,440</u>
Capital adjustments (Note 18)	20,657	16,378
Total shareholders' equity	<u>1,833,657</u>	<u>1,527,457</u>
Total liabilities and shareholders' equity	<u>₩8,710,019</u>	<u>₩8,840,295</u>

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

## STATEMENTS OF INCOME (LGE Inc. Only)

(Years ended December 31, 1998 and 1997)

	(In millions of Korean Won)	
	1998	1997
Sales (Note 24)	<b>₩9,852,761</b>	₩9,239,734
Cost of sales (Notes 24 and 25)	<b>7,809,155</b>	7,028,249
Gross Profit	<b>2,043,606</b>	2,211,485
Selling and administrative expenses (Note 25)	<b>1,290,341</b>	1,413,429
Operating income	<b>753,265</b>	798,056
Non-operating income:		
- Interest income	<b>158,754</b>	49,791
- Foreign exchange gains	<b>965,732</b>	696,188
- Gain on disposal of investments	<b>25,434</b>	158,997
- Gain on disposal of property, plant and equipment (Note 23)	<b>72,265</b>	1,873
- Royalty income (Note 23)	<b>137,402</b>	25,620
- Other	<b>136,557</b>	106,612
	<b>1,496,144</b>	1,039,081
Non-operating expenses:		
- Interest expense	<b>792,737</b>	491,220
- Amortization of deferred charges	<b>244,269</b>	428,535
- Foreign exchange losses	<b>827,534</b>	639,847
- Sales discounts	<b>26,643</b>	35,166
- Loss from redemption of debentures	<b>1,205</b>	30,425
- Loss from disposal of property, plant and equi	<b>25,450</b>	10,798
- Loss on valuation of investments (Note 14)	<b>87,440</b>	-
- Loss on valuation of inventories	<b>10,561</b>	-
- Other	<b>66,451</b>	85,274
	<b>2,082,290</b>	1,721,265
Ordinary income	<b>167,119</b>	115,872
Extraordinary gains (Note 19)	<b>-</b>	316
Extraordinary losses (Note 19)	<b>12,278</b>	11,911
Income before income taxes	<b>154,841</b>	104,277
Income taxes (Note 20)	<b>42,800</b>	12,700
Net income	<b>₩112,041</b>	₩91,577
Ordinary income per share (Note 21)	<b>₩1,396</b>	₩1,150
Earnings per share (Note 21)	<b>₩1,264</b>	₩1,034

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



## STATEMENTS OF RETAINED EARNINGS APPROPRIATIONS (LGE Inc. Only)

(Years ended December 31, 1998 and 1997)

	(In millions of Korean Won)	
	1998	1997
Retained earnings before appropriations:		
- Unappropriated retained earnings carried over from prior year	₩16	₩270
- Additional provision of severance benefits (Note 13)	(5,954)	(5,954)
- Transfer from capital surplus	-	2,316
- Net income for the year	112,041	91,577
	<b>106,103</b>	88,209
Reversal of Reserve		
- Reserve for technological development	-	10,623
	<b>106,103</b>	98,832
Appropriations:		
- Capital retirement loss	-	40,584
- Loss from disposal of treasury stock	-	18,282
- Legal reserve (Note 17)	1,360	1,145
- Reserve for business rationalization (Note 17)	24,500	12,800
- Reserve for improvement of financial structure (No 17)	32,700	9,158
- Reserve for technological development (Note 17)	20,000	5,400
- Reserve for export loss (Note 17)	14,000	-
- Cash dividends (Note 22)	13,510	11,447
	<b>106,070</b>	98,816
Unappropriated retained earnings to be carried forward to subsequent year	₩33	₩16

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

## STATEMENTS OF CASH FLOWS (LGE Inc. Only)

(Years ended December 31, 1998 And 1997)

(In millions of Korean Won)

	1998	1997
<b>Cash Flows From Operating Activities:</b>		
Net income	<b>₩112,041</b>	<b>₩91,577</b>
Adjustment to reconcile net income to net cash provided by operating activities:		
- Depreciation	<b>449,581</b>	355,109
- Amortization of deferred charges	<b>244,269</b>	428,535
- Amortization of discounts on debentures and adjustments for conversion rights	<b>26,805</b>	24,208
- Provision for severance benefits	<b>83,805</b>	108,597
- Loss from valuation of inventories	<b>10,561</b>	-
- Bad debt expense	<b>24,988</b>	-
- Loss on valuation of investments	<b>87,440</b>	-
- Foreign currency translation losses (gains), net	<b>(171,081)</b>	86,622
- Loss (Gain) on disposal of marketable securities and investments, net	<b>(6,389)</b>	(138,697)
- Loss (Gain) on disposal of property, plant and equipment, net	<b>(46,815)</b>	8,925
- Loss (Gain) on redemption of debentures	<b>(2,400)</b>	30,374
- Others	<b>2,069</b>	(1,695)
Changes in assets and liabilities:		
- Decrease (Increase) in trade accounts and notes receivable	<b>385,796</b>	(372,619)
- Increase in other accounts receivable	<b>(251,136)</b>	(66,758)
- Decrease in inventories	<b>233,037</b>	114,339
- Increase in prepaid expenses	<b>(33,281)</b>	(31,647)
- Increase in other current assets	<b>(68,959)</b>	(14,300)
- Decrease (Increase) other non-current assets	<b>18,385</b>	(34,231)
- Decrease in trade accounts and notes payable	<b>(5,783)</b>	(23,937)
- Decrease in other accounts payable	<b>(212,725)</b>	-
- Increase in accrued expenses	<b>4,176</b>	48,249
- Increase in advances from customers	<b>34,528</b>	-
- Severance benefits transferred from affiliates	<b>402</b>	175
- Increase (Decrease) in income taxes payable	<b>11,256</b>	(5,329)
- Increase (Decrease) in withholdings	<b>(76,842)</b>	87,208
- Increase in long-term accounts payable	<b>8,370</b>	164,790
- Payment of severance benefits	<b>(166,207)</b>	(58,000)
- Increase in national pension fund	<b>(7,279)</b>	(10,092)
Net cash provided by operating activities	<b>₩688,612</b>	<b>₩791,403</b>

(In millions of Korean Won)

	1998	1997
<b>Cash Flows From Investing Activities</b>		
- Proceeds from disposal of marketable securities	₩104,648	₩23,837
- Proceeds from disposal of investment in subsidiaries and affiliates	76,085	215,597
- Proceeds from disposal of other investments	123,222	5,012
- Proceeds from disposal of property, plant and equipment	48,030	16,250
- Proceeds from disposal of research and development costs	16,012	-
- Decrease (Increase) in other current assets	(695)	7,600
- Decrease (Increase) in current restricted bank deposits	(1,317)	6,393
- Decrease (Increase) in non-current bank deposits	10,395	(30,626)
- Decrease (Increase) in refundable deposits	24,686	(28,500)
- Acquisition of marketable securities	(121,027)	-
- Acquisition of investments in subsidiaries and affiliates	(1,214,649)	(551,749)
- Acquisition of other investments	(103,847)	(5,745)
- Acquisition of property, plant and equipment	(547,361)	(589,189)
- Acquisition of intangible fixed assets	(7,924)	(5,439)
- Payment of deferred research and development costs	(187,074)	(188,074)
- Payment of revaluation tax	(9,624)	-
- Increase in other non-current assets	(37,440)	(16,029)
- Proceeds from transfer of LCD business	298,233	-
Net cash used in investing activities	<u>(1,529,647)</u>	<u>(1,140,662)</u>
<b>Cash Flows From Financing Activities</b>		
- Increase (Decrease) in short-term borrowings	(76,959)	144,264
- Increase in debentures and long-term debt	2,268,687	1,501,892
- Payment of current maturities of long-term debt	(1,433,005)	(795,263)
- Payment of debentures and long-term debt	(309,870)	(79,042)
- Issuance of common stock	189,200	-
- Payment of dividends	(1,395)	(21,939)
- Other	(4,810)	(6,527)
Net cash provided by financing activities	<u>621,848</u>	<u>743,385</u>
INCREASE (DECREASE) IN CASH	<u>(219,187)</u>	<u>394,126</u>
CASH AT BEGINNING OF THE YEAR (Note 28)	<u>478,702</u>	<u>84,576</u>
CASH AT END OF THE YEAR (Note 28)	<u>₩259,515</u>	<u>₩478,702</u>

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

## NOTES TO FINANCIAL STATEMENTS

(Years ended December 31, 1998 and 1997)

### 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, 1998, 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 depository receipts ("DRs") are listed on the London and Luxembourg stock exchange.

### 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 official accounting records of the Company are maintained in Korean Won in accordance with the laws and regulations of the Republic of Korea. These financial statements are prepared in accordance with Financial Accounting Standards generally accepted in the Republic of Korea.

For the convenience of the reader, the accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements. Certain supplementary information included in the Korean language financial statements, not required for a fair presentation of the Company's financial position or results of operations, is not presented in the accompanying financial statements. Such financial statements are not intended to present the financial position and 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 preparation of financial statements requires management to make estimates and assumptions that effect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

#### Marketable Securities and Investments

Marketable securities and investment securities are stated at cost, as determined by the weighted average method. If the market value differs from the acquisition cost, marketable securities and investments in marketable equity securities are recorded at market value. Gains or losses on the valuation of marketable securities are charged to current operations. Gains or losses on the valuation of investments in marketable equity securities are not charged to current operations but recorded as an adjustment to capital. Equity investments in affiliated companies and non-traded equity securities are stated at cost. If market value or the proportionate net asset value of investments in equity securities of affiliated companies and non-traded equity securities declines below acquisition cost and is not expected to recover in the near future, such securities are required to be stated at market value or the proportionate net asset value and related losses are charged to current operations. Certain investments which have been determined to be relatively undervalued compared to market price have been restated in accordance with the Korean Asset Revaluation Law.

In accordance with generally accepted financial accounting standards in the Republic of Korea, neither the consolidation of subsidiaries nor the equity method of accounting for minority owned companies is applied in the accompanying financial statements.

#### 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.

#### 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 stipulated in the Corporate Income Tax Law of Korea.

Estimated Useful Life (years)

Buildings	25-50
Structures	5-50
Machinery and equipment	3-10
Tools	3-10
Furniture and fixtures	3-10
Vehicles	3-10

---

In accordance with the Corporate Income Tax Law, the residual value of assets fully depreciated is being depreciated on a straight-line basis over five years. Such additional depreciation for the residual value amounted to ₩5,784 million and ₩12,349 million for the years ended December 31, 1998 and 1997, respectively. 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 interest costs for the year ended December 31, 1998 approximate ₩22,327 million.

#### Lease Transactions

Lease agreements that include a bargain purchase option, result in the transfer of ownership at the end of the lease term, or have a term longer than the estimated economic life of the leased property are accounted for as capital leases. Leases that do not meet this criteria are accounted for as operating leases with rental payments charged to expense as they become due.

#### Intangible Assets

Intangible assets are stated at cost, net of accumulated amortization. Amortization is computed using the straight-line method over five years for goodwill and over the estimated useful lives as specified by the Corporate Income Tax Law of Korea for other intangible assets.

#### Deferred Charges

Deferred charges comprise stock issuance costs, debenture issuance costs and research and development costs and are amortized using the straight-line method. Stock issuance costs and research and development costs are amortized over three and five years, respectively. Debenture issuance costs are amortized over the debenture repayment period.

#### Discounts (Premium) on Debentures

Discounts (Premium) 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.

#### Convertible Bonds

The value of conversion rights is presented as a capital adjustment and adjustments for conversion rights are included in convertible bonds. Adjustments for conversion rights are amortized using the effective interest rate method over the related bond redemption period and the resulting amortization cost is included in interest expense.

#### Treasury Debentures

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

#### Accrued Severance Benefits

Employees and directors with one year or more of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. Estimated accrued severance benefits which would be payable assuming all eligible employees and directors were to terminate their employment approximate ₩467,291 million and ₩536,942 million, respectively, at December 31, 1998 and 1997.

The annual severance benefits expense charged to operations is calculated based on the net change in the accrued severance benefits payable, assuming the termination of all eligible employees and directors as of the beginning and end of the year, plus the actual payments made during the year. Severance benefits were underaccrued by ₩59,537 million when Financial Accounting Standards were amended in 1990. The Company is recognizing the underaccrual as a prior period adjustment over 10 years, beginning in 1991, in accordance with the Addendum to the Financial Accounting Standards as revised on March 29, 1990. For the years ended December 31, 1998 and 1997, the Company recorded additional accrued severance benefits of ₩5,954 million and ₩5,954 million, respectively, as a prior period adjustment.

As of December 31, 1998, accrued severance benefits are ₩11,220 million less than the amount which would be payable assuming all employees and directors were to terminate at that date. Contributions to the national pension fund made under the National Pension Plan are deducted from accrued severance benefits. Contributed amounts are refunded from the National Pension Plan to employees on their retirement.



### Income Taxes

The provision for income taxes is comprised of corporate income tax and resident tax surcharges payable for the current year. In accordance with generally accepted financial accounting standards in the Republic of Korea, the Company does not recognize deferred income taxes arising from temporary differences between amounts reported for financial accounting and income tax purposes. Tax credits for investments and technology and manpower development are accounted for using the flow-through method, whereby they are recognized as a reduction of income tax expense in the year they are utilized for tax purposes.

### 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. However, translation gains or losses on long-term monetary assets and liabilities denominated in foreign currencies which resulted from significant changes in exchange rates are deferred. Subsequent gains or losses incurred for the same monetary assets and liabilities were offset against the deferred amount carried forward and the net amount remaining is to be amortized over the maturities of the corresponding assets and liabilities, using the straight-line method. The exchange rates used to translate U.S. Dollar denominated monetary assets and liabilities at December 31, 1998 and 1997 are ₩1,208:US\$1 and ₩1,415:US\$1, respectively. Foreign currency denominated convertible bonds are translated at the historical exchange rates prevailing as of the date of issuance.

### Forward Exchange and Swap Contracts

The Company enters into various forward exchange and interest rate swap contracts to hedge potential exchange risks on anticipated future foreign currency transactions. No valuation gains or losses are recognized on these contracts until settled in accordance with generally accepted financial accounting standards in the Republic of Korea.

### Reclassification of 1997 Financial Statement

Certain amounts in the 1997 financial statements have been reclassified to conform to the 1998 presentation. These reclassifications have no effect on previously reported net income or retained earnings.

### **3. Restricted Bank Deposits**

At December 31, 1998 and 1997, current bank deposits of ₩29,855 million and ₩28,537 million and non-current bank deposits of ₩32,219 million and ₩28,422 million, respectively, are deposited in connection with maintaining checking accounts, various short-term borrowings and long-term debt. The withdrawal of these deposits is restricted (see Notes 10 and 11). In addition, non-current bank deposits of ₩241,090 million and ₩249,561 million as of December 31, 1998 and 1997, respectively, represent deposits made under group severance insurance plans and the withdrawal of such deposits is restricted to the actual payment of severance benefits (see Note 13).

### **4. Marketable Securities**

Marketable securities at December 31, 1998 and 1997 comprise the following:

	Annual interest rate(%) at December 31, 1998	Millions of Won	
		1998	1997
Bonds issued by government	5.0-6.0	₩37,954	₩39,919
Other	13.0	15,116	-
		₩53,070	₩39,919

## 5. Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 1998 and 1997, 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)	
		1998		1997	1998	1997
Cash and bank deposits	USD	<b>95</b>	USD	167	<b>₩14,556</b>	₩236,856
	DEM	<b>10</b>	DEM	4	<b>7,042</b>	2,873
	JPY	<b>256</b>	JPY	438	<b>2,700</b>	4,769
	CAD	<b>3</b>	CAD	1	<b>2,088</b>	608
	GBP	<b>1</b>	GBP	5	<b>1,925</b>	10,754
	Others	-	Others	-	<b>5,490</b>	1,245
				<b>133,801</b>	257,105	
Trade accounts and notes receivable	USD	<b>87</b>	USD	346	<b>105,574</b>	489,588
	DEM	<b>6</b>	DEM	25	<b>4,338</b>	19,900
	JPY	<b>242</b>	JPY	564	<b>2,554</b>	6,130
	CAD	<b>1</b>	CAD	6	<b>1,117</b>	5,443
	Others	-	Others	-	<b>1,497</b>	55,347
				<b>115,080</b>	576,408	
Other accounts receivable	USD	<b>186</b>	USD	-	<b>224,338</b>	-
	FRF	<b>5</b>	FRF	-	<b>1,089</b>	-
	Others	-	Others	-	<b>643</b>	-
				<b>226,070</b>	-	
Other current assets	USD	<b>27</b>	USD	16	<b>32,351</b>	23,019
Other non-current assets	USD	<b>31</b>	USD	8	<b>37,413</b>	1,176
Trade accounts and notes payable	USD	<b>127</b>	USD	215	<b>153,365</b>	303,897
	DEM	<b>1</b>	DEM	4	<b>681</b>	3,048
	JPY	<b>14,684</b>	JPY	8,123	<b>154,692</b>	88,360
	Others	-	Others	-	<b>340</b>	122
				<b>309,078</b>	395,427	
Other accounts payable	USD	<b>70</b>	USD	147	<b>84,426</b>	208,585
	DEM	<b>4</b>	DEM	8	<b>3,157</b>	6,020
	JPY	<b>319</b>	JPY	948	<b>3,360</b>	10,310
	FRF	<b>15</b>	FRF	23	<b>3,166</b>	5,423
	Others	-	Others	-	<b>9,641</b>	14,023
				<b>103,750</b>	244,361	
Accrued expenses	USD	<b>4</b>	USD	15	<b>4,950</b>	20,680
	Others	-	Others	-	<b>750</b>	397
				<b>5,700</b>	21,077	

## 6. Inventories

Inventories as of December 31, 1998 and 1997 comprise the following:

	Millions of Won	
	1998	1997
Merchandise	<b>₩11,310</b>	₩31,198
Finished products	<b>207,716</b>	303,685
Work in process	<b>64,798</b>	87,785
Raw materials	<b>83,864</b>	263,161
Parts and supplies	<b>73,457</b>	75,608
	<b>₩441,145</b>	₩761,437

At December 31, 1998, inventories are insured against fire and other casualty losses up to approximately ₩635,451 million.

## 7. Investments

Investments in subsidiaries and affiliates and other investments as of December 31, 1998 and 1997 are as follows:

Investments in subsidiaries and affiliates

	Percentage of Ownersip(%) at December 31, 1998	Market or Net Asset Value		
		Millions of Won Carrying Value		
		1998	1998	1997
<b>Investments in equity securities:</b>				
- LG Construction Co., Ltd.	9.68	₩16,553	₩15,477	₩15,477
- LG Traffic Information System Inc.	96.36	1,922	5,300	1,800
- LG Micron Ltd.	25.00	12,582	5,000	10,000
- LG Semicon Co., Ltd.	41.23	892,707	495,216	290,479
- LG Department Store Co., Ltd.	15.00	10,607	19,845	16,500
- LG Industrial Systems Co., Ltd.	25.84	35,765	28,814	28,814
- LG Sports Ltd.	15.20	-	1,140	380
- LG Credit Card Co., Ltd.(*1)	52.29	147,547	115,226	38,991
- LG Engineering Co., Ltd.	9.51	518	7,417	817
- LG Mart Co., Ltd.	4.26	2,930	1,631	1,631
- LG Internet Inc.	66.67	9,862	16,666	10,000
- LG Precision Co., Ltd.	48.89	38,764	8,623	8,623
- LG Information & Communications, Ltd.	18.64	159,327	87,390	46,289
- LG Venture Investment Inc.	50.00	15,769	15,000	15,000
- LG Telecom Co., Ltd.	4.93	42,146	30,394	25,869
- LG Honeywell, Ltd.	25.00	5,305	2,500	2,500
- LG Finance Co., Ltd.(*1)	-	-	-	48,000
- LG Hitachi Ltd.	98.24	7,934	12,150	850
- GS-Xerox Electronics Inc.	29.15	2,417	1,251	1,251
- LG Dome Corporation	-	-	-	30,000
- LG-EDS Systems Inc.	10.00	2,306	360	360
- Kukdong City Gas Inc.	23.00	35,052	86,250	86,250
- LG-Caltex Oil Corp.	3.07	34,102	50,004	-
- LG IBM PC Co., Ltd.	49.00	3,304	11,907	11,907
- LG Electronic Components Ltd.(*2)	-	-	-	13,521
- LG Foster Co., Ltd.(*2)	-	-	-	1,347
- LG C&D Co., Ltd.(*2)	50.00	12,912	15,969	-
- LG LCD Co., Ltd.(formerly, LG Soft Co., Ltd.)	99.76	712,311	716,317	14,583
- LG Electronics Alabama, Inc.	100.00	22,915	17,182	17,182
- LG Electronics Australia PTY, Ltd.	100.00	1,353	1,558	1,558
- PT LG Bangunindo Electronics	-	-	-	1,311
- LG Electronics Canada, Inc.	100.00	3,773	4,439	4,439
- LG Electronics Chicago Lab. Inc.	100.00	1,350	2,227	2,227
- LG Collins Electronics Manila Inc.	89.33	-	14,637	1,137
- LG Collins Electronics Philips, Inc.	-	-	-	659
- PT LG Electronics Display Devices Indonesia	100.00	116,304	79,543	79,543
- LG Electronics Design Tech, Ltd.	100.00	1,137	1,002	1,002
- LG Electronics Egypt S.A.E.	51.00	3,400	1,577	1,577
- LG Electronics Espana S.A.	100.00	3,562	3,374	3,374
- LG Electronics Gulf FZE	100.00	3,790	2,489	2,489
- GE-LG Appliances HK Limited	-	-	-	1,740
- LG Electronics HK Limited	100.00	-	232	232
- LG Hotline CPT Ltd.	50.00	5,473	10,561	10,561
- PT LG Electronics Indonesia	100.00	-	3,379	3,379
- LG Electronics India PVT Ltd.	100.00	16,547	32,076	16,546
- LG Electronics Italy S.P.A.	100.00	4,626	3,106	3,106
- LG Electronics Japan Inc.	100.00	-	7,954	7,954
- LG Electronics Middle East Co., Ltd.	100.00	2,473	462	462

Millions of Won

	Percentage of Ownersip(%) at December 31, 1998	Market or Net Asset Value		Carrying Value
		1998	1998	1997
- LG Electronics Mexico S.A. DECV	98.48	6,379	1,936	1,936
- LG MITR Electronics Co., Ltd.	87.74	-	15,925	1,773
- LG Electronics North of England Ltd.	100.00	1,817	11,229	11,229
- LG Electronics Peru S.A.	100.00	1,031	1,879	1,879
- LG Electronics Panama S.A.	100.00	2,822	68	68
- LG Electronics S.A. Ltd.	100.00	3,812	3,382	3,382
- LG Srithai Electronics Co., Ltd.	-	-	-	1,312
- LG Electronics Thailand Co., Ltd.	49.00	3,407	3,407	1,788
- LG Electronics U.K. Ltd.	100.00	10,425	10,486	10,486
- LG Electronics U.S.A. Inc.	99.70	13,675	156,661	156,661
- LG Electronics Wales Ltd.	100.00	94,563	101,812	58,050
- LG Software PVT., LTD	100.00	2,920	2,920	-
- FRONTEC Incorporated	-	-	-	26,405
- Goldstar Electronics Thailand Co., Ltd.	49.00	27	36	36
- Innovative Global Solution Inc.	-	-	-	2,552
- LG Electronics Research Center of America Inc.	100.00	459	899	309
- Vodavi Communication System	-	-	-	1,219
- Zenith Electronics Corporation	15.51	-	-	65,242
		2,530,682	2,246,285	1,226,044
Less: valuation allowance		-	(859)	(860)
		₩2,530,682	₩2,245,426	₩1,225,184

(\*1) During 1998, LG Finance Co., Ltd. was merged into LG Credit Card Co., Ltd.

(\*2) During 1998, LG Foster Co., Ltd. merged with LG Electronic Components Ltd. and changed its name to LG C&D Inc.

	Percentage of Ownersip(%) at December 31, 1998	Market or Net Asset Value		Millions of Won Carrying Value
		1998	1998	1997
<b>Other investments in equity:</b>				
- LG Electronics Almaty Kazak Co., Ltd.	100.00	₩3,746	₩3,746	₩3,746
- LG Electronics Antwerp Logistics N.V.	100.00	967	967	967
- LG Electronics DA Amazonia LTDA.	100.00	12,716	22,757	22,757
- Beijing LG Electronics Component Co., Ltd.	40.00	2,695	2,025	3,038
- LG Electronics China Co., Ltd.	100.00	34,296	37,614	24,278
- Taizhou LG-Chunlan Home Appliances Co., Ltd.	50.00	17,064	22,953	12,020
- LG Electronics Deutschland GMBH	100.00	19,558	26,938	26,938
- Huizhou LG Electronics Inc.	45.00	2,436	1,277	1,845
- LG Electronics Mlawa SP.ZO.O	100.00	614	614	-
- LG-MECA Electronics Haiphong, Inc.	70.00	1,690	1,690	1,690
- LG Electronics Magyar Kft	100.00	2,768	1,526	1,526
- Nanjing LG-Toutru Color Display System Co., Ltd.	70.00	14,571	14,571	4,283
- LG Electronics Polska SP.ZO.O	100.00	3,214	4,117	2,696
- Nanjing LG Panda Appliance Co., Ltd.	40.00	4,481	3,737	5,606
- LG Electronics Qinhuangdao Inc.	80.00	2,825	3,284	4,104
- LG Electronics Russia Inc.	95.00	130	391	391
- LG Electronics Service Europe Netherland B.A	100.00	1,350	1,350	-
- Shuguang LG Electronics Inc.	32.05	33,694	22,993	22,993
- LG Electronics Shanghai Inc.	50.00	3,928	3,021	4,229
- LG Electronics DE Saopaulo Ltd.	100.00	29,723	28,481	28,481
- LG SEL Electronics Vietnam Ltd.	55.00	2,398	1,711	1,711
- LG Electronics Shenyang Inc.	50.00	8,362	5,795	8,112
- LG Electronics Tianjin Appliance Co., Ltd.	70.00	57,178	42,948	42,948
- LG Electronics Ukraine Co., Ltd	100.00	1,041	1,041	-
- LG Electronics Worms GMBH	-	-	-	31,960
		261,445	255,547	256,319
		₩2,792,127	₩2,500,973	₩1,481,503

## Other investments

	Percentage of Ownership(%) at December 31, 1998	Millions of Won		
		Market or Net Asset Value	Carrying Value	
			1998	1998
<b>Investments in marketable equity securities:</b>				
- Korea Technology Banking Corporation	-	₩-	₩-	₩2,476
- Kira Information & Communication Ltd.	6.56	3,926	3,926	416
- 3DO	-	-	-	140
- P.D.I.	7.79	3,483	3,483	6,650
- Treasury stock fund	-	15,472	15,472	11,971
- Beneficiary Certificate	-	-	-	1,276
		<b>22,881</b>	<b>22,881</b>	<b>22,929</b>
<b>Investments in non-marketable equity securities:</b>				
- Korea stock market stabilization fund	-	33,683	33,683	34,461
- Media Valley Inc.	7.69	312	300	300
- TAISTAR	11.85	1,042	759	759
- GEMFIRE	4.41	147	1,835	1,835
- eT Comm	5.45	73	1,468	1,468
- iTV Cor.	13.08	814	1,957	1,957
- POCKET SCIENCE	4.42	3	473	473
- Other	-	388	212	1,406
		<b>36,462</b>	<b>40,687</b>	<b>42,659</b>
	Less: valuation allowance	-	(48)	(121)
		<b>36,462</b>	<b>40,639</b>	<b>42,538</b>
		<b>₩59,343</b>	<b>₩63,520</b>	<b>₩65,467</b>

At December 31, 1998, 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:

Investments	Millions of Won		
	Acquisition Cost	Market Value	Capital Adjustment (Note 18)
- Kira Information & Communication Ltd.	₩416	3,926	₩3,510
- P.D.I.	2,736	3,483	747
- Treasury stock fund	31,500	15,472	(16,028)
	<b>₩34,652</b>	<b>22,881</b>	<b>₩(11,771)</b>

As of December 31, 1998, the Company has investments, amounting to ₩116,927 million, in 6 subsidiaries and affiliates located in Indonesia, Thailand and the Philippines. These subsidiaries and affiliates have been affected, and will continue to be affected for the foreseeable future, by the unstable economic situation caused by the currency volatility in the Asia Pacific region. As a result, there is uncertainty regarding the recovery of the Company's investments in these subsidiaries and affiliates. The ultimate outcome of this matter cannot presently be determined.

## 8. Property, Plant and Equipment:

Property, plant and equipment as of December 31, 1998 and 1997 comprise the following:

	Millions of Won	
	1998	1997
Buildings	₩958,399	₩1,047,575
Structures	85,346	93,864
Machinery and equipment	906,958	1,523,601
Tools	753,219	841,020
Furniture and fixtures	435,880	449,787
Vehicles	30,160	35,393
	<b>3,169,962</b>	<b>3,991,240</b>
Accumulated depreciation	<b>(1,162,743)</b>	<b>(1,849,626)</b>
	<b>2,007,219</b>	<b>2,141,614</b>
Land	699,828	464,749
Construction in progress	114,530	215,473
Machinery in transit	4,153	30,010
	<b>₩2,825,730</b>	<b>₩2,851,846</b>



At December 31, 1998 and 1997, the market value of the Company's land, as determined by the local government in Korea for property tax assessment purpose, approximates ₩622,646 million and 643,260 million, respectively. At December 31, 1998, property, plant and equipment, other than land and certain construction in progress, are insured against fire and other casualty losses up to ₩3,985,965 million. A substantial portion of property, plant and equipment at December 31, 1998 is pledged as collateral for various loans from banks, including Korea Development Bank, up to a maximum Won equivalent amount of ₩596,773 million (see Notes 10 and 11). As of October 1, 1998, the Company revalued a substantial portion of its property, plant and equipment based on the Korean Asset Revaluation Law (see Note 16). As of December 31, 1998, the Company sold property, plant and equipment used for TFT-LCD business, and their aggregate book value approximates ₩495,318 million (see Note 23).

### 9. Deferred Charges and Deferred Liabilities

Deferred charges and deferred liabilities at December 31, 1998 and 1997 comprise the following:

	Millions of Won	
	1998	1997
Deferred charges		
- Research and development costs	₩459,283	₩470,821
- Deferred foreign currency translation losses	-	445,319
- Debenture issuance costs	7,750	6,829
- Stock issuance costs	416	39
	₩467,449	₩923,008
Deferred liabilities		
- Deferred foreign currency translation gains	-	242
	₩-	₩242

Details of research and development costs incurred in 1998 and 1997 are as follows.

	Millions of Won	
	1998	1997
Deferred	₩245,231	₩242,412
Expensed as manufacturing expenses	44,729	44,270
	₩289,960	₩286,682

### 10. Short-Term Borrowings

Short-term borrowings at December 31, 1998 and 1997 comprise the following:

	Annual Interest Rates (%) at December 31, 1998	Millions of Won	
		1998	1997
Bank overdrafts	12.25	₩9,107	₩779
Won currency loans:			
- General term loans	7.0-12.20	207,500	283,999
- Loans from insurance companies	10.50-11.60	56,600	4,600
- Trade loans	10.38-10.92	33,526	85,272
- Notes discounted	8.63-17.60	196,000	274,900
		493,626	648,771
Foreign currency loans	3.95-7.95	4,229	13,417
		US\$3	US\$9
		¥7	¥-
		₩506,962	₩662,967

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 at December 31, 1998 and 1997 comprise the following:

	Millions of Won	
	1998	1997
Debentures	₩1,043,436	₩1,105,188
Discount on debentures	(5,497)	(4,337)
Long-term debt	342,620	332,154
	₩1,380,559	₩1,433,005

## II. Long-Term Debt:

Long-term debt at December 31, 1998 and 1997 comprises the following:

	Annual Interest Rate (%) at December 31, 1998	1998	Millions of Won 1997
<b>Debentures</b>			
- Guaranteed, payable through 2001	10.00~25.00	<b>₩1,418,000</b>	₩1,727,000
- Non-guaranteed, payable through 2004	11.50~24.30	<b>618,000</b>	492,200
- General, payable through 2001	8.00~17.00	<b>1,310,000</b>	130,000
- Floating rate notes in foreign currency, payable through 2000 (*1)	LIBOR+0.25~0.40	<b>186,766</b>	345,497
		<b>(US\$155)</b>	(US\$244)
		<b>3,532,766</b>	2,694,697
<b>Convertible Bonds (*2)</b>			
- Foreign currency, issued in 1991	3.25	<b>50,281</b>	50,851
		<b>(US\$69)</b>	(US\$70)
- Foreign currency, issued in 1996	1.25	<b>33,096</b>	33,096
		<b>(US\$40)</b>	(US\$40)
- Won currency, issued in 1998	1.0	<b>100,000</b>	-
		<b>183,377</b>	83,947
<b>Exchangeable Bonds (*3)</b>			
- Foreign currency, issued in 1997	0.25	<b>66,623</b>	66,623
		<b>(US\$75)</b>	(US\$75)
		<b>3,782,766</b>	2,845,267
		<b>(110,000)</b>	-
Less: treasury debentures			
current maturities		<b>(1,043,436)</b>	(1,105,188)
discount on debentures		<b>(62,469)</b>	(40,222)
premium on debentures		<b>19,032</b>	-
adjustments for conversion rights		<b>(23,694)</b>	(26,008)
		<b>₩2,562,199</b>	₩1,673,849
<b>Won currency loans</b>			
- Korea Development Bank	5.00~15.45	<b>121,975</b>	185,509
- Kookmin Bank	5.00~11.75	<b>5,709</b>	73,119
- Korea Technology Banking Corporation	6.50~8.50	<b>5,814</b>	3,187
- Housing and Commercial Bank	3.00~9.50	<b>4,892</b>	26,825
		<b>138,390</b>	288,640
<b>Foreign currency loans</b>			
- Korea Development Bank	8.9	<b>5,944</b>	74,181
- Korea Development Bank	LIBOR+0.5	<b>57,924</b>	69,152
- Hanvit Bank	LIBOR+0.35~0.5	<b>138,383</b>	319,291
- Korea First Bank	LIBOR+0.625	<b>4,529</b>	7,430
- Hanvit Bank	LIBOR+0.4	<b>79,132</b>	175,607
- Choheung Bank	LIBOR+0.4	<b>75,484</b>	116,185
- Korea Exchange Bank	LIBOR+0.4~0.475	<b>205,326</b>	240,584
- Kookmin Bank	LIBOR+1.25	<b>3,332</b>	44,110
- Export-Import Bank of Korea	LIBOR+0.625	<b>5,935</b>	6,954
- Chase Manhattan Bank	-	-	2,959
- Bank of America	-	-	9,238
- Daichi-Kangyo Bank	LIBOR+0.35~1.0	<b>2,652</b>	6,508
- Hongkong and Shanghai Banking Corporation Limited	LIBOR+0.4	<b>664</b>	2,335
- Banque Paribas	LIBOR+0.7	<b>10,885</b>	1,592
- ING Bank	-	-	1,769
- Canada Royal Bank	LIBOR+0.5	<b>6,039</b>	14,152
- Tokyo Bank	LIBOR+0.8	<b>5,345</b>	11,232
- ABN Amro Bank	LIBOR+0.4	<b>7,680</b>	8,999
- Societe General	LIBOR+0.6	<b>22,736</b>	53,615
- Sakura Bank	LIBOR+0.5	<b>3,442</b>	8,081
- Sumitomo Bank	LIBOR+0.65	<b>15,715</b>	5,491
- Citi Bank and other	LIBOR+0.9~2.5	<b>126,343</b>	166,902
		<b>777,490</b>	1,346,367
		<b>US\$630</b>	US\$940
		<b>¥1,620</b>	¥1,481
Less: current maturities		<b>(342,620)</b>	(332,154)
		<b>₩573,260</b>	₩1,302,853

In relation to guaranteed debentures, the Company pays guarantee fees at 0.1%–0.5% per annum. Treasury debentures of ₩110,000 million held by the Company at December 31, 1998 are guaranteed debentures and Won currency convertible bonds.

(\*1) In 1985, 1994 and 1995, the Company issued U.S. Dollar denominated floating rate notes aggregating US\$2 million, US\$82 million and US\$71 million, respectively, which are due on April 25, 2000, September 22, 1999 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, 1998 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, 1998 is ₩22,174 per share. The fixed rate of exchange applicable to the exercise of the conversion rights is ₩827.40 per US\$1.00. The bonds will mature on November 26, 2006 at par value, unless previously converted or redeemed. Any bondholder may redeem all or some of the bonds held on November 26, 2001 at 133.20% of the principal amount of such bonds, together with interest accrued to the date of redemption.

In 1998, the Company issued Won currency convertible bonds aggregating ₩100,000 million bearing interest at 1.0% per annum. The bonds are convertible into common stock through November 2001, unless previously redeemed, at a specified conversion price, subject to adjustment based on the occurrence of certain events as provided for in the offering agreement. The adjusted conversion price as of December 31, 1998 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 LG Semicon Co., Ltd. ("LG Semicon") through November 2007, unless previously redeemed. Each bond can be exchanged for 300 shares of LG Semicon common stock with a par value of ₩5,000. The exchange price was initially determined to be ₩29,574 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 LG Semicon common stock : US\$ 33.29 (₩29,574 / ₩888.30)
- Payment of interest: At the end of each year
- Final redemption: Unless previously redeemed, purchased or exchanged, the bonds will be redeemed on December 31, 2007 at their principal amount plus accrued interest.
- Redemption at the option of the Company: The Company may redeem any or all of the bonds at their principal amount, plus accrued interest. However, no such redemption can be made before July 9, 2002 unless the closing price (converted into U.S. dollars at the prevailing exchange rate) for each of the 30 consecutive trading days, the last of which occurs not more than 30 days prior to the date upon which the notice of redemption is published, has been at least 135% of the exchange price in effect on each such trading day converted into U.S. Dollars at a fixed exchange rate of US\$1.00: ₩888.30.
- Redemption at the option of the bondholders: The bondholders may require the Company to redeem any or all (in multiples of US\$10,000) of the bonds held by such holders on July 8, 2002 at 133.67% of the principal amount of such bonds, plus accrued interest.
- Exchange by bondholder: Each bond is exchangeable for a pro rata share of the exchange property until November 30, 2007. The exchange property was initially comprised of 2,252,739 common shares of LG Semicon, 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.

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 at December 31, 1998 are as follows:

Year	Millions of Won		
	Debentures and Convertible bonds(*)	Long-term Debt	Total
2000	₩1,219,330	₩222,537	₩1,441,867
2001	1,230,000	172,910	1,402,910
2002	-	149,625	149,625
2003	-	17,291	17,291
2004 and thereafter	180,000	10,897	190,897
	<u>₩2,629,330</u>	<u>₩573,260</u>	<u>₩3,202,590</u>

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

## 12. Leases

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

As of December 31, 1998, future lease payments under operating lease agreements are as follows:

Year Ending December 31,	Millions of Won
1999	₩64,816
2000	53,999
2001	28,297
2002	5,453
2003 and thereafter	140
	<u>₩152,705</u>

## 13. Accrued Severance Benefits

Accrued severance benefits at December 31, 1998 and 1997 are as follows:

	Millions of Won	
	1998	1997
Beginning balance	₩519,768	₩451,285
Severance payments	<del>(166,208)</del>	(58,000)
Transfer-in from affiliated Companies	402	174
Provisions	96,155	120,355
Additional provisions (Note 2)	5,954	5,954
	<u>456,071</u>	<u>519,768</u>
Contribution to National Pension Fund.	46,223	38,604
	<u>₩409,848</u>	<u>₩481,164</u>

The severance benefits are funded approximately 51.6% and 46.5%, respectively, at December 31, 1998 and 1997, through group severance insurance plans with Kyobo Life Insurance Co, Ltd. and other life insurance companies. The amounts funded under these insurance plans are recorded as non-current bank deposits.

## 14. Commitments and Contingencies:

At December 31, 1998, the Company provided 45 notes and 33 checks to financial institutions as collateral in relation to various borrowings and guarantees of indebtedness. In addition, the Company has received guarantees approximating ₩5,506,745 million from various banks for the repayment of certain debentures of the Company. At December 31, 1998, the Company has entered into bank overdraft facility agreements with various banks amounting to ₩334,000 million. At December 31, 1998, the outstanding balance of notes discounted with recourse are ₩39,564 million. At December 31, 1998, the Company was a party to various technical assistance agreements with various foreign companies for the manufacture of certain lines of business. At December 31, 1998, certain companies within the LG Group has outstanding guarantees approximating ₩14,880 million for the repayment of certain borrowings of the Company. At December 31, 1998, the Company has outstanding guarantees approximating ₩1,796,637 million (including equivalent US\$1,401 million) on indebtedness of its subsidiaries and affiliates as follows:

	Millions of Won		Millions of Won
Local companies		Overseas companies	
- LG Telecom Co., Ltd.	₩120,780	- PT LG Electronics Display Device Indonesia	175,131
- LG Industrial Systems Co., Ltd.	110,916	- PT LG Electronics Display Device Indonesia	175,131
- LG Department Store Co., Ltd.	27,300	- LG Electronics Alabama Inc.	172,112
- LG Cable & Machinery Ltd.	24,254	- LG Electronics U.S.A. Inc.	119,898
- LG C&D Inc.	17,024	- LG Electronics North of England Ltd.	87,801
- LG LCD Inc.	3,692	- LG Electronics Tianjin Appliance Co., Ltd.	85,247
- Other local companies	33,950	- Shuguang LG Electronics Inc.	66,562
	<u>337,916</u>	- Other overseas companies	535,346
			<u>1,458,721</u>
Total			<u>₩1,796,637</u>

In order to reduce the impact of changes in exchange rates on cash flows, the Company enters into foreign currency forward contracts. As of December 31, 1998, the Company has outstanding forward contracts for buying foreign currencies amounting to US\$133,640 thousand (contract rates : ₩1,244:US\$1 ~ ₩1,322:US\$1, contract due dates: January to February 1999).

In order to reduce the impact of changes in interest rates, the Company enters into interest rate swap contracts. A summary of the terms of outstanding interest rate swap contracts at December 31, 1998 is as follows:

	Amount In millions	Buying rate (%) (*)	Selling rate (%)	Contract due date
Korea Exchange Bank	US\$40	5.90	6 month LIBOR	2000.8.24
Bankers Trust Company	US\$40	5.90	6 month LIBOR	2000.8.24
Citi Bank	US\$20	5.91	6 month LIBOR	2000.8.24

(\*) if 6 month LIBOR is over 6.25%, 6 month LIBOR 0.34 ~ 0.35%

The operations of the Company have been affected, and may continue to be affected, for the foreseeable future by the unstable economic conditions in the Republic of Korea and the Asia Pacific region. Specific factors that have impacted the Company include unusually high interest rates, increased unemployment in Korea, limited availability of credit, significant numbers of corporate bankruptcies and the general deterioration of the economies of countries in the Asia Pacific region. Further, it is not possible to determine the future effect a continuation of the economic crisis may have on the Company's liquidity and earnings, including the effect on transactions with the Company's investees, customers and suppliers. As a result, there are significant uncertainties that may affect future operations, the recoverability of the Company's assets and the ability of the Company to maintain or pay its debts as they mature. In addition, the Company has investments in, and receivables from 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 will continue to be affected by the unstable economic situation in the Asia Pacific region. As a result, there is uncertainty regarding the recovery of the Company's investments in these affiliates and the Company's ultimate liability on the guarantees. The ultimate effect, which may be material, of these uncertainties on the stated amounts of assets and liabilities at the balance sheet date cannot presently be determined, and accordingly the financial statements do not include any adjustments that might result from these uncertainties. Related effects will be reported in the financial statements as they become known and estimable.

As discussed in Note 14 to the financial statements, Zenith Electronics Corporation ("Zenith"), a subsidiary, has experienced significant financial difficulties resulting from continuous losses, and in August 1998 filed a restructuring plan together with information regarding a pre-packaged plan of reorganization with the Securities and Exchange Commission ("SEC") in the United States of America. Under the proposed reorganization plan, all outstanding common stock of Zenith will be cancelled, and the holders of common stock will receive no distributions. The Company will convert approximately US\$ 200 million of Zenith's obligations to the Company into common stock of Zenith which will represent 100% of the equity in the restructured Zenith. The remaining portion of Zenith's obligations will be exchanged for certain of Zenith's manufacturing assets and secured notes. At the present time, the terms of the exchange are being negotiated with certain creditors. Zenith intends to initiate a pre-packaged reorganization proceeding under chapter 11 of the Bankruptcy Code Chapter 11 of the United States of America in 1999. The ultimate outcome of the reorganization plan cannot presently be determined. In 1998, the Company has written off its investment in Zenith of ₩87,440 million.

## 15. Capital Stock:

As December 31, 1998, 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, 1998, the number of shares authorized are 240,000,000 shares.

As of December 31, 1998, 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. On December 23, 1998, the Company issued 21,500,000 shares of common stock for cash at ₩8,800 per share and the cash received in excess of par value of ₩81,700 million was credited to capital surplus.

#### 16. Asset revaluation:

The Company revalued a substantial portion of its property, plant and equipment, effective October 1, 1998 in accordance with the Asset Revaluation Law of Korea and obtained relevant governmental approval. The revaluation increment of ₩20,143million, net of tax and offset against deferred foreign currency translation losses, is credited to revaluation surplus.

	Millions of Won		
	Revalued Amount	Net Book Value	Revaluation Increment
Land	₩654,653	₩434,623	₩220,030
Buildings	814,007	700,941	113,066
Structures	63,897	58,364	5,533
Machinery and Equipment	582,361	464,430	117,931
	<u>₩2,114,918</u>	<u>₩1,658,358</u>	456,560
Less: Revaluation tax			(9,624)
Deferred foreign currency translation losses			(426,793)
Increase in revaluation surplus			20,143
Revaluation surplus, at December 31, 1997(*)			332,284
Revaluation surplus, at December 31, 1998			<u>₩352,427</u>

(\*) Revaluation surplus carried forward in connection with assets revalued in 1981 and 1993.

#### 17. Retained Earnings:

Retained earnings at December 31, 1998 and 1997 are as follows:

	Millions of Won	
	1998	1997
Legal reserve (*)	<u>₩28,699</u>	<u>₩27,339</u>
Other reserves		
- Reserve for business rationalization (*2)	126,180	101,680
- Reserve for improvement of financial structure (*3)	84,458	51,758
- Reserve for technological development (*4)	48,647	28,647
- Reserve for export loss (*4)	14,000	-
	<u>273,285</u>	<u>182,085</u>
Unappropriated retained earnings carried forward to subsequent year	33	16
	<u>₩302,017</u>	<u>₩209,440</u>

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

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

(\*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 reserve are not available for dividends until used for the specified purposes or reversed.

### 18. Capital Adjustments:

At December 31, 1998 and 1997, capital adjustments are as follows:

	Millions of Won	
	1998	1997
Conversion rights	<b>₩32,428</b>	₩32,647
Valuation loss on marketable investment securities(Note 7)	<b>(11,771)</b>	(16,269)
	<b>₩20,657</b>	₩16,378

### 19. Prior Period Adjustments:

Details of prior period adjustments for 1998 and 1997, which have been recorded as extraordinary gains or losses, are as follows:

	Applicable Fiscal Year	Millions of Won
1998	1997	₩9,038
Loss: Adjustment of corporate income taxes		
Adjustment of royalty expenses	1997	952
		<b>₩9,990</b>
1997	1992 and prior	₩1,465
Loss: Adjustment of corporate income taxes	1996	5,210
		<b>₩6,675</b>
Gain: Adjustment of royalty expenses	1996	₩316

### 20. Income Taxes:

The statutory income tax rates, including resident tax surcharges, applicable to the Company for 1998 and 1997 are approximately 30.8%. As a result of tax credits and temporary differences in recognizing certain income and expenses for income tax and financial accounting purposes, the effective tax rate is approximately 27.6% and 12.2%, respectively, in 1998 and 1997.

### 21. Earnings Per Share and Ordinary income per share:

Earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. 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. For the calculation of the weighted average number of common shares outstanding during the year, the outstanding number of days of newly issued common shares were added.

Earnings per share and ordinary income per share for the years ended December 31, 1998, and 1997 are calculated as follows:

data)	Millions of Won (except for EPS)	
	1998	1997
Earnings per share		
Net income as reported on the statement of operations	<b>₩12,041</b>	₩91,576
Less: Preferred stock dividends	<b>(2,847)</b>	(2,864)
Net income allocated to common stock	<b>109,194</b>	88,712
Weighted average number of common shares outstanding	<b>86,357,803</b>	85,827,666
Earnings per share	<b>₩1,264</b>	₩1,034
Ordinary income per share		
Net income as reported on the statement of operations	<b>₩12,041</b>	₩91,576
Adjustment of extraordinary gains or losses, net of related income taxes	<b>11,383</b>	9,972
Ordinary income allocated to common stock	<b>123,424</b>	101,548
Less: Preferred stock dividends	<b>(2,847)</b>	(2,864)
Net income allocated to common stock	<b>120,577</b>	98,684
Weighted average number of common shares outstanding	<b>86,357,803</b>	85,827,666

Ordinary income per share ₩1,396 ₩1,150

The weighted average number of common shares outstanding for the year ended December 31, 1998 is calculated as follows:

	Number of Shares	Number of Days Outstanding	Weighted Number of Shares
Common stock, at December 31, 1997	85,827,666	365	31,327,098,090
Issuance of capital stock for cash	21,500,000	9	193,500,000
			31,520,598,090
	107,327,666		÷ 365
			86,357,803

## 22. Dividends

Details of dividends for 1998 and 1997 are as follows:

### Dividends

	Common shares	Preferred shares
Number of shares (*1)	106,635,955	18,979,737
Par value	₩5,000	₩5,000
Dividend ratio	2%	3%
Total dividends	₩10,663,595,500	₩2,846,960,550

(\*1) Excluded 691,711 shares of common shares and 115,810 shares of preferred shares in treasury stock fund.

### Dividend Payout Ratio

Total dividends to be paid out (A)	₩13,510,556,050
Net income (B)	112,041,113,969
Dividend Payout Ratio ((A)/(B))	12.06%

### Dividend Yield Ratio

	Common shares	Preferred shares
Dividend per share (A)	₩100	₩150
Market price as of December 31, 1998	₩14,600	₩6,000
Dividend Yield Ratio ((A)/(B))	0.7%	2.5%

## 23. Business Transfer

As of December 31, 1998, the Company transferred its Thin Film Transister Liquid Cristal Display(TFT-LCD) business to LG LCD Co., Ltd. ("LG LCD") Transferred assets and liabilities are as follows:

	Net Book Value(Millions of Won)
Current assets	₩142,350
Non-current assets	528,941
Total assets	671,291
Current liabilities	146,284
Non-current liabilities	254,366
Total liabilities	400,650
Net	₩270,641

The transfer price for the assets and liabilities was ₩329,754 million, and resulted in a gain of ₩59,113 million. The Company has allowed LG LCD to use its various patents in the LCD business, the Company recognized ₩103,585 million in royalty income from LG LCD during 1998 and this amount is presented on non-operating income. These patents are not being transferred to LG LCD. During 1998, the Company transferred its communications and IPC business to LG Information & Communications Ltd. for ₩66,603 million.

## 24. Transactions with Related Parties

Significant transactions entered into in the ordinary course of business with subsidiaries and affiliates during 1998 and 1997 and the related account balances outstanding at December 31, 1998 and 1997 are summarized as follows.

	Millions of Won			
	Sales	Purchases	Receivables	Payables
LG Electronics U.S.A. Inc.	₩650,030	₩14,776	₩11,348	₩14,670
Zenith Electronics Corporation	19,551	675	280,402	3,266
Other	3,080,000	791,364	221,470	270,651
1998 total	₩3,749,581	₩806,815	₩513,220	₩288,587
1997 total	₩2,772,525	₩889,289	₩325,433	₩439,832

## 25. Value Added Information:

Accounts for computing value added for the years ended December 31, 1998 and 1997 are summarized as follows:

	1998			1997		
	Selling and Administrative expenses	Manufacturing Costs	Total	Selling and Administrative expenses	Manufacturing Costs	Total
Salaries	₩196,321	₩487,593	₩683,914	₩201,759	₩508,395	₩710,154
Severance benefits	24,234	59,571	83,805	26,433	82,164	108,597
Welfare expenses	27,929	69,663	97,592	33,966	87,175	121,141
Rent	13,514	86,028	99,542	13,355	66,394	79,749
Depreciation	57,365	389,929	447,294	51,374	298,499	349,873
Taxes and dues	3,925	12,575	16,500	4,013	14,199	18,212
	₩323,288	₩1,105,359	₩1,428,647	₩330,900	₩1,056,826	₩1,387,726

## 26. Environmental Investments

The Company maintains the internal policies for the protection of environment. The Company's capital expenditures to support the environmental policies in 1998 and 1997 amounts to ₩6,574 million and ₩20,464 million, respectively, and the Company recorded expenses of ₩12,973 million and ₩7,457 million for maintaining environment.

## 27. Employee Welfare and Social Contributions

The Company's expenses for employee welfare for the years ended December 31, 1998 and 1997 are ₩135,091 million and ₩121,292 million, respectively. The Company's social contributions, including scholarships to Seoul National University for the years ended December, 1998 and 1997 amount to ₩13,450 million and ₩5,820 million.

## 28. Supplemental Cash Flow Information:

The following is a reconciliation between the cash and bank deposit balances in the balance sheets as of December 31, 1998 and 1997 and the cash balances in the statements of cash flows:

	Millions of Won	
	1998	1997
Cash and bank deposits in the balance sheets	289,370	507,239
Less : Current restricted bank deposits	(29,855)	(28,537)
Cash in the statements of cash flows	259,515	478,702

Significant transactions not affecting cash flows for the year ended December 31, 1998 are as follows:

	Millions of Won
Increase in revalued assets	₩456,560
Transfer to property, plant and equipment from construction in progress	267,466
Transfer to property, plant and equipment from in-transit machinery	82,714
Transfer to current maturities from debenture	939,503
Transfer to current maturities from long-term debt	356,654
Transfer to deferred research and development costs from severance benefits	12,303
Transfer to deferred research and development costs from depreciation	45,561
Offset revaluation surplus against deferred foreign currency translation loss	426,793
Transfer to construction in progress from deferred foreign currency translation loss	18,526

## 29. Subsequent Events

The LG Group has announced a plan to transfer all shares of LG Semicon Co., Ltd. owned by the LG Group to the Hyundai Group. Under this plan, the Company will sell shares of common stocks of LG Semicon Co., Ltd. to certain Hyundai Group companies in early 1999. The selling price and payment terms are presently being negotiated.

SAMIL ACCOUNTING CORPORATION

---

Samil Accounting Corporation  
Hanil Group Building 21st Flr.  
191 Hangangro 2 ga, Yongsanku  
Seoul 140-702, KOREA  
(C.P.O. Box 2170, 100-621)  
Telephone +82-2-709-0800  
Facsimile +82-2-792-7001

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

We have audited the accompanying balance sheet of LG Electronics Inc. (the "Company") as of December 31, 1998 and the related 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, as independent accountants, on these financial statements, as to whether they have been prepared in conformity with financial accounting standards generally accepted in the Republic of Korea. For this purpose, we conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea.

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, 1998, 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.

The financial statements of LG Electronics Inc. for the year ended December 31, 1997, presented herein for comparative purposes, were audited by Ahn Kwon & Co. In their report dated February 13, 1998, they expressed an unqualified opinion thereon.

As discussed in Note 24 to the financial statements, in 1998 the Company entered into various transactions with affiliated companies including sales of ₩3,749,581 million and purchases of ₩806,815 million. As of December 31, 1998, related accounts receivable and payable approximate ₩513,220 million and ₩288,587 million, respectively.

As discussed in Note 16 to the financial statements, the Company revalued a substantial portion of its property, plant and equipment, effective October 1, 1998, in accordance with the Korean Asset Revaluation Law. The revaluation increment of ₩20,143 million, net of tax and offset against deferred foreign currency translation losses, was credited to revaluation surplus.

As discussed in Note 23 to the financial statements, in accordance with an agreement dated December 10, 1998 the Company transferred all of the assets and liabilities of its Thin Film Transister Liquid Crystal Display ("TFT-LCD") business to LG LCD Co., Ltd. in exchange for ₩329,754 million and recognized a gain of ₩59,113 million.

As discussed in Note 14 to the financial statements, Zenith Electronics Corporation ("Zenith"), a subsidiary, has experienced significant financial difficulties resulting from continuous losses, and in August 1998 filed a restructuring plan together with information regarding a pre-packaged plan of reorganization with the Securities and Exchange Commission ("SEC") in the United States of America. Under the proposed reorganization plan, all outstanding common stock of Zenith will be cancelled, and the holders of common stock will receive no distributions. The Company will convert approximately



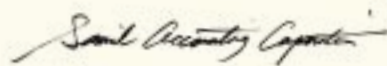
US\$ 200 million of Zenith's obligations to the Company into common stock of Zenith which will represent 100% of the equity in the restructured Zenith. The remaining portion of Zenith's obligations will be exchanged for certain of Zenith's manufacturing assets and secured notes. At the present time, the terms of the exchange are being negotiated with certain creditors. Zenith intends to initiate a pre-packaged reorganization proceeding under Chapter 11 of the Bankruptcy Code of the United States of America in 1999. The ultimate outcome of the reorganization plan cannot presently be determined. In 1998, the Company wrote off its investment in Zenith of ₩87,440 million.

Without qualifying our opinion, we draw attention to Note 14 to the financial statements. The operations of the Company have been significantly affected and will continue to be affected for the foreseeable future by the adverse economic conditions in the Republic of Korea and the Asia Pacific region in general, such as limited availability of credit, unemployment, significant numbers of corporate bankruptcies and the general deterioration of the economies in the Asia Pacific region as a whole. 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 will continue to be affected by the unstable economic situation in the Asia Pacific region. As a result, there is uncertainty regarding the recovery of the Company's investments in these affiliates and the Company's ultimate liability on the guarantees. The ultimate effect that these significant uncertainties will have on the stated value of assets and liabilities cannot presently be determined.

As discussed in Note 29 to the financial statements, the LG Group announced a plan to transfer all shares of LG Semicon Co., Ltd. currently owned by the LG Group affiliated companies to the Hyundai Group. Under this plan, the Company will sell its shares in common stocks in LG Semicon Co., Ltd. to certain Hyundai Group companies in early 1999. The selling price and payment terms are presently being negotiated.

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 utilized to audit such financial statements are those generally accepted and applied in the Republic of Korea.

Seoul, Korea  
February 8, 1999



**LGE NETWORK**

- Subsidiary and Branch
- Subsidiary
- Branch
- ▲ Zenith Plant



**CIS**

- LGEAK LG Electronics Almaty Kazak Ltd.(TV)
- LGERR LG Electronics Russia Inc.
- LGEUR LG Electronics Ukraine Co., Ltd.

**EUROPE**

- LGEWA LG Electronics Wales Ltd.(Monitor, CPT/CDT)
- LGEMA LG Electronics Mlawa Sp.Z.O.O.(TV)
- LGENE LG Electronics North of England Ltd.(MWO)
- LGEUK LG Electronics U.K. Ltd.
- LGFEFS LG Electronics France S.A.R.L
- LGEDG LG Electronics Deutschland GmbH.
- LGELS LG Electronics Italy S.P.A.
- LGEMK LG Electronics Magyar Kft.
- LGEPL LG Electronics Polska Sp Z.O.O.
- LGEEES LG Electronics Espana S.A.
- LGEAL LG Electronics Antwerp Logistics N.V.
- LGESSE LG Electronics Service Europe B.V.
- LGEDT LG Electronics Design-Tech Ltd.

**MIDDLE EAST & AFRICA**

- LGEEG LG Electronics Egypt S.A.E(FBT/DY, Tuner)
- LGEGF LG Electronics Gulf Free Zone Establishment
- LGEEAT LG Electronics Arcelik Turkey
- LGESA LG Electronics South Africa Pty., Ltd.
- LGEMC LG Electronics Morocco S.A.R.C.
- LGEME LG Electronics Middle East Co., Ltd.

**JAPAN**

- LGEEJP LG Electronics Japan, Inc.

**CHINA**

- LGESG LG Shuguang Electronics Co., Ltd.(CPT, Electron Gun)
- LGEBJ Beijing LG Electronics Components Co., Ltd.(FBT/DY)
- LGESY LG Electronics Shenyang Inc.(TV)
- LGENT Nanjing LG-TOUTRU Color Display System Co., Ltd.(Monitor)
- LGEPN Nanjing LG Panda Appliances Co., Ltd.(W/M)
- LGETA LG Electronics Tianjin Appliances Co., Ltd.  
(MWO, RAC, V/C, Motor, MGT, RO-COMP)
- LGEQH LG Electronics Qinhuangdao Co., Ltd.(Pump)
- LGECT Taizhou LG Chunlan Home Appliances Co., Ltd.(REF, RE-COMP)
- LGESH Shanghai LG Electronics Co., Ltd.(VCR)
- LGEEHZ LG Electronics Huizhou Inc.(Audio, CD-ROM)
- LGEEHK LG Electronics HK Limited.



## NORTH AMERICA

LGEAI	LG Electronics Alabama, Inc.(Magnetic Tape)
LGEMX	LG Electronics Mexicali S. A. DE C.V.(TV, Monitor)
LGEUS	LG Electronics U.S.A., Inc
LGECI	LG Electronics Canada, Inc.
LGEMS	LG Electronics Mexico S.A. DE C.V.

## LATIN AMERICA

LGESP	LG Electronics de Sao Paulo Ltd.(Monitor)
LGEAZ	LG Electronics da Amazonia Ltd.(TV, VCR, MWO)
LGEPS	LG Electronics Panama S.A.
LGEPR	LG Electronics Peru S.A.

## ASIA

LGEHL	LG Electronics Hotline CPT Ltd.(CPT)
LGEDI	P.T. LG Electronics Display Devices Indonesia (VCR, CPT/CDT, Monitor, DF)
VGI	Video Display Glass Indonesia Product(Funnel)
LGEIN	P.T.LG Astra Electronics Co.,Ltd.(TV, REF)
LGECM	LG Collins Electronics Manila Inc.(TV, Audio, A/C)
LGESV	LG SEL Electronics Vietnam Inc.(TV)
LGETH	LG Electronics Thailand Co., Ltd.(W/M)
LGEIL	LG Electronics New Delhi Ltd. (CTV, MWO, REF, W/M, A/C)
LGEMT	LG Mitr Electronics Co., Ltd.(TV, Audio, Video)
LGEMH	LG - MECA Electronics Haiphong Inc.(A/C)
LGEAP	LG Electronics Australia Pty., Ltd.



Overseas subsidiaries: 54

Overseas organizations are under each business division in order to strengthen management control.

## MANAGEMENT

(As of March, 1999)

### Vice Chairman & CEO



John Koo

### President



Byung Chul Jung  
Chief Financial Officer

### Senior Executive Vice President



Ssang Su Kim  
Head of Home Appliance Division



Yong Ak Ro  
LGE Holding Company  
for China



Woo Hyun Paik  
Chief Technology Officer



Chang Soo Kim  
LG Corporate Institute of  
Technology



Jong Eun Kim  
Head of Multimedia Division



Kun Hi Yu  
LG Production Engineering  
Research Center



Chong Suk Lee  
Executive Office for Corporate  
Restructuring



Seung Pyeong Koo  
Head of Display Division

## Executive Vice President

Nam Kyun Woo

Kwang Ho Jo

Moo Soo Noh

Se Kyung Lim

Chong Su Kim

Sung Ho Kang

Jin Soo Huh

Ju Ik Song

Kwang Soo Jeong

Jin Bang Son

Ki Song Cho

Young Ho Hur

## Senior Vice President

Chan Ho Lee

Myeong Kyu Ahn

Chul Ho Kim

Young Gil Kim

Dal Ung Kim

Mun Hwa Park

Il Hoon Hwang

Kwang Soo Shin

Kwang Ro Kim

One Suk Sung

Sok Eun Kim

Jae Wan Jeon

Tae Hong Pyeong

Young Soo Kim

Young Ha Kim

Young Chan Kim

Sung Goo Gang

Hong Jin Park

Bok Yong Park

Young Yong Park

Ja Yong Koo

Shin Ik Kang

Chew Chul Chee

O Sik Kong

Young Soo Koo

Jong Hee Lim

## BOARD OF DIRECTORS

(As of March, 1999)

### Standing

#### **Bon Moo Koo**

Representative Director  
Chairman, LG Group  
Chairman, BOD, LGE

#### **John Koo**

Representative Director  
Vice Chairman, LGE  
President, Electronics CU

#### **Byung Chul Jung**

Representative Director  
President & CFO, LGE

#### **Hong Jin Park**

Corporate Auditor, LGE

### Non-Standing

#### **Chang Soo Huh**

Director  
Chairman, LG Cable & Machinery Ltd.

#### **Kee Rak Sohn**

Director  
Vice Chairman, LG Industrial Systems Co., Ltd.

#### **Yu Sig Kang**

Director  
President, LG Executive Office for Corporate Restructuring

#### **Yong Chin Kim**

Director  
Advisor, Korea Institute of Taxation Research

#### **Byung Nak Song**

Director  
Vice President, Seoul National University

#### **Sung Koo Yeo**

Auditor  
Senior Executive Vice President, LG International Corp.



## CORPORATE INFORMATION

(As of December 31, 1998)

Date of Establishment:	October 1, 1958 (As a private company) February 17, 1959 (As an incorporated company)
Corporate Office:	LG Twin Towers, 20, Yoido-dong, Yungdungpo-gu, Seoul 150-721, Korea Tel: (82-2) 3777-1114
Paid-in Capital:	632,116 million won
Common Stock:	Issued and Outstanding, 107,327,666
Preferred Stock:	Issued and Outstanding, 19,095,547
Independent Public Accountants:	Samil Accounting Corporation
Overseas Network:	54 subsidiaries
Number of Employees:	25,953 (Domestic) + 32,532 (Overseas, employees of Zenith included)
Shareholders' Meeting:	The annual shareholders' meeting is held within 3 months following the end of the fiscal year at the company's corporate office located at 20, Yoido-dong, Youngdungpo-gu, Seoul, Korea
Listing: Exchanges	The company's stock is listed on the Korea Stock Exchange in Seoul, Korea The company's CBs and EBs are listed in Luxembourg & London Stock Exchanges
Annual Report:	Complimentary copies of this annual report may be obtained upon written request addressed to: Public Relations Center LG Electronics Inc. Tel: (82-2) 3777-3924, Fax: 3777-5331 Internet: <a href="http://www.lge.co.kr">http://www.lge.co.kr</a>

## CORPORATE CHRONOLOGY

- 1958 \_Founded as GoldStar
- 1959 \_Developed and produced Korea's first transistor radio
- 1962 \_Exported South Korea's first consumer products (radios)
- 1965 \_Developed South Korea's first refrigerator
- 1966 \_Developed South Korea's first television
- 1969 \_Developed South Korea's first washing machine, air conditioner, and elevator
- 1975 \_Established South Korea's first private R&D facility (GoldStar Central Research Laboratory)
- 1978 \_Established first overseas sales subsidiary in the USA (GoldStar Electronics International)  
\_Became South Korea's first electronics maker to surpass US\$100 million in exports
- 1980 \_Established first European sales subsidiary in Germany (GoldStar Deutschland)
- 1982 \_Established South Korea's first overseas TV plant in Huntsville, Alabama, USA (GoldStar America)  
\_Developed South Korea's first microcomputer and video camera
- 1983 \_Developed South Korea's first and the world's second 8mm camcorder
- 1986 \_Established first European VCR production plant in Germany (GoldStar Europe)
- 1987 \_Floated a US\$30 million convertible Euro bond issue
- 1989 \_Established joint ventures in the Philippines, Thailand, and the UK
- 1990 \_Established joint venture in Egypt, Italy, and Indonesia  
\_Established first overseas design center in Ireland (GoldStar Design Technology)
- 1991 \_Floated a US\$70 million convertible Euro Bond issue  
\_Purchased of 5 percent equity stake in Zenith Electronics of America
- 1992 \_Completed corporate-wide restructuring
- 1993 \_Broke ground for a TFT-LCD plant in South Korea
- 1994 \_Developed FMV, VOD, and multimedia PCs  
\_Acquired Zenith Electronics of America
- 1996 \_Declaration of LEAP2005, the corporate's new vision
- 1997 \_Launched "LG" brand in the world market replacing the former "GoldStar" label  
\_Developed the world's first IC set for digital TVs
- 1998 \_Reinforced business restructuring activities

<http://www.lge.co.kr>



**LG Electronics Inc.**

20 Yoido-dong, Youngdungpo-gu, Seoul, Korea