

Annual Report 2003

Digital

for Next Generation



LG Electronics Inc.

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The forward-looking statements in this report involve significant risks and uncertainties and are subject to change based on various factors. Factors that may be beyond LG Electronics' control include interest rate volatility, foreign exchange fluctuation, changes in consumer taste, technical advances, social changes in LG Electronics-based economics, competition and a changing business environment.



LG Electronics Inc.

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■ Innovation Period II(1995~1998)

1998.	Reinforced business restructuring activities
Sales : ₩9,853 billion Capital : ₩632 billion Employees : 25,953	
1997. 1.	Promotion of TL2005
10.	Developed world's first IC set for DTV
1996. 3. 27	Declaration of LEAP 2005-2nd Establishment Anniversary
3.	Developed next generation hand held PC
1995. 3.	Renamed the Company, 'LG Electronics'
7.	Acquired Zenith
8.	Established TFT-LCD factory
10.	Developed PDA
Sales : ₩6,592 billion Capital : ₩535 billion Employees : 35,073	

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■ Innovation Period I(1987~1994)

Innovative Management Toward 21st Century

1993~1994	Strengthened TFT-LCD related investment Strategic advancement into China
Sales : ₩5,149 billion Capital : ₩491 billion Employees : 30,621	
1991. 2.	Strategic alliance with Zenith
4.	Established design research center in Ireland(LGEDT)
12.	First to export \$2 billion in home appliances in Korea
1989. 1.	Established the vision for the 21st century
1988	Established production line in Thailand, Mexico, England and Philippines
Sales : ₩2,825 billion Capital : ₩270 billion Employees : 36,442	

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■ Globalization Period(1978~1986)

Globalization and Development of high-tech products

1986. 10.	Established production line in Germany(LGEWG)
Sales : ₩1,540 billion Capital : ₩130 billion Employees : 21,775	
1985. 4. 18	Issued \$30 million FRN
1984. 5.	Established Pyeongtaek factory
12. 31	Broke 1 trillion won in sales
1983. 4.	Established research center for design
1981. 4.	Established Korea's first overseas production line in US(LGEAI)
1979. 11.	Established Gimhae factory
1978. 8.	Established a sales subsidiary in US(LGEUS)
12. 13	First to achieve \$100 million export in Korean Electronics Industry
Sales : ₩171 billion Capital : ₩17 billion Employees : 16,510	

Company Profile

■ Digital Management Period(1999)

- 1999. 4. Developed first digital TV suited for Korean market
- 5. First to introduce 40" PDP in Korea
- 5. LG LCD acquired \$1.6 billion foreign capital :
Launched LG.Philips LCD
- 7. Proclaimed 'Digital-LG' Vision

Sales : ₩10,546 billion Capital : ₩632 billion Employees : 22,821

■ Digital Management Settlement Period(2000~Present)

- 2003. 1. Developed world's first dual CDMA/W-CDMA IMT-2000 mobile handset
- 4. Developed world's first digital tuner equipped 50" PDP TV
- 8. Launched 1 hour recordable VOD camcorder mobile handset
- 8. Mass production of world's first "Green Technology" linear-type refrigerator
- 10. Vice-chairman, S. S. Kim, appointed as CEO
- 10. Developed world's largest 76" PDP
- 10. Established DTV factory in Poland
- 11. Supplied telematics to GM
- 12. Became 1st in the global general vacuum cleaner market

Sales : ₩20,177 billion Capital : ₩784 billion Employees : 27,683

- 2002. 4. Demerger(LGE & LGEI)
- 5. First to commercialize home network system
- 5. Released color mobile phone with organic EL
- 6. Won IMT-2000 equipment supply contract from KTiCom
- 6. Showcased W-CDMA technology during 2002 Worldcup opening rite
- 8. Ranked sixth in the global mobile handset industry
- 12. Established R&D center in Beijing, China

Sales : ₩17,095 billion Capital : ₩784 billion Employees : 25,216

- 2001. 1. Allied air conditioner business with Matsushita, Japan
- 2. Successfully commercialized W-CDMA system
- 5. Established world's second PDP mass production line (Gumi)
- 7. Launched LG.Philips Displays, the CRT joint venture
- 12. Surpassed 10 million units in mobile handset sales
- 12. Finalized Company Demerger in Extraordinary Shareholders' Meeting

Sales : ₩16,601 billion Capital : ₩1,031 billion Employees : 26,789

- 2000. 6. Introduced world's first Internet refrigerator
- 7. Successfully commercialized W-CDMA IMT-2000 core network system
- 9. Merged with LGIC
- 12. Exported W-CDMA technology to Marconi Corporation, Italy

Sales : ₩14,836 billion Capital : ₩1,031 billion Employees : 31,774

■ Growth Period(1966~1977)

Established the Foundation for Rapid Growth

- 1977.12. 26 Accomplished ₩100 billion in sales
- Sales : ₩104 billion Capital : ₩6.4 billion Employees : 9,873
- 1976.11. Established Changwon factory
- 1975. 6. Established Gumi factory
- 12. First to establish Central Research Center in Korean private corporations
- 1974. 8. Acquired shares in IFC
- 1970. 4. 13 First to be listed in stock market among our peers in Korea
- 1968. 3. First to produce air conditioner in Korea
- 9. First to establish an overseas branch office(New York) in Korea
- 1966. 8. First to produce black and white TV in Korea

Sales : ₩2.9 billion Capital : ₩0.7 billion Employees : 3,400

■ Foundation Period(1958~1965)

Established the Foundation for the Electronics Industry

- 1965. 1. First to produce refrigerator in Korea
- 6. Established an affiliation
- Sales : ₩1.3 billion Capital : ₩0.3 billion Employees : 2,500
- 1962.11. 28 First to export radio(U.S.A) in Korea
- 11. First to produce telephone in Korea
- 1959.11. 15 First to produce tube transistor radio(A-501)in Korea
- Pioneer in Korean Electronics Industry
- Sales : ₩50 million Capital : ₩10 million Employees : 313
- 1958.10. 1 Founded as GoldStar

Summarized Financial Statements

To compare our 2003 results appropriately with the previous year, we have used pro forma full year 2002 numbers from January 1st to December 31st 2002 in the financial highlights and figures below. It should be noted that our company underwent a demerger in April 2002, and our official financial statements are based on a nine-month period from April to December 2002.

Income Statement

(Unit, Billion won)

	2003	2002
1. Sales	20,177	17,095
Domestic	4,794	5,458
Exports	15,383	11,637
2. Cost of Sales	15,351	12,746
3. Gross Profit	4,826	4,349
4. SG&A	3,764	3,321
5. Operating Profit	1,062	1,029
6. Non-operating Profit	1,123	721
7. Non-operating Expenses	1,349	1,074
8. Recurring Profit	837	675
9. Extraordinary Gains	-	-
10. Extraordinary Losses	-	-
11. Income Before Income Taxes	837	675
12. Tax	174	178
13. Net Profit	663	498

*The sales on raw materials(outsourcing related) and PC Buy & Sell in 2002 are excluded for like-for-like comparisons.

Balance Sheet

(Unit, Billion won)

	2003	2002
I. Current Assets	3,773	2,963
Quick Assets	2,269	1,782
Inventories	1,504	1,181
II. Fixed Assets	7,505	7,170
Investment Assets	3,546	3,304
Tangible Assets	3,123	2,893
Intangible Assets	836	973
Total Assets	11,277	10,133
I. Current Liabilities	5,091	4,737
II. Fixed Liabilities	2,682	2,391
Total Liabilities	7,773	7,128
I. Paid-in Capital	784	784
II. Capital Surplus	1,892	1,876
III. Retained Earnings	766	278
IV. Capital Adjustment	63	67
Total Shareholders' Equity	3,505	3,005
Total Liabilities and Equity	11,277	10,133

Financial Highlights

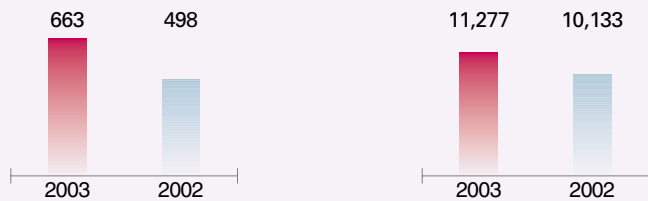
Sales | Operating Profit

(Unit, Billion won)



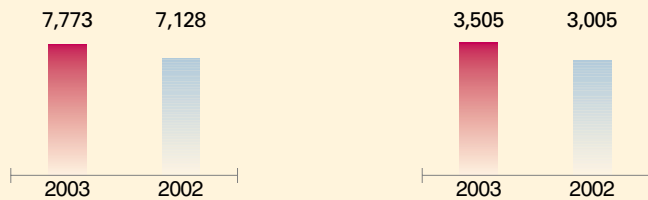
Net Profit | Total Assets

(Unit, Billion won)



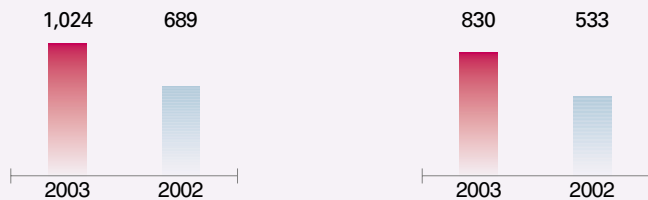
Total Liabilities | Total Shareholders' Equity

(Unit, Billion won)



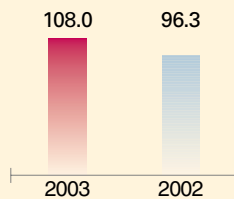
R&D Investment | Capex

(Unit, Billion won)



Debt-to-equity Ratio

(Unit, %)



Organization

Digital Appliance

Business	Research, development and production of home appliances in general
Location	Korea Changwon1, Changwon2, Gimhae, GumiMGT Overseas LGETA(Tianjin, China), LGECT(Taizhou, China), LGEPN(Nanjing, China), LGEQH(Qinhuangdao, China), LGEIL(New Delhi, India), LGETH(Bangkok, Thailand), LGENE(Newcastle, UK), LGEMH(Haiphong, Vietnam), LGEAT(Istanbul, Turkey), LGEMM(Monterrey, Mexico)

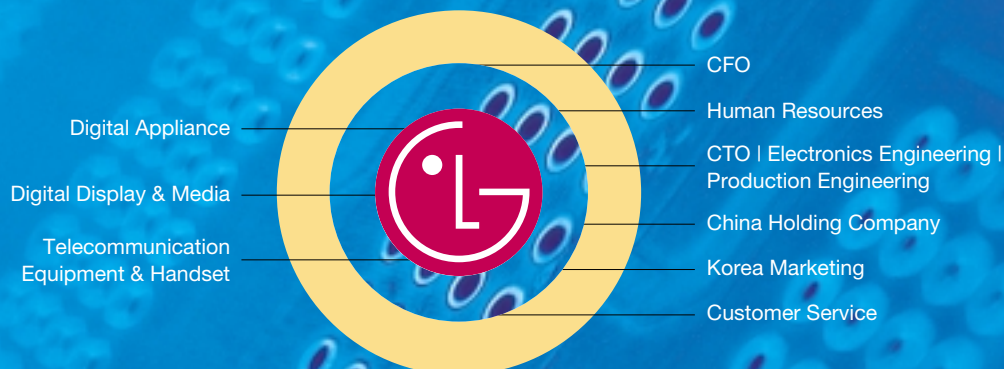
Digital Display & Media

Business	Research, development and production of multimedia related products, display products and core components
Location	Korea Pyeongtaek, Osan, Cheongju, Gumi1, Gumi2 Overseas LGESY (Shenyang, China), LGENT (Nanjing, China), LGESH (Shanghai, China), LGEHZ (Huizhou, China), LGENP(Nanjing, China), LGEHN(Hangzhou, China), LGEKS(Keun Shan, China), LGEDI(Jakarta, Indonesia), LGEIN(Jakarta, Indonesia), LGEMT(Bangkok, Thailand), LGEMA(Mlawa, Poland), LGEWA(Wales, UK), LGEMX(Mexicali, Mexico), LGERS(Reynosa, Mexico), LGEAK(Kazakhstan, CIS), LGEEG(Ismalia, Egypt), LGEAZ(Manaus Brazil), LGEVN(Hanoi, Vietnam)

Telecommunication Equipment & Handset

Business	Research, development and production of CDMA handset, GSM handset, W-CDMA handset, WLL handset, mobile communication system, switching system, transmitting equipment, key phone, PBX products
Location	Korea Seoul, Cheongju, Gasan, Anyang, Gumi Overseas LGICUS(San Diego, US), LGICTH(Bangkok, Thailand), LGESP(San Paulo, Brazil), LGEYT(Yantai, China), LGEQD(Qindao, China), LG-TOPS(Guangzhou, China), VKX(Hanoi, Vietnam), EMGS(Bucharest, Romania)

As of December 31, 2003



2004 Management

Board of Directors

(As of March 1, 2004)

Type	Name	BOD Title	Current Position
Standing	S. S. Kim	Representative Director	Chief Executive Officer
	Young Soo Kwon	Director	Chief Financial Officer
Non-standing	Yu Sig Kang	BOD Chairman	Vice Chairman, LG Corp.
	Suk Jean Kang	Outside Director	President, CEO Consulting Group
	Il Sup Kim*	Outside Director	Professor, Ewha Women's University
	Nyum Jin*	Outside Director	Professor, Sogang University
	Sung Won Hong*	Outside Director	Chairman, G-Mobile

Audit Committee

(As of March 1, 2004)

Name	Title	Current Position	Note
Suk Jean Kang*	Outside Director	Chairman, CEO Consulting Group	Advisor
Il Sup Kim*	Outside Director	Professor, Ewha Women's University	Advisor
Nyum Jin*	Outside Director	Professor, Sogang University	Advisor

*Nominees for outside directors and members of audit committee.

Executive Management

(As of March 1, 2004)

Name	Title	Current Position
S. S. Kim	Vice Chairman	Chief Executive Officer
Woo Hyun Paik	President	Chief Technology Officer
Jong Eun Kim	President	Head of European Headquarters
Nam Kyun Woo	President	Head of Digital Display & Media Company
Hee Gook Lee	President	Chief of LG Electronics Institute of Technology
Mun Hwa Park	President	Head of Telecommunication Equipment & Handset Company
Jin Bang Son	President	Head of LGE China Holding Company
Ju Ik Song	Executive Vice President	Chief of Korea Marketing Operation
Myeong Kyu Ahn	Executive Vice President	Head of of North American Headquarters
Young Ki Kim	Executive Vice President	Chief of Human Resources
Young Soo Kwon	Executive Vice President	Chief Financial Officer
Young Ha Lee	Executive Vice President	Head of Digital Appliance Company



“Great Company, Great People” – this is what LG Electronics is striving to become. Under this banner, we are determined to be one of the Global Top 3 electronics companies by the year 2010. To carry out our goals, LG Electronics will continue to develop our growth strategy, focusing mainly on expanding our presence worldwide.

S. S. Kim | CEO

Towards Global Top 3

To our Shareholders,

On behalf of everyone at LG Electronics, I would like to extend my sincere gratitude to you all for your continued interest and support.

RESULTS FOR THE YEAR 2003

Despite a slow global economy and delayed IT industry recovery in 2003, LG Electronics reached a new milestone with sales surpassing 20 trillion won, expanding 18% from the previous year. All three of our companies contributed to such remarkable growth. Our globally recognized Digital Appliance Company posted another strong year while sales increased significantly in our Digital Media & Display Company, bolstered by 186% YoY growth in PDP sales. We are excited about the potential of PDPs going forward. In our fastest growing business, Telecommunication Equipment & Handset, sales soared 37% YoY buoyed by a 47% increase in handset sales. Overseas expansion was the driving force behind such impressive growth.

More importantly, our 32% growth in exports is another brick in fortifying our position as a major global player in the near future. In addition, our 1.62 trillion won in operating profit, up 33% from the previous year, and 662.8 billion won in net profit demonstrates our strengthening fundamentals.

The root to our success can be traced back to the localization of the vacuum-tube radio in 1958. Today, LG Electronics is not only a global leader in home appliances but we are also at the forefront of such cutting-edge products as digital TVs, PDPs, and mobile handsets. LG Electronics may have started with simple technology, but we have become a world leader in the areas of electronics and information technology. Moreover, we believe that we will be able to achieve our goal of making LG Electronics into one of the Global Top 3 companies in the near future.

STRATEGIC DIRECTION TO GLOBAL TOP 3

We believe that LG Electronics has established a strong foundation for long-term growth. With 45 years of experience and development, we are on the verge of transforming from a “Good Company” to a “Great Company.” Despite facing continuous challenges, we have bolstered our globally competitive digital technology thanks to our talented employees. We are now focusing on our global marketing skills and LGE’s brand power in order to make the dream of becoming a “Great Company” into a reality.

However, there are many challenges to overcome. Our competitors in China are growing rapidly and the global marketplace has never been tougher. Under these circumstances, we

cannot be satisfied with our current accomplishments.

Early this year, we set an ambitious goal for making LG Electronics into a Global Top 3 company by the year 2010 and ultimately becoming a GCGP or “Great Company, Great People.” In order to become a Global Top 3 company, LG Electronics is planning to further develop its growth strategy with a main focus on exports. Our overall goal for 2004 is to increase our sales by 9%, reaching about 22 trillion won while expanding our profit margin.

In order to ensure long-term growth, we are planning to greatly increase investments in promising businesses. This year we will invest 1.1 trillion won in Capex and 1.2 trillion in R&D. Thus a total of 2.3 trillion won will be earmarked to strengthen our core competencies in successful businesses such as mobile handsets, PDPs and Digital TVs and also to incubate new businesses such as telematics, and digital multimedia broadcasting (DMB) handsets.

We have thrown down the gauntlet and challenged ourselves to become a Global Top 3 company. The entire company is already stirring with excitement to reach this goal. Our past successes are fertile ground to cultivate the confidence needed to be successful in the future.

TOWARD OUR 2004 GOALS

In order to accomplish our goal of Global Top 3, LG Electronics’ management has set out the following course of action.

First, we must accelerate the globalization of our operations. Our overseas business commanded nearly 76% of our total sales in 2003. However, we still have a long road ahead of us considering that there are many countries with high growth potential such as China, Vietnam, and India. Moreover, developed markets such as North America and Europe present challenges as we strive to increase our presence. LG Electronics has decided to concentrate on the global business in order to promote our future business growth. In particular, we have reorganized the front by strengthening our China business platform and establishing local headquarters in North America and Europe.

Second, we will pursue growth through our “Fast Growth Strategy.” Specifically, we will foster LG as a global premium brand this year. We will pursue a high-end brand image of LG by strengthening our multi-functional mobile handsets and by continuing to promote our already well-known premium products such as side-by-side refrigerators, front-loading washing machines, and DTVs.

Third, we will promote the ideal of GCGP to foster an organizational culture of advancement for self and company. The GCGP culture refers to a milieu where challenge and innovation are actively encouraged. It urges people to think from first principles instead of blindly relying on conventional methods. The core of our philosophy rests on a 5/30 rule; “5% increase is impossible, but 30% is possible”. That is, the ultimate goal is not to continually find incremental changes in the current system but rather to develop new approaches that can bring about quantum improvements. In order to accelerate such

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LG Electronics is widely recognized as having the best management and employee relationship in Korea. Together we will continue to work in harmony to achieve our shared vision of becoming a Global Top 3 company.

”

innovation, LG Electronics created many internal Task Force Teams mandated to carry out Tear Down and Redesign (TDR) activities and further expand Six Sigma initiatives.

COMPETITIVENESS OF VALUE CREATIVE MANAGEMENT & EMPLOYEE RELATIONS

LG Electronics is a company with enormous energy. 45 years of history clearly shows where such energy originated and how it materialized. Moreover, during that period LG Electronics has become a global company with outstanding competitiveness and a harmonious relationship between management and employees. At LG Electronics, we do not have a labor union in the traditional sense of the word. Instead, we have what we proudly call “Value Creative Management & Employee Relations” where everyone devotes themselves to their duties and places their trust in one another. On the back of such “Management & Employee Relations,” LG Electronics has been able to succeed despite countless external difficulties, and we believe that by working together we will make the Global Top 3. Together, we will harvest bountiful fruits by encouraging each other, and we can create positive energy to reach goals even higher than Global Top 3.

Although the path that LG Electronics has chosen is not easy, but with our shareholders’ continuous support and encouragement, we feel confident that we can achieve our goals. All of us at LG Electronics will do our best to share the glory of becoming a Global Top 3 company.

Thank you.

CEO, S. S. Kim



Developing and maintaining Global No.1 products require not only continuous technological improvements but also a commitment toward new growth engines. Therefore, we plan to invest 75% of our total 2004 R&D budget to shore up our lead in our core businesses as well as secure vital technology in business areas where we see the most growth potential.

Woo Hyun Paik | CTO

Finding the Next Generation Growth Engine

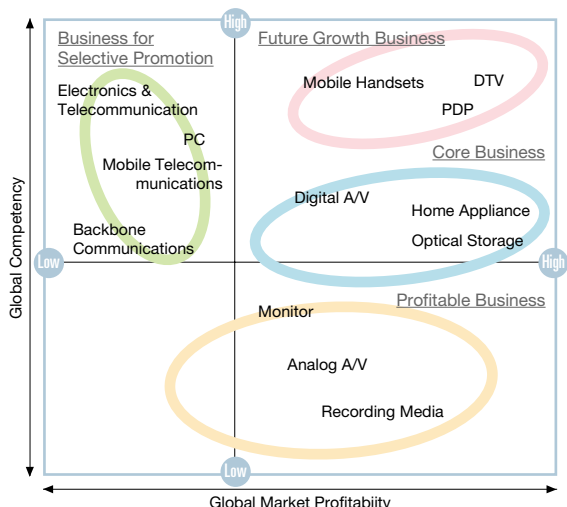
2003 ACHIEVEMENTS

2003 was a difficult year for management as we had to navigate through rough waters brought on by a slowdown in our domestic market and uneasy international economic conditions such as the Iraq war, the delay in the IT market recovery, the rise in oil prices, and fluctuating exchange rates. Even against such a backdrop, we raised our R&D investment in successful businesses like Digital TV (DTV)s, PDPs & mobile handsets while focusing our efforts in developing new products and our core technologies. As a result, we were able to produce some of the world's first and best products like DTV ASIC chips (US standard DTV chip), high definition PDPs, digital tuner embedded PDPs and LCD TVs, and multimedia EV-DO mobile handsets with a camcorder functionality. We also obtained excellent results by developing premium appliances and new digital products such as our front loading washing machine, a multi-air conditioner for buildings, energy-saving linear-type refrigerators, wireless home theater system, and DVD multi-recorders.

By focusing on and investing in prospective high-growth digital businesses like home network, telematics, Organic Light-Emitting Diodes (OLED), and convergence products like multi-functional handsets, we will enhance our position as a global leader in the Digital Age.

Digital TV

We believe 2003 marked the official start to a rapid growth period for DTVs as we saw the expansion of digital broadcasting in North America & Europe and a rapid fall in DTV prices. We also experienced steady growth in the domestic market despite the weak economy buoyed by the release of the world's first digital tuner embedded PDP and LCD TV, as well as the expansion of our LCD and DLP Projection lineup. In the North American market, the FCC has been a major driver behind the growth of the DTV market as FCC mandated in August of 2002 that all DTVs to include a built-in digital tuner and in September 2003 released the guidelines for Cable Ready DTV.



We have devoted much of our energies into furthering the technology for DTVs. First, our ASIC chip with an internal CPU has an algorithm to improve resolution and a digital interface which reduces raw material costs and raises the competitiveness of our product. We have also upgraded our internal Ready Chip with "XD Engine," our proprietary image-enhancing algorithm. We believe these new chips will help us become a leader in the global DTV market.

Second, we have been forming strategic alliances with the major DTV makers to adopt our VSB transmission technology, and we believe the US FCC will standardize it in the first half of 2004.

Third, we have developed software for DTVs. Personal

Video Recorders (PVRs) with easy-to-use record & playback functions are rapidly gaining market acceptance. To serve this market we have released the world's first 60" LCD Projection TV with an internal High Definition (HD) PVR. Giving further evidence of our technological prowess is the development of our digital Set-Top Boxes (STB) that support two-way Data service for Korea's satellite servicing company, Skylife.

PDP

With the successful ramp up of our second PDP line, we now have a yearly production capacity of 780,000 units. Yield improvement and a new production process have helped us become the second largest PDP module producer in the world. We are the first in the world to use etching technology on the PDP rear plate in cooperation with LG Micron. This new technology helps to bring down costs faster than our competitors while improving resolution. As the market demand for PDPs increases rapidly, we are determined to reach our goal of becoming a Global Top company by 2005 through early stage investments, development of new technologies for higher definition screens, and cost innovation.

OLED

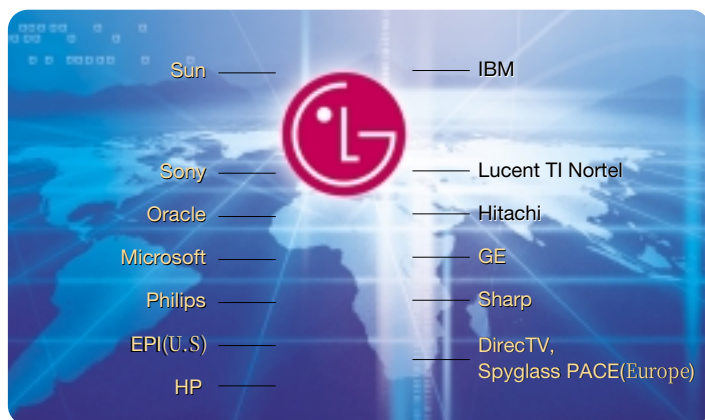
The market for OLED technology as external displays for mobile handset has come earlier than expected. We are in the process of developing a commercial production line, and our advancements in process and production technologies put us on schedule to have a full-scale product release in 2004. Moreover, we are developing an active matrix type OLED for a mobile handset's main display. To keep up with this rapidly growing market, we will use "Top Emission" methods to continuously improve yields and increase the lifetime of the organic material.

Mobile Handset

The rise of multimedia service is an important trend for our CDMA business. Accordingly, we developed the world's first camcorder handset that can capture up to an hour's worth of motion pictures. Our lineup also now includes an M-Commerce handset that is capable of financial transactions and a GPS handset as well. To target users in North America and China, we have shipped high-end camera handsets and multimedia handsets. We achieved great success and confirmed our status as a technological leader as our camera handset supplied to Verizon in North America was nominated by Business Week as the hit product of the year. As for our GSM business, we have been raising our brand image by releasing high-end models such as a slim-type dual folder handset and Multimedia Messaging Service (MMS) handsets with built-in camera and OLED external display. On the back of these results, we were able to successfully enter the US GSM market. To serve the IMT-2000 market, we commercialized a W-CDMA dual band dual mode handset that can use existing CDMA infrastructure. We are gearing up for commercialized service in 2004 in Korea, and in Europe we will be promoting sales to major carriers.

Mobile Communication System

Our equipment was used successfully by KTF to support Korea's first asynchronous type of IMT-2000 service known as Universal Mobile Telecommunications Services (UMTS). We also internally developed a base station modem chip, which is the foundation for Release 5 (HSDPA), the upgraded international standard for asynchronous IMT-2000. We are also developing a 1x EV-DV commercial system, and we expect commercialization of a base station modem chip and the demonstration of the test system in 2004.



Optical Storage

With the release of the world's fastest DVD/CD-RW Combo Drive, along with DVD writers such as our slim-type Super Multi Drive for notebooks that support all DVD recording standards, we have seen an expansion of our market share in the global optical storage sector. In addition, due to LGE's superior technological capabilities, we have been included in the DVD standard patent Pool (4C) along with Philips, Sony, and

Pioneer. For next- generation optical storage, LGE is developing HD level optical storage and focusing on standardizing specifications and obtaining patents.

Digital AV

LGE has developed the world's smallest Slim Combi and Slim DVD recorders, which incorporate various functionalities including VCR, DVD recorder, HDD and digital broadcast reception. Through the world's first wireless home theater and Karaoke combination product, LGE has established itself as a top global player in the world's digital AV market. Moreover, by internally-developing core parts such as Pick-up and AV loader for recording, we will continue to maintain our global position and cost leadership. As for HD STB, we have 70% market share of North America's major satellite company, DirecTV, and we will focus on the development of multi-functional products such as a Combo HDD and DVD Player.

Among our new business sectors, we are particularly excited by telematics. Starting in November of this year, we will release an advanced AV integrated terminal to be used with "MOZEN," a telematics service run by Hyundai and Kia Motors. We were also selected as the telematics terminal supplier to GM, the largest automobile company in the world with the largest number of telematic subscribers.

Home Appliance

The fountainhead for our product leadership in appliances lies in continuous innovation in our core competency for parts such as our linear compressors, direct drive motors, compact heat switchboard, and heater/cooler controlling system. With these technologies, we have been able to expand our premium products such as commercial air conditioners, side-by-side refrigerators, front loading washing machines and bagless vacuum cleaners, while also focusing on the rapidly growing markets for electric ovens, dish washers and air cleaners. We believe these efforts have set the foundation for future growth that will help us become a Global Top 3 company.

Commercial air conditioners and eco-friendly products are set to drive our growth forward. We have developed the world's most energy efficient multi-unit heater air conditioner for buildings and highly-efficient unitary system. To meet the demands of increasingly health and environment conscious consumers, we have developed the world's first environmentally friendly natural refrigerant (R600a) which is at the core of our highly efficient linear-type refrigerator and premium air cleaner. Finally, we have developed cutting-edge products like our Internet refrigerator and vacuum cleaner, which will help raise our brand image in developed markets.

Major 2003 R&D Achievements and Future Plans

Future Growth Business : Digital TV, PDP, Mobile Handset		
	2003 Achievements	2004 Plans
Digital TV	- Expanded MD* Projection TV Line-up and developed PVR combination products - Developed world's first ASTC** built-in PDP TV - Developed North America/Korea satellite HD STB and released new combination products - Developed ASIC to differentiate LGE products - Developed advanced S/W and Networking technology	- Develop MD Projection products and expand product line-up - Early full Line-up of PDP TV - Continuously acquire world's best reception and develop combination products - Develop various broadcasting standards and interface with ASIC support
PDP	- Developed world's best(brightness, contrast ratio)products - Developed world's largest 71" & 76" models - Released 42"/50"/60" KK models - Cost innovation through advanced technology	- Continuously develop world's best innovative products - Cost competitiveness through innovative products
Mobile Handset	- Developed mobile handset for export - First to release MMS/Camera mobile handset to Verizon in North America - Developed High-end Multimedia mobile handset for Korea - Released world's first EV-DO mobile handset with 1hour recording function - Developed W-CDMA mobile handset to target global and Korea market	- Timely development of high-end mobile handsets - Advanced development of multimedia products and differentiated technology - Use domestic components for essential parts - Enhancing design

*Micro Display **Advanced Television Systems Committee

Core Business : Digital AV, Optical Storage, Digital Appliance		
	2003 Achievements	2004 Plans
Digital AV	- Developed of world's first DVD applicated product -Slim Combi and DVD-P, Slim DVD Recorder - Developed differentiated functions of home theater products - Variety of home theatre product line-up	- Full Line-up of DVD Recorder and its related products - Expand market share through various combination products
Optical Storage	- Developed world's top speed DVD/CD-RW Combo Drive - Release of DVD to compete with multiple size recorders - Released world's first Super Multi Drive supporting all recording standards	- Lead market with multiple standards and access time of DVD recorder - Selective development of major components and efficient outsourcing channel.
Digital Appliance	- Fully launched "multi-air conditioner" business for buildings - Developed world's first ecofriendly Linear DIOS with natural refrigerant - Full range of drum-type washing machine - Developed premium light oven and Microwave Oven	- Actively support premium products and newly growing business - Continuously develop essential next-generation components and differentiated technology

Home Network

We have been leading the burgeoning home network market with Internet-connected home appliances. Our HomNet system includes built-in appliances and an Internet refrigerator with a removable communication pad. We have also improved our systems solutions through strategic alliances with home automation companies. In Korea, we have been taking advantage of newly developing high-speed Internet connected apartments to install products such as an Internet air conditioner, Internet washing machine, and new AV products. With the Ministry of Information and Communication supporting the home network business through standardization of protocols, we believe we will hold on to our leadership in this new market.

PLANS FOR 2004

In order to reach our goal of becoming one of the top 3 major electronics and IT companies by the year 2010, we will reinforce our successful businesses while cultivating new promising ones to develop and release global No.1 products. Our plan to aggressively strengthen our R&D will include the following activities.

First, on the back of our core competencies, we shall develop and release products that are or can become global No.1 products. To this end, we aim to invest 75% of our total 2004 R&D budget into businesses that are successful or that have great potential. For the DTV market, this means focusing on the rapidly growing flat panel display market including LCD TVs and PDPs. We plan on using our ASIC and DTV software core competencies to develop TVs with more built-in functionalities as well as all-in-one products that obviate the need to buy separate components. For mobile handsets, we foresee the next generation models to include multimedia functions that combine broadcasting and communication as full-scale service of satellite and terrestrial Digital Multimedia Broadcasting (DMB) is set to begin in 2004. As such, we have acquired the core technology and parts in order to timely develop high-end products with high-resolution cameras and satellite reception. In the domestic market, we stand at the vanguard of standardizing the broadcasting and telecommunication related protocols. Through such activities, LGE will build a strong foundation to lead the global market.

Second, we will raise our R&D another notch to create premium products for our home appliances, digital AV and optical storage businesses, areas in which we already have product global leadership. To extend our superiority in home appliances, we are developing next-generation core technology and components using new manufacturing methods to produce better compressors and motors, at the same time searching and nurturing new businesses for continuous growth. As for digital AV and optical storage, we are patenting the core standards for HD-level next-generation optical storage and we are forging ahead with advanced development of core technology and parts to maintain our global top position.

Third, we expect to lead the market for our new burgeoning businesses including home network, telematics, and post PC by cooperating with our service partners to develop multi-functional products that exploit the convergence of technology. Raising the competitiveness of our successful or promising businesses will depend upon our ability to develop core components internally, which is strongly correlated with raw material costs reduction. As for improving the competitiveness of our handset business, we are cooperating with affiliate component companies to internally develop major parts such as display modules and camera modules. Going forward, we also plan on internally developing Application Specific Integrated Circuit (ASIC) and radio frequency components for use in our successfully promising businesses. As a global leader, we aim to strengthen our international R&D capability by rapidly expanding our local personnel in strategic areas such as China, India, and Russia and by forging strategic alliances with major companies for the standardization and development of new products. Along with such strategies, LGE will take a cue from the Korean government's 10th plan for next-generation growth engines of future industries and prepare the foundation to become a Global Top 3 electronics and IT company by the year 2010.

Thank you.

CTO, Woo Hyun Paik

Global Leading Products

Washing Machine

On the back of its technological superiority, our front loading washing machine has not only been dominating the domestic market but it is gaining popularity in the international market as well.

Through an internally developed "New Direct Drive Motor System," that substantially reduces noise and vibration, LGE has developed the world's first and largest 12kg washing machine. The new product has improved washing performance by 11% and dehydrating performance by 60%. Also, LGE's front loader produces the least amount of noise and vibration in its class. With such a high quality product, we hope to replicate front loader's success in the North American, European and Asian markets.



Refrigerator

LGE's side-by-side refrigerator with its high-end brand image has already achieved dominant domestic market share and now we are focusing on widening its position in the international market. Also, to meet the requirements of increasingly strict global environmental regulations, we have been mass producing refrigerators with eco-friendly natural refrigerants and linear compressors. Major home appliance makers in Japan, North America, and Europe have been developing linear technology as the next-generation core technology since the early 1990s, but we are the first to produce a side-by-side refrigerator using linear compressors.



Digital TV

We have been successfully capturing global DTV market share by leveraging our core competency of display technology to produce leading products such as a 55" LCD TV, 60" HDR LCD Projection TV, and 76" PDP TV. In particular, using our world class technology, we have proudly introduced the world's first 60" LCD projection TV with an embedded 80GB Hard Disk that requires no tape to record/playback analog broadcasts as well as HD digital broadcasts. With the development of the world's first full HD-quality 55" LCD TV embedded with digital ATSC tuner, LGE now can satisfy the needs of a diverse range of customers with a full LCD TV product line-up ranging from 13" to 55".



PDP

We have developed the world's largest 76" PDP; with its 207K color and the best 1920×1080 resolution, it can present images perfectly in Full-HD. With a thin-style design of only 83mm, our PDP creates a perfect harmony with its resolution, size, and width. Also, to lower production costs and increase productivity we have developed a multi-cut system where we can cut three PDP panels simultaneously from one motherglass.

Optical Storage

LGE released the world's first 4X Super Multi DVD Writer in July 2003 and 8X Super Multi DVD Writer in November 2003. Both support all recording formats including DVD-RAM, DVD-RW, and DVD+RW as well as retain the ability to play/record CDs. These products have provided the foundation to rapidly dominate the DVD recording market. By launching products earlier than our competitors, LGE has been able to maintain its number 1 rank in global sales for six consecutive years since 1998.



3G Mobile Handset

LGE's asynchronous W-CDMA mobile handset is the world's first CDMA/W-CDMA Dual Band Dual Mode handset which allows real time bi-directional video communication at high quality resolutions using 15 frames per second. Also, our handsets provide the most advanced multimedia features, integrating a large 2.2" TFT LCD display with 260K color, the largest 19Φ diameter speaker with stereo output for superior sound quality, along with an embedded multimedia player that can play such content as MPEG4, AAC, and MP3.



LP-3000

Korea is leading the world's mobile handset market and by being a market leader in Korea, LGE is gaining worldwide recognition for its superior technology. In particular, we have released a next-generation product, the LP-3000 mobile handset, with a generous 65MB memory for its internal MP3 Player and an embedded 1.3 megapixel camera. The LP-3000 also sports a large 2.2" transmission LCD screen with two-way stereo speaker and supports 3D avatars, games, and M-commerce (Bank-on) services.



LCD Monitor

Our 23" LCD Monitor received the prestigious IF Design Award and REDDOT Design award. It has a wide-type display which recognizes both digital & analog signals. our monitor has excellent resolution and sound. It features the best 1920×1200 resolution, a wide viewing plane of 176 degrees, 7W×2 speakers and BBE technology. In addition, we have employed Spectacle technology which provides a more comfortable viewing experience by allowing users to easily toggle between a 4:3 or 16:9 ratio to conform to the original signal. Also, this monitor can not only be used with PCs, it also receives TV/AV signals to allow users to enjoy DVDs, video games, and TV viewing.



At A Glance

Digital Appliance

Our air conditioners were ranked globally No.1 again for the fourth consecutive year. Growth of our Digital Appliance Company was driven by premium products such as the side-by-side refrigerator and front loading washing machine. Our microwaves and vacuum cleaners are seizing a significant global market share with continuous differentiation adding high-end features.

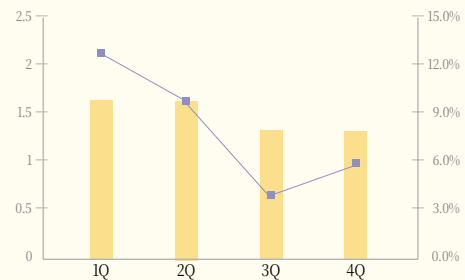
Major Products

Side-by-side Refrigerator, Air Conditioner, Front loading Washing Machine, Microwave Oven, Vacuum Cleaner

Operating Results

Sales	5,649 billion won
Operating Profit	497 billion won (8.8%)

Quarterly Sales(trillion won)
Operating profit(%)



Strategic Plan

We plan to expand our product leadership and become a Global Top 3 company by cultivating our competitiveness through continuous improvement in quality, reduction in costs, introduction of a steady stream of innovative products, and enhancement of our brand leadership in the global market.



Digital Display & Media

As our DDM company was the first to develop the world's largest 76" PDP TV, we have enhanced our global recognition in the display industry with the world's best technology and competitiveness. We also solidified our position as the top global leader in optical storage and digital products.

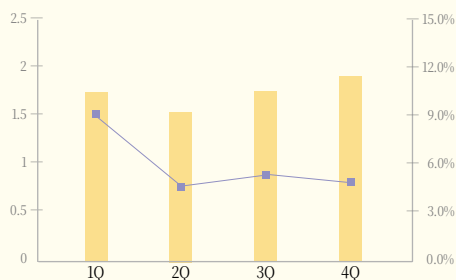
Major Products

PDP, DVD Player, TV & Monitor, Optical Storage, Home Theater

Operating Results

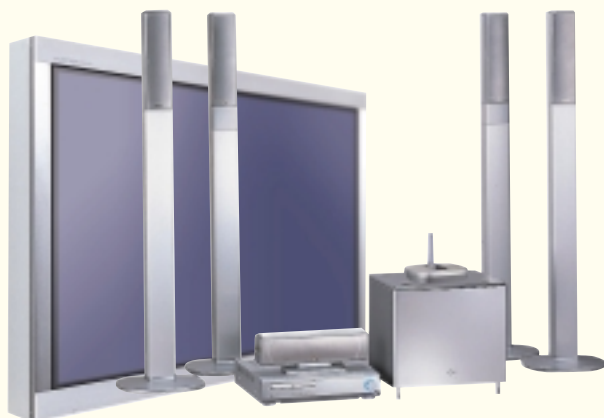
Sales 6,885 billion won
Operating Profit 398 billion won (5.8%)

Quarterly Sales(trillion won)
Operating profit(%)



Strategic Plan

We will strive to become "No.1 LG" in our core businesses such as digital TVs, PDPs and LCD monitors through expanding and strengthening our market leadership and fostering new prospective businesses to lead the future market. We also shall enhance our cost competitiveness to improve profitability.



Telecommunication Equipment & Handset

This company, which focuses on creating a more harmonious communication system for the world, is the growth driver of LGE. Our Telecommunication Equipment & Handset Company includes telecommunication systems, PCs, PDAs and mobile handset which is called the "pocket jewelry."

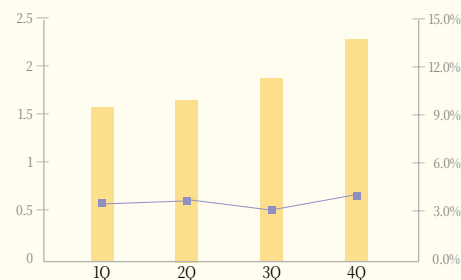
Major Products

CDMA Mobile Handset, GSM Mobile Handset, Wired/Wireless System, Enterprising Communication Products including PBX and Key Phone.

Operating Results

Sales 7,464 billion won
Operating Profit 286 billion won (3.8%)

Quarterly Sales(trillion won)
Operating profit(%)



Strategic Plan

We will promptly respond to consumer demand by timely providing additional services and high-tech products. Through this, we will become a Global Top 3 handset maker expanding our business in the high-end US and EU markets. We will also upgrade the profitability of the telecommunication system and PC businesses.





LG Electronics was the first in the world to unveil a 50" HD class PDP with a built-in tuner. Also, we developed the "XD Engine" chip using our own proprietary algorithms to improve picture quality. Our global leading optical storage business produced the "Super Multi Drive", the world's first DVD writer to support DVD+RW,-RW as well as RAM-type.

Nam Kyun Woo | Digital Display & Media Company

Global Top 3 Display & Media Company

Dear Shareholders and Customers,

The year 2003 was a difficult year for business due to the war in Iraq, unstable economies in the Middle East and South America, the rise in oil prices, and the fluctuations in the exchange rate. In the face of such difficult circumstances, the management of the Digital Display & Media Company sought to strengthen competitiveness and focus on profits. As a result, all of our businesses were profitable, and the entire company posted its historical best sales and profit figures. We can attribute such achievements to the aggressive promotion of our three guiding principles: product leadership, market leadership, and operational excellence.

Taking a closer look at our performance by product, we start with our Digital TV (DTV) business. Last year we unveiled the world's first 50" High Definition (HD) PDP with built-in tuner and developed the "XD Engine" chip using our own proprietary image-enhancing algorithms. As for optical storage, we solidified our global leadership with the release of our Super Multi Drive, the world's first multi-format DVD writer that not only supports DVD+RW, -RW but also RAM as well. In the future, we expect digital broadcasting to be a high growth market; as such, we developed an HD level set-top box and data communications system designed specifically for automobiles that will help us lead the promising telematics market.

Although the outlook for 2004 is positive with recovery in global IT spending expected and an upbeat view on the US market, it is too early to be overly optimistic as consumer sentiment is quite mercurial and the North Korean nuclear situation is unresolved. However, inspired by the tough but successful experience of 2003, we will confront these challenges to achieve the following management goals.

First, we will concentrate our efforts to become No.1 in Digital TVs, PDPs, and LCD monitors.

Using our core competency in digital technology, we are striving to make leading DTVs at competitive prices by reducing costs through innovations in process manufacturing. The PDP market is growing rapidly, and we are determined to secure our market leadership through timely investments to increase production capacity. Moreover, we have an aggressive marketing strategy to promote the value of the LG brand for DTVs, PDPs and LCD monitors in North America.



PDA Phone
Measuring 110x58mm with only a thickness of 24mm, our compact PDA phone packs a full load of features including a 1.1 megapixel camera, camcorder, MP3/multimedia player, and a 64 poly MIDI bell.

Second, we will aggressively cultivate promising businesses. Digital broadcasting is a burgeoning market that brings together many different technologies and services, and we believe that our highly differentiated set-top boxes can lead this trend toward convergence. Telematics is another area of future expansion and we are building up

our core technologies for this business. As for our PC business, we are planning to focus our energies on LG brand products. Finally, we will actively develop next generation PDA phones so that they may become another engine of future growth.

Third, we will focus more efforts on increasing profits. We will strive to increase our technological core competency by hiring more competitive R&D personnel, instituting cost reducing project called TDR(Tear Down and Redesign) where innovation is encouraged based on first principles rather than starting from an existing point of view, continuing on with our 6 Sigma efforts, strengthening our software and promoting e-Transformation activities. Based on such initiatives, we will create a result-oriented environment where work is enjoyable and employees are encouraged to create a “Great Company.”

The global economy is still uncertain. However, such difficulty can be overcome through strong execution and continuous advancement toward our goals. Moreover, our long-term goal of becoming a “Global Top 3 Display & Media Company” will come closer to reality with your valued support and encouragement.

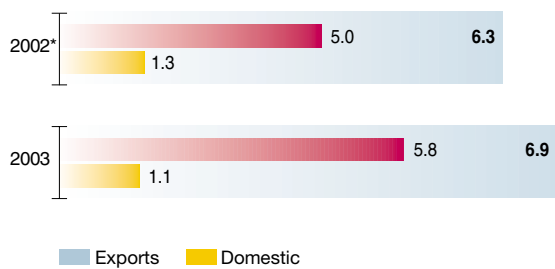
Thank you.

Head of Digital Display & Media Company, Nam Kyun Woo

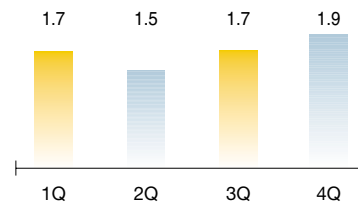
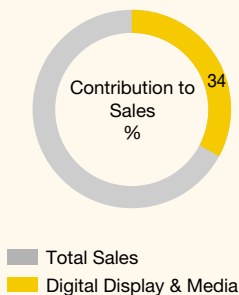
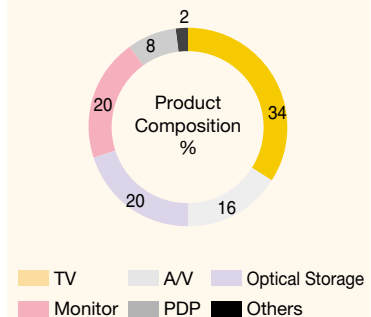
Wireless Home Theater

Driven by the world's first short-distance wireless communication technology, our home Theater with wireless rear speakers is easy to install and completely solves any interior decorating problems caused by messy wires.



Business 業 Research, development and production of Multimedia and Display related productsSales(unit : trillion won)

*The sales on raw materials(outsourcing related) in 2002 are excluded for like-for-like comparisons.

Quarterly Sales(unit : trillion won)Contribution to SalesContribution to Operating ProfitProduct Composition

2003 Quick Review & 2004 Outlook

2003 Results

Sales : 10.0% YoY growth to 6.89 trillion won

- Despite SARS epidemic, War in Iraq, and the weak domestic economy, sales grew by export expansion and well performed high-end products
- Growth was led by PDPs and DTVs as well as DVD writers

2004 Outlook

While the IT industry and the global economy are expected to recover, severe price competition in digital products and slow domestic economy are risks

- PDP : start of 3rd mass production line and planning of 4th line
- Digital TV & LCD monitors : strengthening of brand in the North American market
- Optical Storage : sales expansion of DVD writers and timely release of new products



In 2003, we sold 27 million handsets for a total of 5.2 trillion won. This is more than a 47% increase over the previous year. As a result, we raised our global market share to 5.3% and we are now ranked in the Global Top 5. This has established a solid foundation for LG Electronics to reach Global Top 3 by 2007.

Mun Hwa Park | Telecommunication Equipment & Handset Company

M. H. Park

Rising Star in the Global Market

Dear shareholder and customers,

In the difficult international and domestic market environments of last year, LGE rose to the new challenges of the worldwide handset market and secured a position as one of the Top 5 handset makers in the world.

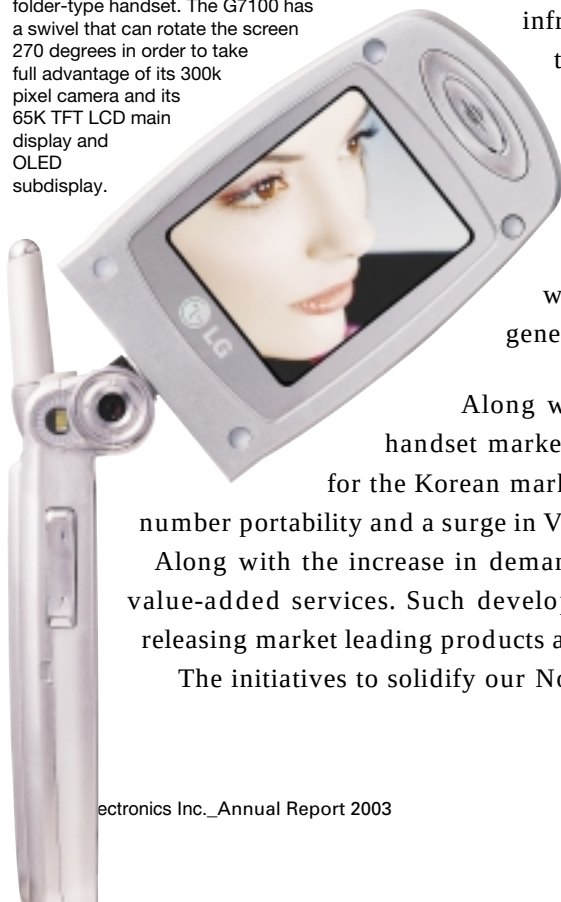
Despite the extreme slump in the worldwide telecommunication market, we led the international camera handset market to become the No.1 CDMA handset maker in the world. In particular, we became the number one supplier to Verizon Wireless, North America's largest wireless carrier. Moreover, we have successfully penetrated the global GSM market, supplying more than one million units in 2003 to major GSM carriers such as Vodafone, Orange, and Cingular. In just two short years since launching our GSM handset business, we have laid a strong foundation for becoming a global player in the GSM market.

We have taken major strides in increasing our brand name through our innovative products and aggressive brand marketing in the US and Europe as evidenced by the growth of our global mobile handsets. Moreover, US customers rated LGE number one in customer satisfaction, and we have been dubbed a "Rising Star" by the media.

For our mobile handset business in 2003, we sold a total of 27 million handsets, registering 5.2 trillion won in sales, which is more than 47% growth over the previous year. On the back of such growth, we raised our global market share sharply to 5.3% and we are now ranked in the Global Top 5. We have now established a solid footing for LG Electronics to become a Global Top 3 company by 2007.

G7100 (GSM handset for the EU)

We have incorporated a highly-differentiated design to our MMS folder-type handset. The G7100 has a swivel that can rotate the screen 270 degrees in order to take full advantage of its 300k pixel camera and its 65K TFT LCD main display and OLED subdisplay.



Despite the downturn in investment of wired and wireless communication carriers and several years of stagnation in the communications infrastructure industry, we were able to successfully turn around our telecommunication systems business as it became profitable through business rationalization. Of significant note, LGE is poised to become a leader in 3G mobile communication systems, displaying considerable technological prowess with the successful commercialization of W-CDMA system equipment. On the back of our internally developed technology, we have laid the foundation for future growth in the next generation network market.

Along with the recovery of the global economy, the worldwide mobile handset market in 2004 is expected to post robust growth figures. The forecasts for the Korean market also call for a 10% increase over the previous year, boosted by number portability and a surge in VOD/Camera handset demand.

Along with the increase in demand, telecom operators are expected to focus on offering data and value-added services. Such developments will allow us to recover from last year's stagnation by releasing market leading products and expand our market share in the premium segment.

The initiatives to solidify our No.1 market share position in the CDMA market and to double our

last year's GSM sales volume of 6 million units are underway. In addition, we are actively preparing 3G handsets to become a leader in the domestic and global 3G mobile handset market.

This year's market for telecommunication equipment does not look to improve much from the past several years. Although the continuation of industry restructuring seems inevitable due to the decrease in systems investments by domestic and international wire and wireless telecommunication companies, our company will leverage our previously accumulated technological know-how of the W-CDMA system and next-generation network products to increase profitability.

Everyone at the Telecommunication Equipment & Handsets Company is committed to making this the year to "Leap to Global Top 3" and we will strive to achieve this goal as early as possible through multi-level innovative activities. We will become an organization that achieves both growth and profit at the same time by redoubling each person's efforts and maximizing our company's capabilities. Thus, in 2004 we hope to confirm our status as a "Global Top Player" in the mobile handset market as we continuously advance toward our goal of becoming a Global Top 3 by 2007.

Thank you.

Head of Telecommunication Equipment & Handset Company, **Mun Hwa Park**



LG-SV130 (CDMA handset for Korea)

This multimedia handset was the first in Korea to have a 1 hour recording and playback camcorder. It comes with a high-performing VGA camera, supports VOD service (1X-EVDO) and emits 3D sound from its dual speakers.



Softswitch

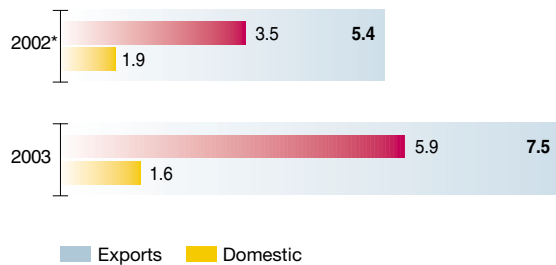
Built for the NGN (Next Generation Network) and BCN (Broadband Convergence Network) which are the next generation wire and mobile communication environments, Softswitch is the main brain of the system that integrates voice, data, and visual services.

Developed in collaboration with KT, we conducted the world's first demonstration in December 2003. In terms of signal processing capacity, Softswitch can process 4~5 times more than the TDX-100 switchboard which is the existing telephone network.

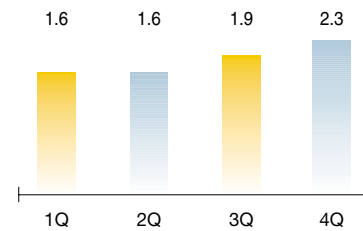
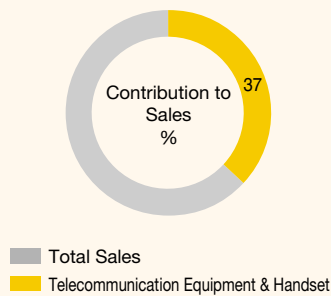
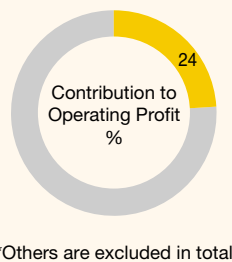
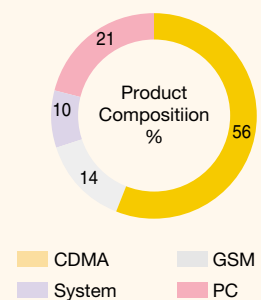


VX6000 (CDMA handset for US)

Our VX6000 was the first camera handset sold by Verizon. Its OLED subdisplay offers a clear exterior screen and this MMS handset supports multi-frame shooting, sticker pictures and photo-mail service. The VX6000 was highly praised by the US media, one even called it the "Pocket Jewelry."

Business 業 Research, development and production of Mobile Handset, Communication System and PCSales(unit : trillion won)

*The sales on raw materials(outsourcing related) in 2002 are excluded for like-for-like comparisons.

Quarterly Sales(unit : trillion won)Contribution to SalesContribution to Operating ProfitProduct Composition

2003 Quick Review & 2004 Outlook

2003 Results

Sales : Mobile handset sales posted 47.4% YoY growth to 5.18 trillion won

- On a unit basis, handsets volume increased 72% to 27.4 million units
- System and PC sales increased 17.7% to 2.28 trillion won

Remarkable expansion of CDMA M/S : Number 1 in both North American and Indian markets
Continue penetration of GSM market through major carriers: Vodafone, T-Mobile, Cingular, etc.

2004 Outlook

The handset market expected to outgrow the general expectation

- 510 to 520 million handsets market expected (7~10% YoY growth)
- Replacement demand in North America and Western Europe and new demand from Asia and Eastern Europe expected
- Increased demand for next-generation handsets such as color, multimedia and camera phones
- 2004 target sales growth of 32%, representing 36 million handsets



LG Electronics has strengthened its appliance market position. We maintained our No.1 market share in room air conditioners for the fourth consecutive year, and for microwave ovens, we sold 15 million units last year to maintain our global leadership for the second year in a row. Further, we have penetrated the US washing machine market, competing in the high-end segment.

Young Ha Lee | Digital Appliance Company

A handwritten signature in blue ink, consisting of stylized characters that appear to be 'Young Ha Lee'.

Strengthening Our Foundation for Continuous High Growth

In 2003, despite the weak domestic market and various global difficulties, our Digital Appliance Company achieved 5.6 trillion won sales with 9% growth over the previous year on the back of strong exports, confirming our status as a global player.

Taking a look at our major products, we upheld our global No. 1 market share in residential air conditioners for the fourth consecutive year, and for microwave ovens, we sold 15 million units last year to secure our global leadership for the second consecutive year. Another noteworthy milestone includes the enhancement of our brand awareness in the global appliance industry, while we have strengthened our determination to compete head on with our major global competitors in the US washing machine market.



Linear-type Refrigerator

LGE was the first in the world to commercialize the use of a linear compressor in a refrigerator. As a result, our 586 liter linear-type refrigerator has achieved the world's lowest energy efficiency rate of 33 Kw/month. The refrigerator is also environment and people friendly as it uses natural refrigerants (R-600a) and a deodorizing filter with nano carbon balls.

2004 will bring great challenges to our management as the uncertainty in the global business and continued weakness in the domestic market carries over from the previous year. Even under such difficult circumstances, the Digital Appliance Company will continue to foster strong growth with innovative activities. LGE plans to continuously lead the market by focusing on our premium products such as front loading washing machines, side-by-side refrigerators, and commercial air-conditioners. Moreover, we will solidify our base for fast growth through differentiated marketing activities tailored to each major market and the newly growing markets as well. Moreover, we will concentrate on strengthening our R&D including expanding investment in home network and developing core technologies.

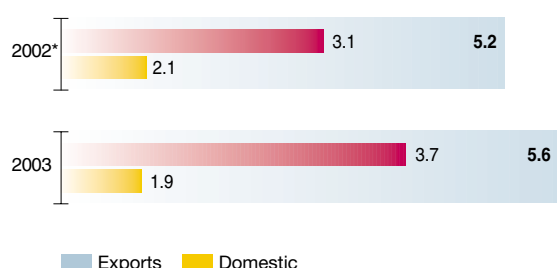
We will keep working hard to expand our dominant market position by producing innovative market leading products as well as improving product quality and cost competitiveness. Furthermore, we will respond to the changing business environment by actively optimizing our manufacturing lines and applying our Six Sigma and Digital Manufacturing System (DMS) initiatives to each product area.

The year 2004 will be a vital year for our Digital Appliance Company as lofty corporate goals have been set, and all the members of the company will endeavor to make these goals a reality. I would like to thank our shareholders and our customers for their continuous acknowledgement and support on behalf of Digital Appliance Company.

Head of Digital Appliance Company, **Young Ha Lee**

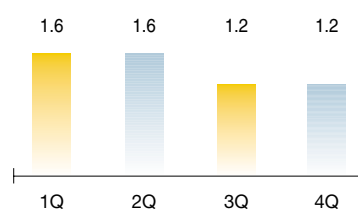
Business 業 Research, development and production of home appliances

Sales(unit : trillion won)

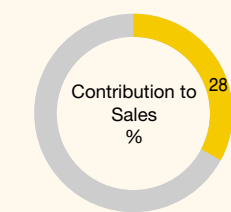


*The sales on raw materials(outsourcing related) in 2002 are excluded for like-for-like comparisons.

Quarterly Sales(unit : trillion won)

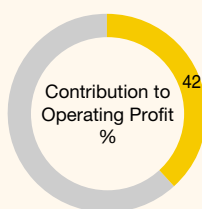


Contribution to Sales



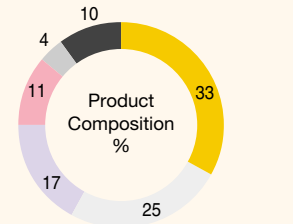
■ Total Sales
■ Digital Appliance

Contribution to Operating Profit



*Others are excluded in total

Product Composition



■ Air Conditioner ■ Refrigerator
■ Washing Machine ■ Cooking Appliance
■ Vacuum Cleaner ■ Others

2003 Quick Review & 2004 Outlook

2003 Results

Sales : posted 8.8% YoY growth to 5.65 trillion won

- Although domestic sales decreased in 2003, premium products sales and strong exports led overall sales growth
- Domestic market : -6.6% YoY growth
- Export : 19.2% YoY growth (25.8% growth in US dollar terms)
(Growth drivers : front loader, linear-type refrigerator, bagless vacuum, commercial air conditioners)

2004 Outlook

Sales growth will highly rely on success of overseas market expansion.

- Domestic : Expect similar level of sales to that of 2003.
- Export : Continuous growth with premium products in North America and in the EU



12Kg Front Loader

Our front loading washing machine has the world's largest capacity of 12kg (washer volume of 92 liters). Our front loader has a "Direct Drive Motor" to achieve the lowest noise level of 51 dB and uses smart drying technology that optimizes the drying process considering the size of the washing load and humidity.



ROBOKING

Roboking

Korea's first robot vacuum cleaner is user-friendly as it automatically recharges itself and can be directed with a remote control. This high-tech product also uses an ultrasonic sensor module which also acts as a transmitter that can recognize cliffs and edges.

Sensitive Cleaning System
Intelligent Moving System
Easy Controlling System





Due to the sluggish domestic economy, 2003 was a difficult year for all firms including LG Electronics. However, we were able to more than compensate for the domestic decline by increasing our exports by 32%, recording 18% overall growth to break through 20 trillion in total sales for the first time ever.

Young Soo Kwon | CFO

We have made some accounting changes in the last two years due to our demerger and changes in revenue recognition. To make a consistent comparison of our 2003 fiscal year with the prior year, we used the entire 2002 fiscal year figures from January to December 2002. Our official 2002 financial statement only covers the nine-month period from April to December 2002 due to the demerger. Also, in 2003, a minor portion of our 2nd quarter sales from raw material (outsourcing related) and PC Buy & Sell (PC OEM) was reallocated to our 1st quarter sales. Finally, the following section contains forward-looking statements with respect to results of operations, the financial conditions and plans and objectives of the management of LG Electronics. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results of performance of LG Electronics to be materially different from any results or performance expressed or implied.

2003 Performance

Due to the sluggish domestic economy, 2003 was difficult year for all firms including LG Electronics. In the face of such difficulties, our sales grew 18% YoY breaking the 20 trillion won sales milestone for the first time ever as strong exports growth of 32% YoY more than offset the slow domestic market. In particular, our Handset division posted 47% YoY sales growth and our Display & Media Company grew 10% thanks to robust Digital TV and PDP sales.

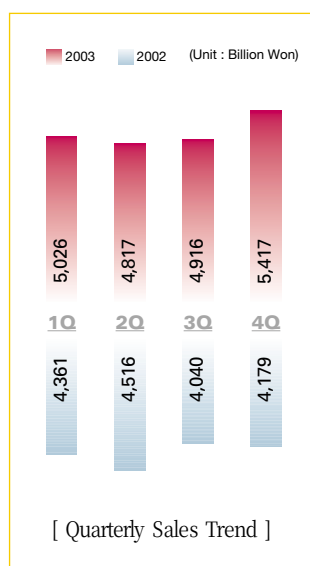
In 2003, we increased our position among the major global handset makers, leaping up to number five in the world, up another notch from 2002. As for PDPs, we have set a solid foundation to lead this rapidly growing market as our timely facility investments have us battling for the global top tier position in terms of panel production.

Our profits swelled in 2003. Operating profit surpassed 1 trillion won again in 2003 to 1.06 trillion won, and net profit surged 33% YoY to 663 billion won. Considering our strong performance in the face of a weak domestic market, we believe that in a favorable market we can achieve even better results.

SALES

As mentioned above, our sales increased 18% YoY to 20.18 trillion won. Taking a closer look at our results reveals the following three positive trends.

First, our overall revenue was spread out more evenly by quarter in 2003. The robust growth of handsets and digital TVs helped to balance out the seasonality effect that has come historically due to the concentration of air conditioner sales in the first half. We consider the rapid growth of our core businesses, which includes handsets and digital TVs, as the proper path for our company to become a fundamentally strong and balanced global company.



Second, we were able to use our global network and know-how accumulated through our global management to compensate for the slow domestic market. While domestic sales fell 12% YoY due to the depressed Korean market in 2003, we were still able to produce overall growth as all of our companies namely Appliances, Display & Media and Telecommunications posted over 15% export growth. This export growth more than made up for the decline in domestic sales. In particular, LG Electronics' main growth driver, the handset business, posted an export sales growth of 84% YoY.

Third, our Telecommunication Equipment & Handset Company has surpassed

Sales by Company

(Unit : Billion Won)

		2003	2002*	Change
Digital Appliance	Domestic Sales	1,946	2,084	-6.6%
	Exports	3,703	3,109	19.1%
	Sub Total	5,649	5,193	8.8%
Digital Display & Media	Domestic Sales	1,133	1,276	-11.2%
	Exports	5,752	4,982	15.5%
	Sub Total	6,885	6,258	10.0%
Telecom Equipment & Handset	Domestic Sales	1,553	1,945	-20.2%
	Exports	5,911	3,510	68.4%
	Sub Total	7,464	5,454	36.8%
Mobile Handset	Domestic Sales	849	1,163	-27.0%
	Exports	4,335	2,354	84.1%
	Sub Total	5,184	3,517	47.4%
Others	Domestic Sales	162	154	5.0%
	Exports	18	36	-50.8%
	Sub Total	179	190	-5.5%
Total	Domestic Sales	4,794	5,458	-12.2%
	Exports	15,383	11,637	32.2%
	Total	20,177	17,095	18.0%

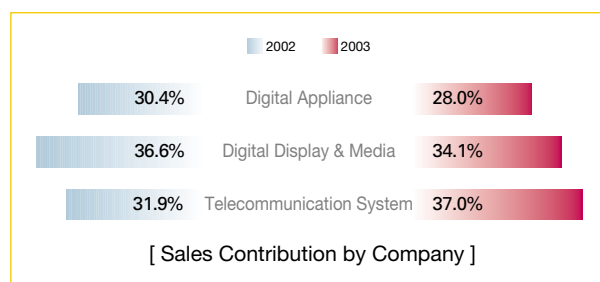
(*) The sales on raw materials(outsourcing related) in 2002 are excluded for like-for-like comparisons.

Display & Media to become LGE's largest company, now comprising 37% of our total revenues. While the Display & Media Company grew a respectable 10% YoY in 2003, our handsets business posted greater than 45% YoY growth for the third consecutive year to take the number one spot. This qualifies our telecommunications business as a serious contributor to our overall business along with home appliances and IT businesses. Thus, we have established a stable and diversified portfolio of businesses that is well balanced, reducing the seasonality effects of the past.

Appliance

The Appliance Company, which is comprised of such major products as air conditioners, refrigerators, washing machines, and vacuum cleaners, recorded 9% YoY sales growth to 5.65 trillion won. In 2003, our Appliance Company focused on increasing the portion of premium products and enhancing our brand power in order to build a solid base for future growth.

2003 was also a year of great difficulty as the domestic market weakness negatively affected our company's domestic sales, falling 7% YoY. However, by concentrating on increasing our premium product sales, our product mix improved leading to 19% YoY growth in overseas sales, which in turn helped us overcome these hard times in the domestic market.



Washing machines, in particular, was one of the major growth drivers as it posted 73% export growth. Moreover, our high end drum-type washing machine has become so popular in Korea that it has become a brand name synonymous with all types of drum-type washing.

Display & Media

TVs, monitors, optical storage and PDP (plasma display panel) modules comprise the major products in our Display & Media Company. This company posted a sales growth of 10% YoY to 6.89 trillion won. PDP sales growth of 186% YoY was one of the main driving forces as LGE made a timely capacity increase ahead of other PDP makers, ramping up our 2nd line to become the largest PDP module supplier just when the market began experiencing a shortage of modules.

As for TVs, LGE is benefiting from the increase in growth of the large-size TV market. Not only did our sales increase 26% YoY, we believe LGE has built a strong technological and operational base to lead the burgeoning digital broadcasting era. For example, we already own the patent for a key piece of technology behind the US digital broadcasting system. In addition, our vertically integrated supply chain gives us access to a steady and stable supply of the world's best display components; we receive TFT LCD panels from LG.Philips LCD, the global number one supplier of large-size LCD panels, and we source PDP modules internally. In terms of monitors, we have reorganized our lineup to concentrate on more premium products as LCD monitors have displaced CRT monitors as the display of choice. Also, DVD-related products like DVD-Rom and DVD-RW are becoming increasingly dominant, replacing CD-RW as the optical storage market rapidly evolves.

Telecommunication Equipment & Handsets

Telecommunication Equipment & Handset Company, which is comprised of handsets, telecommunication equipments, and PCs, grew 37% YoY to 7.46 trillion won in 2003. Handsets, the largest business in this company, posted 72% YoY growth on a unit basis, selling more than 27 million units. LGE is now is the 5th largest handset maker in the world, moving up one notch from last year's 6th position.

Our CDMA handsets did particularly well last year. Fortune magazine gave its top rating to the camera phones we shipped to Verizon, the US largest wireless carrier, and we became the number one seller of camera phones in the North American market. Moreover, on the back of our success in the North American and Indian market we became the number one CDMA handset maker in the world.

The future of our GSM business also looks very promising. In less than two short years, we have already made business ties with the major GSM operators such as Vodafone, T-Mobile, and Orange in Europe and Cingular in the US, and our GSM sales increased 132% YoY.

Our systems business has suffered from contraction in the telecommunication equipment market and our own restructuring, but we have taken the steps necessary to maintain profitability going forward. As for our PC business, we achieved 50% sales growth due to an increase in notebook PC orders.

PROFITS

In 2003, we were able to show a significant increase in profits from the previous year. Our gross profits increased 11% YoY to 4.83 trillion won, operating profits grew 3% to 1.06 trillion won, recurring profit rose 24% to 837 billion won and net profit surged 33% to 663 billion won.

However, our gross and operating profit margins declined slightly as the slow domestic market negatively affected domestic sales and handset profits. Recurring profit margin, on the other hand, improved dramatically from the year before due to the contribution from LG.Philips LCD, which in turn boosted our net profit.

Profit	(Unit : Billion Won)					
	2003		2002		Change	
	Profit	Margin	Profit	Margin	Profit	Margin
Gross Profit	4,826	23.9%	4,349	25.4%	11.0%	-1.5%p
Operating Profit	1,062	5.3%	1,029	6.0%	3.3%	-0.7%p
Recurring Profit	837	4.1%	675	3.9%	23.9%	0.2%p
Net Profit	663	3.3%	498	2.9%	33.2%	0.4%p

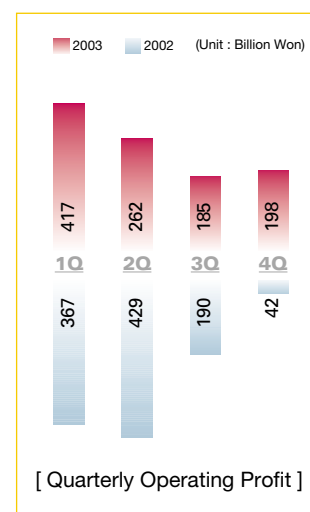
Operating Profit

In 2003, we surpassed 1 trillion won in operating profit for the second year, reaching 1.06 trillion won.

Taking a closer look by company, our Appliance Company was most profitable, recording 497 billion won and an 8.8% margin. Although margins deteriorated slightly from the previous year due to the drop in domestic sales and ensuing price competition, we still significantly exceeded our competitors. The highest growth in operating profits came from our Display & Media Company with 44% YoY growth. This was possible thanks to PDP modules turning profitable after 186% YoY sales growth and a recovery in optical storage profitability due to the rise of DVD-RW sales.

Last year was a difficult year for our handset company profits as we had some delays in our new product lineup for the domestic market, which led to a loss of market share. In the second quarter, our profits suffered as our operating profit margin fell to 2.1%. However, in the second half of the year we regained our footing as camera handsets sales increased in North American and a recovery in the domestic market. Moreover, despite a 20% reduction in sales from our telecommunication system business after our restructuring efforts, we were able to get out of the red and post solid profits.

We would also like to mention that we were finally able to end the yearly tendency for our operating profits to shrink in the fourth quarter as we benefited from the growth of our Display & Media and Handset Company while doing a better job of distributing our costs more evenly throughout the year. For example, in



Operating Profit	(Unit : Billion Won)					
	2003		2002		Change	
	Profit	Margin	Profit	Margin	Profit	Margin
Digital Appliance	497	8.8%	604	11.6%	-17.7%	-2.8%p
Digital Display & Media	398	5.8%	275	4.4%	44.4%	1.4%p
Telecommunication Equipment & Handset	286	3.8%	251	4.6%	13.7%	-0.8%p
Mobile Handset	250	4.8%	343	9.7%	-27.3%	-4.9%p

the 4th quarter of 2002, operating profits shrunk 78% from its previous quarter to 42 billion won, but in 2003 4th quarter profits increased 7% QoQ to 198 billion won.

Recurring profit

Our recurring profit rose 24% YoY to 837 billion won. In 2003, there were a variety of external factors that contributed to overall profit growth. First, we will explain our accounting net equity loss of 585 billion won and our adjusted equity gain of 35 billion won.

LG.Philips LCD contributed 540 billion won through equity method accounting as it became the largest producer of TFT LCD panels in the world by setting up a second 5th Generation LCD facility while TFT LCD panel prices rose significantly. However, we incurred an equity method loss of 1,032 billion won from our CRT joint venture, LG.Philips Displays, in addition to a 93 billion won loss from our overseas subsidiary. The huge losses from LG.Philips Display were due mainly to the rise of LCDs and the contraction of the CRT market and losses from asset revaluation.

However, the 585 billion won equity method loss does not clearly paint the whole picture and one should considering the other non-operating gains that more than offset the losses. Specifically, we recorded a gain of 501 billion won when we transferred our shares of LG.Philips Displays to our overseas subsidiary, and a provision made earlier of 119 billion won was brought back down. Thus, our adjusted equity method gains were in fact a positive 35 billion won.

Our interest payments decreased 34 billion won or 14% to 209 billion won. Despite an increase in debt, thanks to a zero coupon CB issuance and significantly lower interest rates from a higher portion of foreign debt (25.3% of total debt in 2002 to 32.8% in 2003), we were able to bring down our average cost of debt.

Net Profit

Our net profit increased 33% to 663 billion won. The main reason for the significant improvement in earnings, as we mentioned earlier, was the increase in recurring profit, and the second was our effective tax rate falling to 21% from 26% the year before.

BALANCE SHEET

Despite an increase in debt, our financial structure improved as the rise in shareholders' equity from strong earnings helped bring down our liabilities-to-equity ratio by 15 percentage points to 222% from 237% previous year, while our net debt-to-equity ratio fell to 93% from 96%.

At the end of 2003, our total assets were 11.3 trillion won, 1.1 trillion won more than the previous year. The main reasons for the increase in assets include an increase in cash of 520 billion won to 537 billion won, a rise in the value of LG.Philips LCD, and greater facility investment that raised our tangible assets.

Our liabilities increased by 645 billion won to 7.77 trillion won, driven mainly by our interest bearing debt rising 891 billion won to 3.79 trillion won, but most of it is still reflected in our cash increase of 520 billion won. Thus, as we mentioned above, we are still financially healthier as our liabilities-to-equity and net debt-to-equity ratios have fallen to 222% and 93% respectively.

As retained earnings increased on the back of our net profits, our total capital base increased 500 billion won to 3.50 trillion won. Finally, our share price rose 42% from 41,300 won per share at the end of 2002 to 58,600 won per share at the end of 2003.

Financial Positioning

(Unit : Billion won)

	2003	2002	Change
Total Assets	11,277	10,133	1,144
Current Assets	3,773	2,963	810
Fixed Assets	7,505	7,170	335
Investment Assets	3,546	3,304	242
Tangible Assets	3,123	2,893	230
Intangible Assets	836	973	-137
Total Liabilities	7,773	7,128	645
Tangible Liabilities	5,091	4,737	354
Intangible Liabilities	2,682	2,391	291
Total Shareholder 's Equity	3,505	3,005	450
Paid-in Capital	784	784	0
Capital Surplus	1,892	1,876	16
Retained Earnings	766	278	488
Capital Adjustment	63	67	-4

INVESTMENT

We invested a total of 1.85 trillion won in 2003 or 9% of total sales. Of this amount, investment earmarked for our 2nd PDP line was 830 billion won, and R&D expenditure was 1.02 trillion won or 5% of sales.

(Unit : Billion Won)

	2003		2002	
	Investment	Sales Composition	Investment	Sales Composition
Capex	830	4.1%	533	3.1%
R&D Investment	1,024	5.1%	689	4.0%
Total	1,854	9.2%	1,223	7.2%

2004 Outlook

The following section contains forward-looking statements with respect to results of operations, the financial conditions and plans and objectives of the management of LG Electronics. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors, which may cause the actual results of LG Electronics to be materially different from any future results or performance expressed or implied. LG Electronics, therefore, does not make any warranty as to the accuracy or completeness of the statements in this section.

MARKET OUTLOOK AND STRATEGY

We expect the global market to begin recovering to some extent in 2004, but the domestic market recovery is still difficult to predict. Nevertheless, we will focus on our core products, which include PDPs, Digital TVs,

and 3G handsets. Our aggressive export drive to overseas markets with these products should allow us to achieve our growth targets. Moreover, over the mid-term we will continue to promote products with high growth potential like DMB (digital multimedia broadcasting) handsets, home network, post PC, and telematics.

Looking at each of our companies and starting with our Appliances, we expect the domestic appliance market to be similar to 2003, but we will focus on the high-end market in North America and Europe with premium products like our drum-type washing machine and side-by-side door refrigerator to maintain high levels of profitability. In Display & Media, we will strive to become the number one player in the PDP market as our 3rd PDP line will ramp up production in 2004. Moreover, we will take advantage of the growth in the digital TV market, starting in the US market where a digital broadcasting system is being rapidly adopted. Against this background, we expect sales of our premium products like LCD monitors and optical storage products like DVD-RW to be strong this year.

We believe 2004 will be a watershed year for our handset business. We need to expand our global market share while improving profitability of the business in order to strengthen our position as a major handset maker. We believe the market will expand rather than shrink and the growth will be led by color handsets particularly with a camera function. We believe we can take advantage of this opportunity and are targeting at least 32% growth to more than 36 million units in 2004 to cement our status as a top player in the handset market. To this end, we plan on strengthening our position in the North American market while expanding further in the European GSM market. In the domestic market where we did poorly last year, we believe product leadership and aggressive marketing will help us gain back our market position.

PERFORMANCE OUTLOOK

Using the aforementioned management strategy, we are targeting 7~9% growth this year to reach 21.60~22.00 trillion won in sales. We are planning to increase R&D spending by 17% YoY to 1.20 trillion won and facilities investment by 33% YoY to 1.10 trillion in order to ramp up our PDP 3rd line and invest in other core businesses like handsets. Overall, our investments will increase 24% YoY to 2.30 trillion won.

(Unit : Billion won)

	2004		2003	2002
	Plan	Increase	Result	Result
Sales	21,600~22,000	7%~9%	20,177	17,095
Investment	2,300	24.1%	1,854	1,223
Capex	1,100	32.6%	830	533
R&D Investment	1,200	17.2%	1,024	689

Thus, we are aggressively investing in our core businesses and at the same time focusing on profitability. We will continue to pursue business rationalization, enhancing our price competitiveness by improving our cost structure. Moreover, we will also efficiently control market risks such as fluctuations in interest rates and the exchange rate.

Thank you.

CFO, Young Soo Kwon



We believe 2004 will be the beginning of a new era of growth in China. While our competitors have been stepping up their activities recently, we believe our accumulated expertise over 10 years in the China market gives us a competitive edge and the foundation to achieve "GCGP" in our biggest neighbor.

Jin Bang Son | LGE China Holding Company

I Love China

2003 was a meaningful year for LG Electronics as it marked the tenth anniversary of doing full fledged business in China.

Since incorporating a joint venture in Huizhou City, Guangdong Province, we have firmly built the foundation to gain significant market share by setting up 14 production facilities and 9 regional sales headquarters throughout China. Also, we have completely localized our operations in China by recruiting capable local employees and establishing R&D centers in Beijing and other locations with incorporated production facilities.

Although squaring off against top tier multinational firms as well as the ambitious Chinese companies with their economies of scale is never easy, our consistent strategy for the past 10 years has allowed us to outperform our competitors.

For instance, we used the unexpected SARS epidemic as an opportunity to actively launch “Health Marketing” and “I Love China” campaigns and bring our company closer to our Chinese consumers. We have also prepared against various risks such as the revaluation of the exchange rate.

On the back of a decade of experience in China, we see 2004 as a stepping stone to a new era of growth. Even though we expect our competitors to step up their activities in the Chinese market, we believe that our success through the good and bad times gives us the strength and experience to achieve the following goals.

First, we will continue to pursue “Fast Growth” strategy in China. We will apply our successful business experiences gained in the metropolitan areas to middle and small sized cities in order to continue our “Fast Growth” strategy in China. To this end, we will rapidly increase our local operational manpower and encourage local R&D researchers to develop product styles that appeal directly to the domestic market.

Second, we will improve profitability and enhance our brand image by continuously promoting our advanced business structure. We aim to strengthen our brand image as a high-end total appliance maker and boost profitability as well by focusing on increasing the portion of premium products like PDPs and LCDs in our product portfolio. Moreover, using our experience gained from the Chinese market, we are working hard to become a leader in CDMA and GSM handsets as well.

Third, we will focus on strengthening our competitiveness and cultivating competent employees capable of implementing our full-scale initiatives. In order to advance our competitiveness to the next level, we will take our accumulated know-how gathered from 14 local production subsidiaries and continue to improve our entire organization using innovative

activities such as our TDR (Tear Down & Redesign) strategy. In addition, we will create a corporate culture that encourages daily innovation so that all of our employees in China can achieve continuously higher set goals.

In spite of the various uncertainties in China, many people believe China will continue to sustain its rapid growth. It is our most important task to lead China's growth trend even amidst fierce competition. All of us will do our best to actualize the "Great Company, Great People" campaign in China.

Thank you.

Head of LGE China Holding Company, Jin Bang Son





2003 Eco-friendly Management Activities

The main issue of the 21st Century is to promote the continuous development of both environment and economy. LGE has taken into consideration the social, environmental and ecological issues when formulating our management strategy for environmental preservation. We are striving to conserve energy, maximize recycling, and develop eco-friendly products to minimize the effects on the environment. We are also reviewing our manufacturing process for environmental hazards and providing technical support and education to our strategic partners. Through these efforts, LGE is devoted to gaining recognition as a digital global leader in protecting the environment.

The EU, US, and other advanced countries have armed themselves with eco-friendly technologies that have given them the advantage in the reorganization of global trade. As governments are offering tariff barrier exemptions to those companies that follow environmental regulations, eco-friendly technology is now a competitive strength for companies. In order to respond to the changes in the world trade, LGE's Environmental Technology Committee worked out an ambitious product development plan in December 2003, declaring "by the end of 2004, LGE will abolish the use of hazardous substances in all products." Such initiatives will help prepare LGE to compete as the international environmental regulations become increasingly stricter.

I. Environmentally Sound and Sustainable Management

*Environment, Safety & Health(ESH) Management System

In order to reduce risks to the environment, LGE has been operating a management system based on ISO14001 since 1995 and have supplemented this by following OHSAS18001 (Occupational Health & Safety Assessment Series) guidelines since 1999. Currently, all domestic facilities have acquired ISO14001 and OHSAS18001 certifications, and we have installed our management system throughout our organization. Annual inspections are conducted by headquarters as we conduct internal inspections of each of our facilities and periodically assess management performance. We try to identify potential risks and continuously work to improve our system to ensure internal and external regulations are met.

*Emergency Response System

For the safety and protection of all employees and assets, we have devised Enterprise Emergency Response Regulations that include EESH Accident Response Rules. For each of our companies, we set up risk management scenarios in order to improve our ability to respond to various situations. During actual crisis situations, LGE's Enterprise Emergency Response committee can quickly respond to ensure employee safety and protection of assets.

*Support for overseas facilities

As a part of the global management of our overseas facilities, we have been strengthening preventative measures by enacting global environment and safety regulations and reinforcing our evaluation/award/education system. We are providing our overseas subsidiaries with tailored ESH management consulting and technical support to promote advancement of eco-friendly activities. With the successful implementation of this system, LGE plans to support facilities to continuously enhance their ESH management performance.

*Participation in the Ministry of Environment's EPE

We have adopted the guidelines from the Ministry of Environment for creating a model practice for environment management called the

EPE (Environmental Performance Evaluation). The EPE is a method to quantitatively evaluate, analyze, report and communicate actual performance results of the policies, goals and other standards set by the committee to prevent pollution and improve the environment. Using EPE's objective structural cost/benefit analysis tool, we are now able to evaluate our performance against a standardized eco-friendly management score.

*Certification of eco-friendly products

LGE has developed a management system to abolish the use of harmful substances that starts from the supply chain. LGE has been developing and applying technologies to replace toxic metals such as lead. Moreover, we have expanded our recycling technology to reduce electronic waste products. One of LGE's refrigerator models qualified for an EDP (Environmental Declaration of Products) certificate, awarded by the Ministry of Environment, in 2002 for the first time. In 2003, all of our DIOS refrigerators received the EDP, and we are striving to acquire such certification for all LGE products.

*LG HI : LG Health Index

We have developed a LG Health Index to manage our employees' health in a more systematic and efficient way. The LGHI is used to develop a personalized health program for each employee.

*Selected for superior environment and safety management system

On "World Environmental Day" or June 5th, 2003, our Changwon 1 & 2 factories were awarded the Presidential Award for Superior Environment Management. Our Seoul facility was awarded the Prime Minister Award for Electronics Safety recommended by the Ministry of Commerce, Industry and Energy. Moreover, the Ministry of Labor and Maeil Business Newspaper awarded our Gumi TV facility its top prize in the manufacturing category for superior safety management in 2003 and specifically acknowledged our strengthened accident prevention activities and our successful safety management support system for our strategic partners.





II. Eco-friendly product development and production

Our eco-friendly product development strategy will completely abolish the use of toxic substances and stabilize the number of harmful substances below the regulation levels by the end of 2004. Specifically, we will employ lead-free soldering technology to all products by the end of 2004. As required by EU, we will also establish a take-back and disposal system for waste products. We are committed to increasing our recycling, developing eco-friendly products, and expanding our "Green Purchasing" system so that we will realistically meet every country's environmental regulations.

*Lead-Free Soldering

To prevent the use of hazardous substances, we will continuously develop eco-friendly products through new technology by enhancing our circuit designs and developing substitute materials. In 2003, we have already released products without lead soldering such as LCD TVs, monitors, washing machines, and air conditioners, and we plan to apply lead-free soldering to all LG products by the end of 2004.

*Eco-SCM : Eco-friendly Supply Chain Management

Our Eco-SCM is a tool that we use to enhance the environmental performance of parts suppliers by restricting the use of hazardous substances. The EU is expected to gradually institute full-scale

environmental restrictions on the hazardous content levels of products, and LGE has actively responded to such changes by voluntarily establishing an Eco-SCM operation process. In order to eliminate the 6 major hazardous substances (Cadmium, Mercury, Lead, Chromium(VI), etc.) as listed in the EU's RoHS (Restriction of the use of certain Hazardous Substances) from our products, LGE is starting from the warehousing of components. We are putting our best efforts to offer eco-friendly products to consumers while reducing risks to people and the environment from the source. That entails us to effectively manage the parts from our supply chain to improve the eco-friendliness of our final products.

*EPR : Extended Producer Responsibility

The EPR is a system where a producer or importer takes some responsibility for the environmental impact of a product, which may occur during any part of the life cycle of the product. Currently, our TVs, refrigerators, and washing machines are under this system. Our plans are to initiate a recovery system for mobile handsets and audio products by 2005. We have set up our CRC operations (recycling center for appliances) in the Haman district in Gyeongnam province from where we can recycle products and save resources.



2003 Financial Report

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Report of Independent Auditors

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

We have audited the accompanying non-consolidated balance sheets of LG Electronics Inc. (the "Company") as of December 31, 2003 and 2002, and the related non-consolidated statements of income, appropriations of retained earnings, and cash flows for the year ended December 31, 2003 and for the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002, expressed in Korean Won.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of LG Electronics Inc. as of December 31, 2003 and 2002, and the results of its operations, the changes in its retained earnings and its cash flows for the year ended December 31, 2003 and for the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw your attention to following matters.

As discussed in Note 25 to the accompanying non-consolidated financial statements, for the year ended December 31, 2003 and for the nine-month period ended December 31, 2002, the Company entered into various transactions with affiliated companies, including sales amounting to ₩12,590,720 million and ₩7,360,895 million, respectively, and purchases amounting to ₩2,679,403 million and ₩2,120,313 million, respectively. As of December 31, 2003 and 2002, related receivables approximated ₩584,407 million and ₩990,556 million, respectively and payables approximated ₩319,545 million and ₩819,649 million, respectively.

As discussed in Note 15 to the accompanying non-consolidated financial statements, the Company issued foreign currency convertible bonds amounting to US\$287.5 million in the Luxembourg Stock Exchange on August 11, 2003.

As discussed in Note 9 to the accompanying non-consolidated financial statements, the Company participated in the issuance of new shares of Zenith Electronics Corporation ("Zenith"), a subsidiary located in the U.S.A., amounting to US\$214 million, and collected senior secured notes of and loans to Zenith amounting to ₩246,225 million.

Report of Independent Accountants

For the years ended December 31, 2003 and 2002

As discussed in Note 9 to the accompanying non-consolidated financial statements, the Company invested its 27,841 shares (40.8%) of LG.Philips Displays Holding B.V. into LG Electronics Wales Ltd., a subsidiary located in the U.K., at the value of ₩500,821 million (GBP238 million).

As discussed in Note 2 to the accompanying non-consolidated financial statements, the Company has adopted the newly established Statements of Korean Financial Accounting Standards ("SKFAS") effective as of January 1, 2003. The effect of this adoption of new SKFAS was to decrease sales and cost of sales for the year ended December 31, 2003 by ₩1,244,262 million each.

As discussed in Note 33 to the accompanying non-consolidated financial statements, upon a resolution of the Board of Directors in February 2004, the Company is scheduled to acquire commercial papers (having a face value of ₩100,000 million at an annual interest rate of 7.5%, and maturing at the end of three months from the issuance date) of LG Card Co., Ltd., as part of the fulfillment of LG Card Co., Ltd.'s business normalization agreement with the creditor financial institutions.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those who are knowledgeable about Korean accounting principles or auditing standards and their application in practice.

Seoul, Korea
January 30, 2004

This report is effective as of January 30, 2004, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto.

Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Samil PricewaterhouseCoopers is the Korean member firm of the PricewaterhouseCoopers. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers international Limited, each of which is a separate and independent legal entity.*

Non-Consolidated Balance Sheets

December 31, 2003 and 2002

(in millions of Won)

	2003	2002
ASSETS		
Current assets		
Cash and cash equivalents (Notes 3 and 6)	₩ 536,853	₩ 17,176
Short-term financial instruments (Note 4)	40,732	766
Trade accounts and notes receivable, net (Notes 5, 6 and 25)	1,005,246	1,187,275
Inventories (Notes 7 and 13)	1,504,164	1,180,690
Other accounts receivable, net (Notes 5 and 6)	438,078	194,404
Prepaid expenses	40,959	67,896
Accrued income, net (Notes 5 and 6)	176,334	143,167
Advances, net (Note 5)	28,026	166,951
Derivatives transaction debit (Note 17)	654	2,110
Other current assets, net (Note 5)	1,671	2,174
Total current assets	3,772,717	2,962,609
Property, plant and equipment, net (Notes 10, 12, 13 and 26)	3,122,720	2,893,372
Long-term financial instruments (Note 4)	9,623	8,729
Long-term investment securities (Note 8)	246,712	297,601
Equity method investment securities (Note 9)	2,621,879	2,355,029
Refundable deposits (Note 6)	326,574	293,619
Long-term trade accounts receivable (Note 5)	22	123
Long-term prepaid expenses	85,425	68,878
Deferred income tax assets, net (Note 22)	249,728	237,905
Long-term loans, net (Notes 5 and 25)	5,725	42,246
Intangible assets (Notes 11 and 26)	836,301	972,467
Total assets	₩ 11,277,426	₩ 10,132,578

Non-Consolidated Balance Sheets, Continued

December 31, 2003 and 2002

(in millions of Won)

	2003	2002
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings (Note 14)	₩ 390,406	₩ 42,393
Current maturities of long-term debt (Note 14)	989,580	703,018
Trade accounts and notes payable (Notes 6 and 25)	1,791,833	1,954,039
Other accounts payable (Note 6)	1,100,406	1,051,833
Income taxes payable (Note 22)	48,761	156,609
Dividends payable (Note 24)	34	-
Accrued expenses (Note 6)	612,456	585,433
Withholdings	30,974	45,352
Advances from customers	116,489	197,428
Derivatives transaction credit (Note 17)	9,860	534
Total current liabilities	5,090,799	4,736,639
Debentures, net of current maturities and discounts on debentures (Note 15)	2,382,431	2,143,841
Long-term debt, net of current maturities (Note 15)	22,758	4,720
Accrued severance benefits, net (Note 16)	192,739	162,960
Product warranty reserve	83,982	79,200
Other long-term liabilities	115	166
Total liabilities	7,772,824	7,127,526
Commitments and contingencies (Note 17)		
Shareholders' equity		
Capital stock (Notes 1 and 18)	783,961	783,961
Capital surplus (Note 19)	1,891,986	1,876,153
Retained earnings (Note 20)	766,097	277,716
Capital adjustments (Note 21)	62,558	67,222
Total shareholders' equity	3,504,602	3,005,052
Total liabilities and shareholders' equity	₩ 11,277,426	₩ 10,132,578

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

Non-Consolidated Statements of Income

Year Ended December 31, 2003 and Nine-Month Period From April 1, 2002 (Spin-Off Date) to December 31, 2002

(in millions of Won, except per share amounts)

	2003	2002
Sales (Notes 25 and 26)	₩ 20,176,910	₩ 13,905,098
Cost of sales (Note 25)	15,350,719	10,731,086
Gross profit	4,826,191	3,174,012
Selling and administrative expenses	3,763,998	2,512,339
Operating income	1,062,193	661,673
Non-operating income		
Interest income	40,057	35,506
Dividend income	5,395	-
Rent income	12,216	6,648
Foreign exchange gains	263,375	235,662
Gain on disposal of property, plant and equipment	5,347	1,364
Gain on disposal of intangible assets	52	60
Gain on disposal of investment securities (Note 9)	503,536	10,403
Gain on valuation of securities using the equity method (Note 9)	-	26,666
Refund of income taxes	3,069	2,493
Gain on business transfer	-	579
Gain on settlement of derivatives (Note 17)	9,049	23,222
Gain on valuation of derivatives (Note 17)	654	2,110
Reversal of allowance for doubtful accounts	119,578	6,302
Others	161,095	122,695
	1,123,423	473,710
Non-operating expenses		
Interest expense	208,600	171,567
Foreign exchange losses	286,625	167,769
Loss from transfer of trade accounts and notes receivable	96,871	72,121
Loss from disposal of property, plant and equipment	67,097	59,815
Loss from disposal of investment securities	2,616	7,448
Loss on impairment of investment securities (Note 8)	29,273	-
Loss on valuation of securities using the equity method (Note 9)	584,571	-
Loss from redemption of debentures	-	1,302
Donations (Note 29)	8,271	5,731
Additional payment of income taxes	202	6,388
Other bad debt expense	184	85,605
Loss on settlement of derivatives (Note 17)	6,022	11,506

Non-Consolidated Statements of Income, Continued

Year Ended December 31, 2003 and Nine-Month Period From April 1, 2002 (Spin-Off Date) to December 31, 2002

	2003	2002
Loss on valuation of derivatives (Note 17)	9,860	534
Others	48,624	146,484
	1,348,816	736,270
Ordinary income	836,800	399,113
Extraordinary gains	-	-
Extraordinary losses	-	-
Income before income taxes	836,800	399,113
Income tax expense (Note 22)	173,976	121,397
Net income	₩ 662,824	₩ 277,716
Earnings per share (in Won) (Note 23)	₩ 4,229	₩ 1,768
Ordinary income per share (in Won) (Note 23)	₩ 4,229	₩ 1,768
Diluted earnings per share (in Won) (Note 23)	₩ 4,187	₩ 1,768
Diluted ordinary income per share (in Won) (Note 23)	₩ 4,187	₩ 1,768

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

Non-Consolidated Statements of Appropriations of Retained Earnings

Year Ended December 31, 2003 and Nine-Month Period from April 1, 2002 (Spin-Off Date) to December 31, 2002

(Dates of Appropriations: March 12, 2004 and March 14, 2003 for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002, respectively)

	(in millions of Won)	
	2003	2002
Retained earnings before appropriations		
Unappropriated retained earnings carried over		
from the prior year	₩ 15	₩ -
Effect of change in accounting principle (Note 11)	(3,271)	-
Changes in retained earnings arising from		
equity method accounting (Note 9)	(13,576)	-
Net income	662,824	277,716
	645,992	277,716
Transfer from voluntary reserve		
Reserve for research and manpower development	76,590	-
	722,582	277,716
Appropriations of retained earnings		
Legal reserve	19,660	15,743
Reserve for research and manpower development	506,200	76,590
Reserve for improvement of financial structure	-	27,771
Loss from disposal of treasury stock	62	166
Cash dividends (Note 24)	196,600	157,431
	722,522	277,701
Unappropriated retained earnings to be		
carried forward to the subsequent year	₩ 60	₩ 15

Non-Consolidated Statements of Cash Flows

Year Ended December 31, 2003 and Nine-Month Period from April 1, 2002 (Spin-Off Date) to December 31, 2002

(in millions of Won)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	₩ 662,824	₩ 277,716
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	617,894	447,809
Amortization of discounts on debentures	17,981	3,031
Provision for severance benefits	135,750	102,618
Loss from transfer of trade accounts and notes receivable	96,871	72,121
Bad debt expense	31,273	85,719
Loss (gain) on foreign currency translation, net	25,640	(29,283)
Gain from disposal of investment securities, net	(500,920)	(2,955)
Loss on impairment of investment securities	29,273	-
Loss from disposal of property, plant and equipment, net	61,750	58,451
Loss (gain) on valuation of securities using the equity method	584,571	(26,666)
Loss (gain) on valuation of derivatives, net	9,206	(1,576)
Gain on settlement of derivatives, net	(3,027)	(11,716)
Provision for product warranty	4,782	38,979
Others	(104,473)	(3,774)
	1,006,571	732,758
Changes in operating assets and liabilities		
Decrease (increase) in trade accounts and notes receivable	59,626	(67,074)
Increase in other accounts receivable	(213,827)	(33,711)
Increase in accrued income	(30,508)	(61,431)
Decrease (increase) in advances	139,003	(44,012)
Decrease (increase) in other current assets	21	(671)
Increase in inventories	(308,259)	(325,609)
Decrease (increase) in prepaid expenses	10,277	(19,112)
Increase in deferred income tax assets	(7,354)	(47,297)
Increase (decrease) in trade accounts and notes payable	(170,511)	394,742
Increase in other accounts payable	39,633	593,967
Increase (decrease) in accrued expenses	27,209	(585)
Increase (decrease) in withholdings	(14,385)	13,653
Increase (decrease) in advances from customers	(80,938)	57,031
Increase (decrease) in income taxes payable	(107,848)	156,609
Payment of severance benefits	(81,297)	(86,363)
Increase in severance insurance deposits	(27,341)	(36,170)
Decrease in contributions to the National Pension Fund	2,667	3,048
Others	-	(265)
	(763,832)	496,750
Net cash provided by operating activities	905,563	1,507,224

Non-Consolidated Statements of Cash Flows, Continued

Year Ended December 31, 2003 and Nine-Month Period from April 1, 2002 (Spin-Off Date) to December 31, 2002

(in millions of Won)

	2003	2002
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of short-term financial instruments	(39,966)	(436)
Acquisition of short-term trading securities	-	(48)
Decrease in short-term and long-term loans, net	73,214	24,398
Disposal (acquisition) of long-term financial instruments	(894)	5,374
Proceeds from disposal of investment securities	175,654	315,505
Acquisition of investment securities	(490,732)	(678,612)
Payment of refundable deposits	(32,715)	(38,041)
Proceeds from disposal of property, plant and equipment	39,630	15,917
Proceeds from disposal of intangible assets	291	3,188
Proceeds from disposal of derivatives	4,603	11,716
Acquisition of property, plant and equipment	(758,998)	(472,001)
Acquisition of intangible assets	(82,867)	(95,832)
Others	(200)	96
Net cash used in investing activities	(1,112,980)	(908,776)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	342,024	23,694
Payment of current maturities of long-term debt	(705,460)	(1,311,748)
Proceeds from issuance of debentures	1,247,738	696,702
Proceeds from long-term debt	22,242	-
Payment of debentures	(24,347)	(41,302)
Payment of dividends	(157,396)	-
Proceeds from disposal of treasury stock	2,536	-
Acquisition of treasury stock	-	(12,514)
Early redemption of long-term debt	(243)	(45,079)
Net cash provided by (used in) financing activities	727,094	(690,247)
Net increase (decrease) in cash and cash equivalents	519,677	(91,799)
CASH AND CASH EQUIVALENTS		
Beginning of the year (Note 32)	17,176	108,975
End of the year (Note 32)	₩ 536,853	₩ 17,176

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

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

1. The Company

As discussed in Note 30, LG Electronics Inc. (the “Company”) was spun off from LG Electronics Investment Ltd. (formerly LG Electronics Inc.) on April 1, 2002, to engage in the manufacture and sale of electronic, and information and communication products.

As of December 31, 2003, the Company operates manufacturing facilities in Kuro, Pyeongtaek, Chongju, Gumi, and Changwon in the Republic of Korea.

As of December 31, 2003, the Company has outstanding capital stock amounting to ₩783,961 million, including non-voting preferred stock. The Company’s stock was listed on the Korean Stock Exchange on April 22, 2002, and its depositary receipts (“DRs”) were listed on the London Stock Exchange in September 2002.

As of December 31, 2003, affiliated companies comprised of the LG Group, including LG Corp., and key management personnel, including the family members of such individuals, own a total of 32.1% of the Company’s common stock, and financial institutions, foreign investors and others own the rest of the Company’s common stock.

2. Summary of Significant Accounting Policies

The non-consolidated financial statements as of December 31, 2002 and for the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002, presented herein for comparative purposes, comply with Financial Accounting Standards of the Republic of Korea effective as of December 31, 2002, except for the early adoption of Statements of Korean Financial Accounting Standards (“SKFAS”) No. 6, Subsequent Events. The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below.

The financial statements of the Company will be approved by the Board of Directors on February 19, 2004.

Basis of Financial Statement Presentation

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

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

Accounting Estimates

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

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board ("KASB") has published a series of Statements of Korean Financial Accounting Standards ("SKFAS"), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. SKFAS No. 1, Accounting Changes and Corrections of Errors, became effective for the Company on January 1, 2002, and SKFAS No. 2, Interim Financial Reporting, through No. 9, Convertible Securities, became effective for the Company on January 1, 2003. The Company has adopted these statements in its financial statements for the year ended December 31, 2003. The most significant statement for the Company is SKFAS No. 4, Revenue Recognition.

Spin-Off Accounting

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

*Assets and liabilities are transferred based on the book value.

*Capital adjustments, including the gain or loss on valuation of investment securities, which are directly related to assets and liabilities transferred to the Company, are also transferred to the Company.

*The difference between the Company's net assets transferred from LG Electronics Investment Ltd. and capital, after adjustments arising from capital adjustments, is credited to paid-in capital in excess of par value.

Revenue Recognition

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

Effective as of January 1, 2003, pursuant to Statements of Korean Financial Accounting Standards ("SKFAS") No. 4, Revenue Recognition, the Company changed its accounting method for revenue recognition related to certain sales, from recognizing revenue on a gross basis to recognizing revenue on a net basis. This change resulted in the decrease in sales and cost of sales for the year ended December 31, 2003 by ₩1,244,262 million each.

Cash and Cash Equivalents

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

Securities

The Company accounts for equity and debt securities under the provisions of Statement of Korean Financial

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

Accounting Standards ("SKFAS") No. 8, Securities. This statement requires investments in equity and debt securities to be classified into three categories: trading, available-for-sale and held-to-maturity.

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

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

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

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

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

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

Allowance for Doubtful Accounts

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

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

Inventories

Inventories are stated at the lower of cost or market, with cost being determined using the weighted-average method, except for inventories in-transit which is determined using the specific identification method. If the net realizable value of the inventory is less than its cost, the carrying amount is reduced to the net realizable value.

Property, Plant and Equipment

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

	<i>Estimated useful life (years)</i>
Buildings	20 - 40 years
Structures	20 - 40 years
Machinery and equipment	5 - 10 years
Tools, furniture and fixtures, and vehicles	5 years

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

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

Lease Transactions

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

Research and Development Costs

Research costs are expensed as incurred. Development costs directly relating to a new technology or new products, for which the estimated future benefits are probable, are recognized as intangible assets. Amortization of development costs is computed using the straight-line method over five years from the commencement of the commercial production of the related products. Such costs are subject to continual analysis of recoverability. In the

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

event that such amounts are not estimated to be recoverable, they are written-down to their net realizable value.

Intangible Assets

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

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

The Company deducted the remaining balance of organization costs from retained earnings, in accordance with the newly established Statement of Korean Financial Accounting Standards ("SKFAS") No. 3, Intangible Assets, effective from January 1, 2003. The effect of this adoption of SKFAS No. 3 was to increase net income for the year ended December 31, 2003 and decrease retained earnings as of December 31, 2003 by ₩1,476 million and ₩1,795 million, respectively.

Borrowing Costs

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

Discounts (Premiums) on Debentures

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

Treasury Stock

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

Product Warranty

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

Accrued Severance Benefits

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

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

employees and directors were to terminate their employment as of the balance sheet date.

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

Income Taxes

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

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

Sale of Accounts and Notes Receivable

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

Foreign Currency Translation

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

The exchange rate used to translate U.S. Dollar denominated monetary assets and liabilities as of December 31, 2003 and 2002 is ₩1,197.8: US\$1 and ₩1,200.4: US\$1, respectively.

Derivative Financial Instruments

The Company utilizes several derivative financial instruments ("derivatives") such as forward exchanges, swaps and option contracts to reduce its exposure resulting from fluctuations in foreign currency and interest rates. The derivatives are carried at fair market value. Unrealized gains or losses on derivatives for trading or fair value hedging purposes are recorded in current operations. Unrealized gains or losses on derivatives for cash flow hedging purposes are recorded in current operations for the portion of the hedge that is not effective. For the portions of cash flow hedges which are effective, unrealized gains or losses are accounted for in the capital adjustments account and recorded in current operations in the period when the underlying transactions have an effect on operations.

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

3. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2003 and 2002 consist of the following:

<i>(in millions of Won)</i>					
	Annual interest rate (%) at December 31, 2003		2003		2002
Cash on hand	-	₩	47	₩	78
Checking accounts	-		2,873		914
Foreign currency checking accounts	-		24,977		7,014
Demand deposits	0.1 - 0.3		1,795		8,330
Foreign currency time deposits	0.3 - 0.7		120,161		840
Money market funds	3.5 - 4.0		127,000		-
Time deposits	3.85 - 4.35		210,000		-
Beneficiary certificates	3.1		50,000		-
		₩	536,853	₩	17,176

4. Financial Instruments

Short-term and long-term financial instruments as of December 31, 2003 and 2002 consist of the following:

<i>(in millions of Won)</i>					
	Annual interest rate (%) at December 31, 2003		2003		2002
SHORT-TERM FINANCIAL INSTRUMENTS					
Installment deposits	6.5	₩	732	₩	766
Time deposits	3.95 - 4.0		40,000		-
			40,732		766
LONG-TERM FINANCIAL INSTRUMENTS					
Installment deposits	-		-		429
Other deposits	0.2 - 4.5		9,623		8,300
			9,623		8,729
		₩	50,355	₩	9,495

As of December 31, 2003 and 2002, long-term financial instruments amounting to ₩9,623 million and ₩8,300 million, respectively, are deposited in connection with maintaining checking accounts or research and development projects funded by the government. The withdrawal of these financial instruments is restricted.

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

5. Receivables

Receivables, including trade accounts and notes receivable, as of December 31, 2003 and 2002 comprise the following:

(in millions of Won)

	2003				2002			
	Original amount	Allowance for doubtful accounts	Discounts for present value	Carrying value	Original amount	Allowance for doubtful accounts	Discounts for present value	Carrying value
Trade accounts and notes receivable (*)	₩1,090,232	₩ (82,060)	₩(2,904)	₩1,005,268	₩1,269,324	₩ (81,835)	₩ (91)	₩1,187,398
Other accounts receivable	450,366	(12,288)	-	438,078	241,688	(47,284)	-	194,404
Accrued income	176,744	(410)	-	176,334	145,814	(2,647)	-	143,167
Advances	32,534	(4,508)	-	28,026	171,517	(4,566)	-	166,951
Other current assets	1,675	(4)	-	1,671	2,184	(10)	-	2,174
Long-term loans	27,436	(21,711)	-	5,725	100,011	(57,765)	-	42,246
	₩1,778,987	₩(120,981)	₩(2,904)	₩1,655,102	₩1,930,538	₩(194,107)	₩(91)	₩1,736,340

(*) Long-term trade accounts receivable are included.

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

6. Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 2003 and 2002, monetary assets and liabilities denominated in foreign currencies, other than those disclosed in Notes 14 and 15, are as follows:

(in millions)

	2003				2002			
	Foreign currencies		Won equivalent		Foreign currencies		Won equivalent	
Cash and cash equivalents	USD	4	₩	4,887	USD	2	₩	2,589
	JPY	462		5,174	JPY	265		2,681
	EUR	6		9,093	EUR	1		1,594
	Others	-		5,823	Others	-		990
				24,977				7,854
Trade accounts receivable	USD	306		367,064	USD	427		512,160
	JPY	762		8,528	JPY	409		4,138
	EUR	17		25,538	EUR	18		22,717
	GBP	1		1,468	GBP	1		2,447
	AUD	1		518	AUD	4		2,813
	Others	-		259	Others	-		1,974
				403,375				546,249
Other accounts receivable	FRF	3		573	FRF	4		729
	USD	4		5,212	USD	34		41,412
				5,785				42,141
Accrued income	USD	119		142,787	USD	71		84,711
	Others	-		61	Others	-		148
				142,848				84,859
Refundable deposits	JPY	32		362	JPY	58		582
	USD	1		1,720	USD	2		1,920
	Others	-		410	Others	-		62
				2,492				2,564
Trade accounts payable	USD	616		737,951	USD	457		549,010
	JPY	15,446		172,933	JPY	20,880		211,491
	EUR	11		16,179	EUR	3		3,606
	Others	-		1,454	Others	-		282
				928,517				764,389

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

(in millions)

	2003			2002		
	Foreign currencies		Won equivalent	Foreign currencies		Won equivalent
Other accounts payable	AUD	14	₩ 12,891	AUD	14	₩ 9,541
	CAD	5	5,087	CAD	5	3,912
	EUR	43	65,033	EUR	26	32,100
	JPY	3,743	41,910	JPY	4,063	41,151
	USD	164	196,867	USD	140	168,555
	Others	3	3,882	Others	-	3,479
			325,670			258,738
Accrued expenses	USD	64	76,106	USD	42	50,078
	Others		4,661	Others	-	1,465
			80,767			51,543

7. Inventories

Inventories as of December 31, 2003 and 2002 comprise the following:

(in millions of Won)

	2003	2002
Merchandise	₩ 21,268	₩ 26,795
Finished products	550,286	479,835
Work-in process	348,850	244,200
Raw materials	490,126	325,494
Parts and supplies	93,634	104,366
	₩ 1,504,164	₩ 1,180,690

See Note 13 for inventories insured against various property risks.

8. Long-Term Investment Securities

Long-term investment securities as of December 31, 2003 and 2002 are as follows:

(in millions of Won)

	2003	2002
Available-for-sale securities	₩ 246,668	₩ 99,740
Held-to-maturity securities	44	97,861
	₩ 246,712	₩ 297,601

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

Available-for-sale securities as of December 31, 2003 and 2002 are as follows:

(in millions of Won)

	Percentage of ownership (%) at December 31, 2003	2003			2002		
		Acquisition cost	Net asset value /Market value	Carrying value	Acquisition cost	Net asset value /Market value	Carrying value
MARKETABLE EQUITY SECURITIES							
Hynix Semiconductor Inc.	-	₩ -	₩ -	₩ -	₩ 24,298	₩ 527	₩ 527
KT Corp.	0.83	127,441	105,257	105,257	127,441	119,653	119,653
LG Card Co., Ltd.	-	-	-	-	1,820	10,842	10,842
LG Investment & Securities Co.,Ltd. (*1)	7.17	262,432	84,498	84,498	-	-	-
NARA MOLD & DIE Co.,Ltd.	12.34	812	2,999	2,999	812	3,570	3,570
Voiceware Co., Ltd.	10.44	206	1,363	1,363	206	1,844	1,844
Vodavi Technology Inc.	19.86	2,928	5,992	5,992	2,928	1,853	1,853
		393,819	200,109	200,109	157,505	138,289	138,289
NON-MARKETABLE EQUITY SECURITIES DOMESTIC COMPANIES							
Innopla Co.,Ltd.	19.90	245	555	245	245	645	245
Castec Korea Co.,Ltd.	5.00	182	489	182	150	489	150
Msoltech	10.00	635	242	635	635	242	635
AL Tech Inc.	8.53	589	245	589	589	245	589
Korea Information Certificate Authority Inc.	9.35	1,852	1,695	1,852	1,852	1,774	1,852
STIC Ventures Co.,Ltd. (*3)	-	-	-	-	28,200	29,959	28,200
Association of Electronics Environment	36.04	4,349	1,795	4,349	4,349	1,795	4,349
Megaround Co.,Ltd.	14.79	318	315	318	318	315	318
Temco, Inc.	13.04	1,200	1,200	1,200	1,200	1,200	1,200
Netgenetech. Co.,Ltd.	15.00	176	176	176	176	176	176
Machi	-	-	-	-	150	150	150
Manager Society, Inc.	3.70	200	200	200	200	200	200
Mobisys Telecom	-	-	-	-	279	279	279
Thermo Metrix Technology	19.90	158	158	158	158	158	158
Wowlinux	7.40	100	100	100	100	100	100
Silicon Works	12.00	501	501	501	-	-	-
TU Media Corporation	5.00	6,500	6,500	6,500	-	-	-
Others	-	1,618	1,618	1,618	952	952	952
OVERSEAS COMPANIES							
Gemfire Corp. (*2)	4.41	1,835	-	-	1,835	170	1,835
Erlang Technology Inc.	8.40	1,129	313	1,129	1,129	187	1,129
Mainstreet Networks	-	-	-	-	1,468	-	-
iTV Corporation	-	-	-	-	1,957	-	-
Pocket Science	-	-	-	-	473	-	-
Neopoint Inc. (*2)	16.62	1,604	-	-	1,604	-	-

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

	Percentage of ownership (%) at December 31, 2003	2003			2002		
		Acquisition cost	Net asset value /Market value	Carrying value	Acquisition cost	Net asset value /Market value	Carrying value
E2OPEN.COM	6.87	15,694	1,899	15,694	12,751	3,606	12,751
COMMIT Incorporated	13.47	4,990	4,990	4,990	-	-	-
Cenix Inc.	-	-	-	-	3,272	958	3,272
Monet Mobile Networks	1.90	1,299	276	1,299	1,299	871	1,299
SUNPOWER.INC	10.35	1,257	258	1,257	1,257	219	1,257
Others	-	507	507	507	346	346	346
		46,938	24,032	43,499	66,944	45,036	61,442

(in millions of Won)

	2003			2002		
	Acquisition cost	Market value	Carrying value	Acquisition cost	Market value	Carrying value
DEBT SECURITIES						
Bonds issued by the government	856	856	856	11	9	9
Convertible bonds issued by NeoDis Ltd.	2,204	2,204	2,204	-	-	-
	3,060	3,060	3,060	11	9	9
	₩ 443,817	₩ 227,201	₩ 246,668	₩ 224,460	₩ 183,334	₩ 199,740

(*1) This was reclassified into available-for-sale securities in 2003 from equity method investment securities in 2002.

(*2) Carrying value was fully written down due to the negative net book value of the investment as of December 31, 2003.

(*3) This was reclassified into equity method investment securities in 2003 from available-for-sale securities in 2002.

Held-to-maturity securities as of December 31, 2003 and 2002 are as follows:

(in millions of Won)

	2003	2002
Senior secured note issued by Zenith Electronics Corporation ("Zenith")	₩ -	₩ 97,817
Others	44	44
	₩ 44	₩ 97,861

The senior secured note issued by Zenith, outstanding as of December 31, 2002, was converted from the Company's receivables from Zenith in accordance with the reorganization plan of Zenith approved by a legal court in the United States of America on November 5, 1999. The note's terms and conditions were as follows:

Interest: LIBOR + 1.0% per annum to be paid on the maturity date

Maturity of principal: November 1, 2009

The above note was fully collected during October 2003 (Note 9).

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

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

(in millions of Won)

Due in	Available-for-sale securities		Held-to-maturity securities	
Less than five years and five years	₩	3,060	₩	-
Over five years through ten years		-		44
	₩	3,060	₩	44

The details of changes in accumulated gains (losses) on valuation of available-for-sale securities for the year ended December 31, 2003 are as follows:

(in millions of Won)

	January 1, 2003	Gain (loss)	Disposal	December 31, 2003
Hynix Semiconductor Inc.	₩ (23,771)	₩ 74	₩ (23,697)	₩ -
KT Corp.	(7,788)	(14,396)	-	(22,184)
LG Card Co., Ltd.	9,022	(5,262)	3,760	-
NARA MOLD & DIE Co., Ltd.	2,758	(571)	-	2,187
Voiceware Co., Ltd.	1,638	(481)	-	1,157
LG Investment & Securities Co., Ltd. (*1)	-	(75,994)	-	(75,994)
Vodavi Technology Inc.	(1,075)	4,138	-	3,063
Bonds issued by the government	(2)	(245)	(6)	(241)
	₩ (19,218)	₩ (92,737)	₩ (19,943)	₩ (92,012)

(*1) This was reclassified into available-for-sale securities in 2003 from equity method investment securities in 2002.

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

9. Equity-Method Investment Securities

Equity-method investment securities as of December 31, 2003 and 2002 are as follows:

(in millions of Won)							
	Percentage of ownership (%) at December 31, 2003	2003			2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
DOMESTIC COMPANIES							
LG Micron Ltd. (*8)	37.41	₩ 52,315	₩ 86,070	₩ 86,070	₩ 5,000	₩ 35,541	₩ 35,541
LG Sports Ltd.	25.00	1,404	1,204	1,204	2,204	1,916	1,916
LG Innotek Co.,Ltd.	69.80	59,308	137,039	137,039	59,308	117,645	117,645
LG Investment & Securities Co., Ltd. (*3)	-	-	-	-	262,432	145,270	145,270
LG.Philips LCD Co., Ltd.	50.00	726,169	1,259,904	1,259,904	726,169	715,488	715,488
LG IBM PC Co., Ltd.	49.00	11,907	14,548	14,548	11,907	15,133	15,133
Hi Plaza Inc.	100.00	70,511	60,806	60,806	70,511	55,685	55,685
STIC Ventures Co.,Ltd. (*6)	94.00	28,200	28,200	28,200	-	-	-
Hi Logistics System (HLS)(*2)	100.00	4,500	4,500	4,500	-	-	-
OVERSEAS COMPANIES							
Goldstar Electronics Thailand Co.,Ltd. (G.S.T.) (*2)	49.00	36	36	36	36	36	36
Hitachi-LG Data Storage Inc. (HLDS)	49.00	7,684	33,007	33,007	7,684	18,094	18,094
LG Electronics Austria GmbH(LGEAG) (*2)	100.00	116	116	116	116	116	116
LG Electronics Alabama, Inc.(LGEAI)	100.00	63,940	53,116	53,116	63,940	58,736	58,736
LG Electronics Almaty Kazak Co., Ltd. (LGEAK)	100.00	3,746	19,106	19,106	3,746	11,368	11,368
LG Electronics Antwerp Logistics N.V. (LGEAL) (*1)	100.00	967	-	-	967	224	224
LG Electronics Australia PTY, Ltd. (LGEAP) (*1)	100.00	1,558	-	-	1,558	-	-
LG Electronics Argentina S.A. (LGEAR) (*5)	100.00	7,410	-	-	7,410	-	-
Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT)	50.00	14,718	19,353	19,353	14,718	12,856	12,856
LG Electronics Colombia, Ltda.(LGEGB)	60.00	3,330	2,175	2,175	3,330	1,445	1,445
LG Electronics China Co.,Ltd.(LGECH)	100.00	37,614	25,279	25,279	37,614	35,635	35,635
LG Electronics Canada, Inc.(LGECL)	100.00	13,779	12,293	12,293	13,779	10,173	10,173
LG Collins Electronics Manila Inc. (LGECLM) (*8)	100.00	23,524	5,186	5,186	20,302	6,187	6,187
Taizhou LG-Chunlan Home Appliances Co.,Ltd.(LGETR) (formerly LGECLT)	100.00	59,205	51,842	51,842	59,205	48,420	48,420

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

(in millions of Won)

	Percentage of ownership (%) at December 31, 2003	2003			2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG Electronics Deutschland GmbH (LGEDG)	100.00	26,938	16,266	16,266	26,938	9,989	9,989
PT LG Electronics Display Devices Indonesia (LGEDI)	100.00	32,085	53,673	53,673	32,085	46,436	46,436
LG Electronics Design Tech, Ltd. (LGEDT) (*2)	100.00	1,002	1,002	1,002	1,002	1,002	1,002
LG Electronics Egypt Cairo S.A.E. (LGEEC)	100.00	4,382	2,619	2,619	4,382	3,292	3,292
LG Electronics Egypt S.A.E.(LGEEG)	78.00	2,630	952	952	2,630	2,519	2,519
LG Electronics Espana S.A.(LGEES)	100.00	3,374	1,600	1,600	3,374	-	-
LG Electronics Gulf FZE(LGEGF) (*1)	100.00	2,489	-	-	2,489	1,453	1,453
LG Electronics HK Limited(LGEHK)	100.00	4,316	3,943	3,943	4,316	3,944	3,944
LG Electronics Hellas S.A.(LGEHS)	100.00	6,063	5,676	5,676	6,063	6,063	6,063
LG Electronics Huizhou Inc.(LGEHZ)	80.00	2,319	19,943	19,943	2,319	14,938	14,938
LG Electronics India Pvt. Ltd.(LGEIL) (*4)	100.00	38,476	113,063	113,063	32,076	77,191	77,191
PT LG Electronics Indonesia(LGEIN)	100.00	29,431	23,867	23,867	29,431	16,434	16,434
LG Electronics Italy S.P.A. (LGEIS)	100.00	14,136	3,791	3,791	14,136	3,627	3,627
LG Electronics Japan Inc.(LGEJP)	100.00	12,978	3,095	3,095	12,978	2,635	2,635
LG Electronics Mlawo SP.Zo.O. (LGEMA)	100.00	7,066	16,988	16,988	7,066	11,586	11,586
LG Electronics MoroccoS.A.R.L. (LGEMC)	100.00	3,532	2,265	2,265	3,532	2,677	2,677
LG Electronics Middle East Co., Ltd. (LGEME) (*2)	100.00	462	462	462	462	462	462
LG-MECA Electronics Haiphong, Inc. (LGEMH)	70.00	1,690	3,328	3,328	1,690	1,259	1,259
LG Electronics Magyar Kft. (LGEMK)	100.00	5,575	4,393	4,393	5,575	7,501	7,501
LG Electronics (M) SDN.BHD (LGEML) (*2)	100.00	11	11	11	11	11	11
LG Electronics Monterrey Mexico S.A. de C.V. (LGEMM)	100.00	19,800	6,393	6,393	19,800	18,850	18,850
LG Electronics Mexico S.A. de C.V. (LGEMS)	100.00	1,936	3,084	3,084	1,936	-	-
LG MITR Electronics Co., Ltd. (LGEMT)	87.74	15,925	8,078	8,078	15,925	7,344	7,344
LG Electronics North of England Ltd. (LGENE)	100.00	11,229	15,513	15,513	11,229	12,430	12,430
LG Electronics (Nanjing) Plazma Co., Ltd. (LGENP) (*9)	100.00	14,712	13,084	13,084	-	-	-
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	70.00	14,571	15,860	15,860	14,571	10,520	10,520
LG Electronics Polska SP.Zo.O. (LGEPL)	100.00	4,117	8,968	8,968	4,117	5,819	5,819

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

(in millions of Won)

	Percentage of ownership (%) at December 31, 2003	2003			2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
Nanjing LG Panda Appliance Co., Ltd. (LGEPN)	70.00	9,465	14,865	14,865	9,465	12,422	12,422
LG Electronics Peru S.A. (LGEPR)	100.00	1,879	481	481	1,879	-	-
LG Electronics Panama S.A. (LGEPS)	100.00	2,333	701	701	2,333	2,142	2,142
LG Electronics Portugal (LGEPT) (*9)	100.00	6,822	7,460	7,460	-	-	-
LG Electronics Qinhuangdao Co., Ltd. (LGEQH)	100.00	4,104	7,024	7,024	4,104	6,064	6,064
Triveni Digital Inc. (*2)	100.00	899	899	899	899	899	899
LG Electronics Russia Inc. (LGERI)	95.00	391	5,934	5,934	391	391	391
LG Electronics S.A. Pty Ltd. (LGESA)	100.00	3,382	21,870	21,870	3,382	6,341	6,341
LG Electronics Service Europe Netherlands B.V. (LGESE)	100.00	10,470	20,203	20,203	10,470	23,498	23,498
Shanghai LG Electronics Co., Ltd. (LGESH)	70.00	4,229	5,950	5,950	4,229	3,763	3,763
LG Electronics de Sao Paulo Ltda.(LGESP)	100.00	28,481	41,214	41,214	28,481	-	-
LG SEL Electronics Vietnam Inc.(LGEVN)	100.00	6,035	12,646	12,646	6,035	9,240	9,240
LG Electronics Sweden AB(LGESW)	100.00	5,668	4,348	4,348	5,668	4,642	4,642
LG Electronics Shenyang Inc.(LGESY)	78.87	15,139	11,831	11,831	15,139	8,205	8,205
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	49,479	106,851	106,851	49,479	99,315	99,315
LG Electronics Thailand Co., Ltd.(LGETH)	93.75	7,122	22,630	22,630	7,122	17,840	17,840
LG Taistar Electronics Taiwan Co., Ltd. (LGETT) (*1)	100.00	8,439	-	-	5,609	380	380
LG Electronics United Kingdom Ltd. (LGEUK) (*1, *8)	100.00	20,792	-	-	10,486	-	-
LG Electronics Ukraine Co., Ltd. (LGEUR) (*2)	100.00	1,041	1,041	1,041	1,041	1,041	1,041
LG Electronics U.S.A., Inc.(LGEUS)	100.00	37,985	42,594	42,594	37,985	39,822	39,822
LG Electronics Wales Ltd. (LGEWA) (*1, *8)	100.00	676,082	-	-	101,812	54,262	54,262
Langchao LG (Yantai) Digital Mobile Technology Research & Development Co., Ltd. (*2)	49.00	824	824	824	824	824	824
Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT)	49.00	9,669	6,422	6,422	9,669	9,669	9,669
LG Soft India PVT, Ltd. (LGSi)	88.00	2,920	7,418	7,418	2,920	2,920	2,920
EIC Properties PTE, Ltd.	38.20	9,636	8,493	8,493	9,636	8,618	8,618
Zenith Electronics Corporation (Zenith) (*1, *8)	100.00	487,215	-	-	236,860	-	-
LG Infocomm U.S.A. Inc. (LGICUS) (*1)	100.00	4,673	-	-	4,673	2,522	2,522

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

(in millions of Won)

	Percentage of ownership (%) at December 31, 2003	2003			2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG Infocomm Thailand, Inc. (LGICTH)	60.00	3,246	5,851	5,851	3,246	4,356	4,356
Vietnam Korea Exchange, Ltd. (V.K.X.)	40.00	1,736	2,328	2,328	1,736	2,316	2,316
LG TOPS	40.00	2,699	906	906	2,699	1,267	1,267
LG Electronics System India, Ltd. (LGSYS) (*1, *4)	-	-	-	-	6,400	-	-
LGE (China) R&D Center (*9)	100.00	8,201	6,539	6,539	-	-	-
Electromagnetica Goldstar S.R.L. (*2)	50.00	508	508	508	508	508	508
SLD Telecom Pte. Ltd. (*8)	44.00	29,001	25,190	25,190	10,042	10,042	10,042
LG.Philips Displays Holding B.V. (*10)	-	-	-	-	1,086,431	433,819	433,819
LG (Yantai) Information & Communication Technology Co., Ltd. (*2)	100.00	2,720	2,720	2,720	2,720	2,720	2,720
COMMIT Incorporated (*7)	-	-	-	-	4,990	4,990	4,990
LG Holdings (HK) Ltd. (*8)	31.82	38,523	44,496	44,496	23,448	22,241	22,241
Kunshan LGMS Computer Co., Ltd. (LGMSK)	51.00	1,155	915	915	-	-	-
Qingdao LG Langchao Digital Communication Co., Ltd. (*2)	60.00	2,973	2,973	2,973	-	-	-
LG Electronics Czech S.R.O. (LGE CZ)	100.00	6,534	7,165	7,165	-	-	-
LG Electronics Nature (Hangzhou) Recording Media Co., Ltd. (LGEHN) (*2)	49.00	3,036	3,036	3,036	-	-	-
LG Electronics Inc. Chile Limitada (LGECL) (*2)	100.00	5,856	5,856	5,856	-	-	-
		₩2,994,548	₩2,621,879	₩2,621,879	₩3,344,880	₩2,355,029	₩2,355,029

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

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

(*3) This was reclassified into available-for-sale securities in 2003 from equity method investment securities in 2002.

(*4) LG Electronics System India, Ltd. (LGSYS) was merged into LG Electronics India Pvt. Ltd. (LGEIL) in 2003.

(*5) The operation of this subsidiary was suspended as of December 31, 2003

(*6) This was reclassified into equity method investment securities in 2003 from available-for-sale securities in 2002.

(*7) This was reclassified into available-for-sale securities in 2003 from equity method investment securities in 2002.

(*8) During 2003, the Company purchased additional shares of common stock of these subsidiaries.

(*9) During 2003, the subsidiaries were newly established.

(*10) The Company sold all the shares of LG.Philips Displays Holding B.V. to LGEWA during 2003.

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

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

For the year ended December 31, 2003, the details of changes in differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are as follows:

	<i>(in millions of Won)</i>			
	January 1, 2003	Addition	Amortization	December 31, 2003
DOMESTIC COMPANIES				
LG Micron Ltd.	₩ -	₩ 2,947	₩ (294)	₩ 2,653
LG Sports Ltd.	(3)	1	2	-
LG Innotek Co., Ltd.	112	-	416	528
LG Investment & Securities Co., Ltd.	25,571	(25,571)	-	-
LG.Philips LCD Co., Ltd.	1,572	-	(1,572)	-
Hi Plaza Inc.	(2,963)	-	688	(2,275)
	24,289	(22,623)	(760)	906
OVERSEAS COMPANIES				
LG Electronics Mlawa SP. Zo. O. (LGEMA)	(1,550)	-	775	(775)
LG Electronics Service Europe Netherlands B.V. (LGESE)	(105)	-	52	(53)
LG Electronics Shenyang Inc.(LGESY)	380	-	(152)	228
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	20,731	-	(10,015)	10,716
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	1,459	2,079	(637)	2,901
LG.Philips Displays Holding B.V.	(175,839)	125,599	50,240	-
LG Electronics Wales Ltd. (LGEWA)	-	(125,599)	-	(125,599)
Others	(360)	21,573	(3,044)	18,169
	(155,284)	23,652	37,219	(94,413)
	₩ (130,995)	₩ 1,029	₩ 36,459	₩ (93,507)

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

For the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002, the details of changes in differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are as follows:

	<i>(in millions of Won)</i>			
	April 1, 2002	Addition	Amortization	December 31, 2002
DOMESTIC COMPANIES				
LG Sports Ltd.	₩ (4)	₩ -	₩ 1	₩ (3)
LG Innotek Co., Ltd.	(995)	757	350	112
LG Investment & Securities Co., Ltd.	36,707	-	(11,136)	25,571
LG.Philips LCD Co., Ltd.	2,495	-	(923)	1,572
Hi Plaza Inc.	(2,591)	(772)	400	(2,963)
	35,612	(15)	(11,308)	24,289
OVERSEAS COMPANIES				
LG Electronics India Pvt. Ltd. (LGEIL)	375	-	(375)	-
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	13	-	(13)	-
LG Electronics Service Europe Netherlands B.V. (LGESE)	(144)	-	39	(105)
LG Electronics Shenyang Inc.(LGESY)	494	-	(114)	380
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	-	20,731	-	20,731
LG.Philips Displays Holding B.V.	(213,519)	-	37,680	(175,839)
Others	6,418	992	(7,861)	(451)
	(206,363)	21,723	29,356	(155,284)
	₩ (170,751)	₩ 21,708	₩ 18,048	₩ (130,995)

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

For the year ended December 31, 2003 the details of the elimination of unrealized gain or loss arising from the equity method of accounting are as follows:

(in millions of Won)

	Inventories	Property, plant and equipment	Intangible assets	Investment securities	Total
DOMESTIC COMPANIES					
LG Micron Ltd.	₩ 335	₩ (3,788)	₩ -	₩ -	₩ (3,453)
LG Innotek Co., Ltd.	(4,563)	(72)	-	6,250	1,615
LG.Philips LCD Co., Ltd.	(1,926)	(3,568)	38,498	-	33,004
LG IBM PC Co., Ltd.	(527)	(52)	-	-	(579)
Hi Plaza Inc.	2,373	(1)	-	-	2,372
	(4,308)	(7,481)	38,498	6,250	32,959
OVERSEAS COMPANIES					
LG Electronics Alabama, Inc. (LGEAI)	2,707	(1,502)	-	-	1,205
LG Electronics Huizhou Inc. (LGEHZ)	346	-	-	-	346
LG Electronics India Pvt. Ltd. (LGEIL)	(1,223)	-	-	-	(1,223)
PT LG Electronics Indonesia (LGEIN)	1,348	(438)	-	-	910
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	965	140	-	-	1,105
LG Electronics Service Europe Netherlands B.V. (LGESE)	(10,489)	-	-	-	(10,489)
LG Electronics Shenyang Inc. (LGESY)	(124)	(260)	-	-	(384)
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	(3,183)	(1,146)	-	-	(4,329)
LG Electronics U.S.A., Inc. (LGEUS)	68	-	-	-	68
LG.Philips Displays Holding B.V.	(279)	(2,912)	-	-	(3,191)
LG Electronics Wales Ltd. (LGEWA)	(5,746)	-	-	(500,821)	(506,567)
Others	(44,325)	(4,153)	-	-	(48,478)
	(59,935)	(10,271)	-	(500,821)	(571,027)
	₩ (64,243)	₩ (17,752)	₩ 38,498	₩ (494,571)	₩ (538,068)

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

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

For the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002, the details of the elimination of unrealized gain or loss arising from the equity method of accounting are as follows:

(in millions of Won)

	Inventories	Property, plant and equipment	Intangible assets	Total
DOMESTIC COMPANIES				
LG Micron Ltd.	₩ (212)	₩ -	₩ -	₩ (212)
LG Innotek Co., Ltd.	4,925	-	-	4,925
LG.Philips LCD Co., Ltd.	(140)	1,536	28,873	30,269
LG IBM PC Co., Ltd.	1,293	-	-	1,293
Hi Plaza Inc.	(1,959)	-	-	(1,959)
	3,907	1,536	28,873	34,316
OVERSEAS COMPANIES				
LG Electronics Alabama, Inc. (LGEAL)	1,662	-	-	1,662
LG Electronics Huizhou Inc. (LGEHZ)	(1,182)	-	-	(1,182)
LG Electronics India Pvt. Ltd. (LGEIL)	36	-	-	36
PT LG Electronics Indonesia (LGEIN)	2,873	195	-	3,068
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	(2,299)	105	-	(2,194)
LG Electronics Service Europe Netherlands B.V. (LGESE)	5,134	-	-	5,134
LG Electronics Shenyang Inc. (LGESY)	(4,459)	42	-	(4,417)
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	1,897	241	-	2,138
LG Electronics U.S.A., Inc. (LGEUS)	5,297	-	-	5,297
LG.Philips Displays Holding B.V.	559	-	-	559
Others	(11,785)	491	-	(11,294)
	(2,267)	1,074	-	(1,193)
	₩ 1,640	₩ 2,610	₩ 28,873	₩ 33,123

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

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

Changes in investments in subsidiaries and affiliates accounted for using the equity method for the year ended December 31, 2003 are as follows:

(in millions of Won)

	January 1, 2003	Equity in earnings (losses) of affiliates, net	Others	December 31, 2003
DOMESTIC COMPANIES				
LG Micron Ltd.	₩ 35,541	₩ 4,165	₩ 46,364	₩ 86,070
LG Sports Ltd.	1,916	464	(1,176)	1,204
LG Innotek Co., Ltd.	117,645	12,654	6,740	137,039
LG Investment & Securities Co., Ltd.	145,270	-	(145,270)	-
LG.Philips LCD Co., Ltd.	715,488	539,982	4,434	1,259,904
LG IBM PC Co., Ltd.	15,133	4,078	(4,663)	14,548
Hi Plaza Inc.	55,685	5,120	1	60,806
STIC Ventures Co., Ltd.	-	-	28,200	28,200
Hi Logistics System (HLS)	-	-	4,500	4,500
	1,086,678	566,463	(60,870)	1,592,271
OVERSEAS COMPANIES				
LG Electronics Alabama, Inc. (LGEAL)	58,736	1,250	(6,870)	53,116
LG Electronics Huizhou Inc. (LGEHZ)	14,938	6,431	(1,426)	19,943
LG Electronics India Pvt. Ltd. (LGEIL)	77,191	40,946	(5,074)	113,063
PT LG Electronics Indonesia (LGEIN)	16,434	5,423	2,010	23,867
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	10,520	5,359	(19)	15,860
LG Electronics Service Europe Netherlands B.V. (LGESE)	23,498	(6,232)	2,937	20,203
LG Electronics Shenyang Inc. (LGESY)	8,205	3,737	(111)	11,831
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	99,315	10,025	(2,489)	106,851
LG Electronics U.S.A., Inc. (LGEUS)	39,822	2,832	(60)	42,594
LG.Philips Displays Holding B.V.	433,819	(456,253)	22,434	-
LG Electronics Wales Ltd. (LGEWA)	54,262	(611,807)	557,545	-
Others	431,611	(152,745)	343,414	622,280
	1,268,351	(1,151,034)	912,291	1,029,608
	₩ 2,355,029	₩ (584,571)	₩ 851,421	₩ 2,621,879

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

Changes in investments in subsidiaries and affiliates accounted for using the equity method for the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 are as follows:

(in millions of Won)

	April 1, 2002	Equity in earnings (losses) of affiliates, net	Others	December 31, 2002
DOMESTIC COMPANIES				
LG Micron Ltd.	₩ 31,870	₩ 4,387	₩ (716)	₩ 35,541
LG Sports Ltd.	4,118	(2,202)	-	1,916
LG Innotek Co., Ltd.	78,482	5,795	33,368	117,645
LG Investment & Securities Co., Ltd.	151,959	(4,232)	(2,457)	145,270
LG.Philips LCD Co., Ltd.	572,202	144,027	(741)	715,488
LG IBM PC Co., Ltd.	11,120	4,013	-	15,133
Hi Plaza Inc.	53,508	2,096	81	55,685
LG Card Co., Ltd.	7,183	-	(7,183)	-
	910,442	153,884	22,352	1,086,678
OVERSEAS COMPANIES				
LG Electronics Alabama, Inc. (LGEAI)	48,491	10,245	-	58,736
LG Electronics Huizhou Inc. (LGEHZ)	14,173	3,037	(2,272)	14,938
LG Electronics India Pvt. Ltd. (LGEIL)	63,878	18,950	(5,637)	77,191
PT LG Electronics Indonesia (LGEIN)	7,953	8,787	(306)	16,434
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	7,779	4,159	(1,418)	10,520
LG Electronics Service Europe Netherlands B.V. (LGESE)	1,611	19,343	2,544	23,498
LG Electronics Shenyang Inc. (LGESY)	9,570	399	(1,764)	8,205
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	99,287	11,856	(11,828)	99,315
LG Electronics U.S.A., Inc. (LGEUS)	36,277	5,995	(2,450)	39,822
LG.Philips Displays Holding B.V.	507,773	(196,343)	122,389	433,819
Others	445,245	(13,646)	54,274	485,873
	1,242,037	(127,218)	153,532	1,268,351
	₩ 2,152,479	₩ 26,666	₩ 175,884	₩ 2,355,029

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

As of December 31, 2003, accumulated losses of equity investees to which the equity method of accounting has been suspended due to accumulated losses are follows:

	<i>(in millions of Won)</i>
LG Electronics Australia PTY, Ltd. (LGEAP)	₩ 10,551
LG Electronics Gulf FZE (LGE GF)	6,366
LG Electronics United Kingdom Ltd. (LGEUK)	14,038
LG Electronics Wales Ltd. (LGEWA)	80,937
Zenith Electronics Corporation (Zenith)	92,594
LG Infocomm U.S.A. Inc. (LGICUS)	6,690
Others	2,365
	₩ 213,541

The use of the equity method had been suspended until December 31, 2002, for the investments in LG Electronics Espana S.A. (LGEES), LG Electronics Peru S.A. (LGEPR) and LG Electronics United Kingdom Ltd. (LGEUK), due to the negative book value of investments. During 2003, LG Electronics Espana S.A. (LGEES) and LG Electronics Peru S.A. (LGEPR) both recorded a net income, and LG Electronics United Kingdom Ltd. (LGEUK) issued new shares. Consequently, the losses of those three subsidiaries which had not been recognized until December 31, 2002, amounting to ₩13,576 million were deducted from retained earnings.

Upon a resolution of the Board of Directors on September 25, 2003, the Company participated in the issuance of new shares of Zenith Electronics Corporation ("Zenith"), a wholly-owned subsidiary located in the U.S.A., amounting to US\$214 million, and collected senior secured notes of and loans to Zenith amounting to ₩246,225 million in October, 2003. Consequently, the Company recognized the loss on valuation of securities using the equity method, which has been suspended due to the negative net book value of the investment, up to the additional invested amount, and reversed the bad debt provision amounting to ₩119,110 million during 2003.

Upon a resolution of the Board of Directors on December 9, 2003, the Company invested its 27,841 shares (40.8%) of LG.Philips Displays Holding B.V. into LG Electronics Wales Ltd., a wholly-owned subsidiary located in the U.K., at the value of ₩500,821 million (GBP238 million). The acquisition cost of LG.Philips Displays Holding B.V. was fully written down due to decrease in book value of the investment resulting from restructuring losses in 2003. Consequently, the disposal value of ₩500,821 million was accounted for as a gain on disposal of investment securities, and the same amount was accounted for as a loss on valuation of securities using the equity method, which had no effect on net income or shareholders' equity.

Upon a resolution of the Board of Directors on December 23, 2003, the Company purchased 1,614,675 shares (20%) of the common stock of Hankook Electric Glass Co., Ltd. from LG Corp., at the price of ₩119,163 million in January, 2004.

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

Upon a resolution of the Board of Directors on December 23, 2003, the Company entrusted its disposal and voting rights for the 10,180,531 shares of the common stock of LG Investment & Securities Co., Ltd. to Woori Bank, the representative of the creditor banks, as a part of the business normalization procedures of LG Card Co., Ltd.

10. Property, Plant and Equipment

Changes in property, plant and equipment for the year ended December 31, 2003 are as follows:

(in millions of Won)

	Land	Buildings	Structures	Machinery and equipment	Tools	Furnitures and fixtures	Vehicles	Standing Timber	Construction in-progress	Machinery in-transit	Total
Balance as of January 1, 2003	₩701,614	₩882,219	₩67,740	₩563,864	₩345,816	₩205,579	₩7,052	₩4,366	₩105,662	₩9,460	₩2,893,372
Acquisitions and capital expenditure	12,493	31,556	4,058	79,820	169,476	83,370	3,743	4	210,459	164,020	758,999
Transfer-in (out)	-	42,996	653	176,530	39,324	9,553	273	(9)	(130,420)	(165,147)	(26,247)
Disposals	(10,780)	(23,981)	(1,876)	(28,582)	(29,051)	(5,784)	(300)	(5)	(775)	-	(101,134)
Depreciation	-	(26,855)	(4,998)	(156,924)	(125,728)	(85,085)	(2,680)	-	-	-	(402,270)
Balance as of December 31, 2003	₩703,327	₩905,935	₩65,577	₩634,708	₩399,837	₩207,633	₩8,088	₩4,356	₩184,926	₩8,333	₩3,122,720
Accumulated depreciation as of December 31, 2003	₩ -	₩157,337	₩32,345	₩580,176	₩299,847	₩318,917	₩12,532	₩ -	₩ -	₩ -	₩1,401,154

Changes in property, plant and equipment for the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 are as follows:

(in millions of Won)

	Land	Buildings	Structures	Machinery and equipment	Tools	Furnitures and fixtures	Vehicles	Standing Timber	Construction in-progress	Machinery in-transit	Total
Balance as of April 1, 2002	₩692,645	₩850,507	₩65,687	₩572,005	₩308,080	₩196,678	₩6,868	₩4,301	₩87,898	₩8,311	₩2,792,980
Acquisitions and capital expenditure	9,050	20,138	5,035	101,587	123,609	64,548	2,369	65	65,610	79,990	472,001
Transfer-in (out)	-	31,737	768	60,977	26,516	1,096	70	-	(47,475)	(77,705)	(4,016)
Disposals	(81)	(654)	(341)	(37,122)	(28,971)	(5,796)	(361)	-	(371)	(1,136)	(74,833)
Depreciation	-	(19,509)	(3,409)	(133,583)	(83,418)	(50,947)	(1,894)	-	-	-	(292,760)
Balance as of December 31, 2002	₩701,614	₩882,219	₩67,740	₩563,864	₩345,816	₩205,579	₩7,052	₩4,366	₩105,662	₩9,460	₩2,893,372
Accumulated depreciation as of December 31, 2002	₩ -	₩132,940	₩28,262	₩542,847	₩360,459	₩307,239	₩14,030	₩ -	₩ -	₩ -	₩1,385,777

As of December 31, 2003 and 2002, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, approximates ₩676,051 million and ₩598,235 million, respectively.

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

11. Intangible Assets

Changes in intangible assets for the year ended December 31, 2003 are as follows:

(in millions of Won)

	Goodwill	Industrial property rights	Development costs	Organization costs	Other intangible assets	Total
Balance as of January 1, 2003	₩296,012	₩415,497	₩183,877	₩3,271	₩73,810	₩972,467
Additions	598	49,368	-	-	33,015	82,981
Disposals	(261)	-	-	-	(13)	(274)
Amortization	(40,195)	(83,726)	(68,306)	-	(23,397)	(215,624)
Other reductions (*)	(52)	-	-	(3,271)	74	(3,249)
Balance as of December 31, 2003	₩256,102	₩381,139	₩115,571	₩ -	₩83,489	₩836,301
Accumulated amortization as of December 31, 2003	₩141,619	₩285,222	₩226,057	₩3,848	₩62,271	₩719,017

(*) In accordance with SKFAS No. 3, the remaining balance of organization costs was deducted from retained earnings.

Changes in intangible assets for the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 are as follows:

(in millions of Won)

	Goodwill	Industrial property rights	Development costs	Organization costs	Other intangible assets	Total
Balance as of April 1, 2002	₩326,343	₩464,735	₩180,433	₩ -	₩59,341	₩1,030,852
Additions	495	10,473	54,513	3,848	32,141	101,470
Disposals	(606)	(70)	-	-	(3,448)	(4,124)
Amortization	(30,220)	(59,641)	(51,069)	(577)	(14,224)	(155,731)
Balance as of December 31, 2002	₩296,012	₩415,497	₩183,877	₩3,271	₩73,810	₩972,467
Accumulated amortization as of December 31, 2002	₩101,663	₩201,676	₩157,751	₩577	₩38,903	₩500,570

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

Amortization of intangible assets for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 consist of the following:

	(in millions of Won)	
	2003	2002
Manufacturing costs	₩ 34,631	₩ 25,032
Selling and administrative expenses	180,992	130,628
	₩ 215,623	₩ 155,660

The carrying value of significant intangible assets as of December 31, 2003 and 2002 consist of the following:

	(in millions of Won)		
	2003	2002	Remaining years for amortization
Goodwill	₩ 254,399	₩ 293,781	7 years
Industrial property rights	311,531	387,890	2~7 years

As a result of LG Electronics Investment Ltd. (formerly LG Electronics Inc., now merged into LG Corp.)'s merger with LG Information & Communications, Ltd. in September 2000, LG Electronics Investment Ltd. recognized goodwill amounting to ₩393,820 million and acquired industrial property rights amounting to ₩578,788 million. At the time of spin-off, such goodwill and industrial property rights were transferred to the Company. Related amortization expenses of goodwill and industrial property rights approximate ₩39,282 million and ₩76,359 million, respectively, for the year ended December 31, 2003.

Research and development costs incurred for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 were accounted for as follows:

	(in millions of Won)	
	2003	2002
Ordinary research and development costs	₩ 136,847	₩ 88,949
Research costs	662,608	434,913
Development costs capitalized	-	54,512
	₩ 799,455	₩ 578,374

12. Pledged Assets

A substantial portion of property, plant and equipment as of December 31, 2003 is pledged as collateral for various loans from Korea Development Bank and Kookmin Bank, up to a maximum Won equivalent amount of approximately ₩300,469 million and ₩264 million, respectively (Notes 14 and 15).

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

13. Insured Assets

As of December 31, 2003, property, plant and equipment, other than land and certain construction in-progress, and inventories are insured against fire and other casualty losses up to approximately ₩4,885,234 million. In addition, the Company is insured against business interruption losses and losses arising from the transportation of goods up to approximately ₩3,742,505 million and ₩288,477 million, respectively.

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

Short-term borrowings as of December 31, 2003 and 2002 comprise the following:

(in millions of Won)

	Annual interest rate (%) at December 31, 2003	2003	2002
Bank overdrafts	-	₩ -	₩ 34,393
General term loans	CD + 0.8 ~ 1.6	32,000	8,000
Commercial papers	4.8 ~ 5.7	149,319	-
Foreign currency loans	0.35 ~ 3.08	209,087	-
		₩ 390,406	₩ 42,393

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

See Note 12 for collateral arrangements for these borrowings.

Current maturities of long-term debt as of December 31, 2003 and 2002 comprise the following:

(in millions of Won)

	2003	2002
Debentures	₩ 986,494	₩ 690,040
Discount on debentures	(1,382)	(2,441)
Long-term debt	4,468	15,419
	₩ 989,580	₩ 703,018

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For the years ended December 31, 2003 and 2002

15. Long-Term Debt

Long-term debt as of December 31, 2003 and 2002 comprise the following:

(in millions)				
	Annual interest rate (%) at December 31, 2003		2003	2002
DEBENTURES				
Private, non-guaranteed payable through 2006	5.7 - 16.5	₩	306,000	₩ 380,000
Public, non-guaranteed payable through 2006	4.5 - 7.0		2,090,000	1,760,000
Floating rate notes in foreign currency, payable through 2006	LIBOR + 0.5 - 1.9		682,746	720,240
Zero coupon rate convertible bonds in foreign currency, payable through 2006	-		339,796	-
			(US\$858)	(US\$600)
			3,418,542	2,860,240
Less: Current maturities			(986,494)	(690,040)
Discount on debentures			(35,777)	(26,359)
Conversion rights adjustment			(13,840)	-
			₩ 2,382,431	₩ 2,143,841

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

*Type of bonds: Public convertible bond

*Total face value of bonds: US\$287.5 million (fixed exchange rate of ₩1,179.2: US\$1)

*Date of issuance: August 11, 2003

*Terms and conditions for issuance of bonds

- Coupon rate: 0%
- Maturity: August 11, 2006
- Call option: The Company holds the right to redeem the bonds at face value on or at any time after August 12, 2005, provided that the market value per share of common stock on the trading day immediately prior to the date of the redemption notice, for at least 20 consecutive trading days within a 30 trading day period ending on the trading day immediately prior to the date of the redemption notice, is at least 115% of the conversion price.
- Put option: The bondholder holds the right to exercise a put option, in which the bondholder may require the Company to redeem the bonds at face value on the day 18 months from the date of issuance.

*Terms and conditions for conversion

- Type of stock to be issued: registered common stock

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- Number of shares convertible: 4,887,500 shares
- Conversion price: ₩68,900 per share
- Conversion period: September 12, 2003 through July 28, 2006

(in millions)

	Annual interest rate (%) at December 31, 2003	2003	2002
WON CURRENCY LOANS			
Kookmin Bank	-	₩ -	₩ 249
FOREIGN CURRENCY LOANS			
Woori Bank	-	-	976
Korea First Bank	-	-	2,620
Export-Import Bank of Korea	-	-	2,260
Banque Paribas	LIBOR + 0.7	1,963	3,934
Societe General	LIBOR + 0.6	2,505	7,532
Bank of Tokyo-Mitsubishi	-	-	2,568
Kookmin Bank	LIBOR + 1.25	22,758	-
		27,226	20,139
		(US\$23)	(US\$ 17)
Less: Current maturities		(4,468)	(15,419)
		₩ 22,758	₩ 4,720

See Note 12 for the related collateral arrangements for the Company's long-term debt.

The maturities of long-term debt outstanding as of December 31, 2003 are as follows:

(in millions of Won)

For the year ending December 31,	Debentures	Long-term debt	Total
2005	₩ 695,340	₩ -	₩ 695,340
2006	1,646,708	22,758	1,669,466
2007	-	-	-
2008	90,000	-	90,000
	₩ 2,432,048	₩ 22,758	₩ 2,454,806

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16. Accrued Severance Benefits

Changes in accrued severance benefits for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 are as follows:

	<i>(in millions of Won)</i>	
	2003	2002
Beginning balance	₩ 500,909	₩ 483,591
Severance payments	(87,879)	(81,561)
Transfer-in (out) from (to) affiliated companies, net	6,582	(4,802)
Provisions	135,750	103,681
Ending balance	555,362	500,909
Severance insurance deposits	(343,217)	(315,876)
Contributions to the National Pension Fund	(19,406)	(22,073)
	₩ 192,739	₩ 162,960

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

As of December 31, 2003 and 2002, the severance benefits are funded at approximately 61.8 % and 63.1 %, respectively, through employee severance insurance plans with Kyobo Life Insurance Co., Ltd. and other life insurance companies. The amounts funded under employee severance insurance plans (severance insurance deposits) are presented as a deduction from accrued severance benefits.

17. Commitments and Contingencies

As of December 31, 2003, the Company provided several notes and checks to financial institutions as collateral in relation to various borrowings and guarantees of indebtedness.

As of December 31, 2003, the Company was a party to various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

As of December 31, 2003, the Company has entered into bank overdraft facility agreements with various banks amounting to ₩495,500 million.

As of December 31, 2003, the outstanding balance of export trade accounts receivable sold at a discount to various financial institutions with recourse amounted to ₩3,419,879 million.

As of December 31, 2003, the Company has entered into factoring agreements for domestic trade accounts

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receivable with Hana Bank. However, in relation to the agreements, as of December 31, 2003, there is no outstanding balance of factored accounts receivable.

As of December 31, 2003, the Company has entered into sales contracts with several companies, the undelivered portions of which amounted to approximately ₩659 million for KT Freetel Co., Ltd., ₩47,355 million for LG Telecom, Ltd., ₩16,248 million for KT Corp., and ₩2,900 million for SK Telecom Co. and others.

As of December 31, 2003, the Company was contingently liable for guarantees approximating ₩1,590,103 million on the indebtedness of its subsidiaries and affiliates as follows:

	<i>(in millions of Won)</i>
DOMESTIC COMPANIES	
Woosung Corp.	₩ 479
OVERSEAS COMPANIES	
LG Electronics Wales Ltd.	79,807
PT LG Electronics Display Device Indonesia	118,582
LG Electronics da Amazonia Ltda.	56,297
LG Electronics Italy S.P.A.	44,419
LG Electronics Japan Inc.	64,936
LG Electronics Mexico S.A. de C.V.	114,255
LG Electronics Monterrey Mexico S.A. de C.V.	75,901
LG Electronics Service Europe Netherlands B.V.	85,782
LG Electronics de Sao Paulo Ltda.	59,890
LG Electronics Tianjin Appliance Co., Ltd.	96,807
LG Electronics U.S.A., Inc.	58,692
LG.Philips Displays Holding B.V.	239,560
Zenith Electronics Corporation	2,396
Others	492,300
	1,589,624
	₩ 1,590,103

In order to reduce the impact of changes in exchange rates on future cash flows, the Company has entered into foreign currency forward contracts. As of December 31, 2003, the Company has outstanding forward contracts with Credit Lyonnais and others for selling US dollars amounting to US\$50 million (contract exchange rates: ₩1,156.50: US\$1 ~ ₩1,117.45: US\$1, contract due dates: February through April 2004).

As of December 31, 2003, the Company has outstanding forward contracts with UFJ Bank and others for selling Euro and buying US Dollars amounting to €25 million (contract exchange rates: €0.7968: US\$1 ~ €0.8733: US\$1, contract due dates: January through March 2004).

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As of December 31, 2003, the Company has outstanding forward contracts with UFJ Bank and others for selling US Dollars and buying Japanese Yen amounting to US\$25 million (contract exchange rates: ¥106.57: US\$1 ~ ¥111.42: US\$1, contract due dates: January through March 2004).

As a result of the above foreign currency forward contracts, an unrealized valuation gain and loss amounting to ₩654 million and ₩3,715 million, respectively, were charged to current operations for the year ended December 31, 2003.

In order to reduce the impact of changes in exchange rates, the Company has entered into foreign currency option contracts. An unrealized valuation loss amounting to ₩4,461 million was charged to current operations for the year ended December 31, 2003. A summary of the terms of outstanding currency option contracts as of December 31, 2003 is as follows:

	Option type	Amount (in millions)	Exercise price	Contract due date
Deutsche Bank	Put	US\$10.00	₩ 1,150.0/US\$	January 8, 2004
	Call	US\$10.00	₩ 1,161.25/US\$	January 8, 2004
	Put	US\$10.00	₩ 1,150.0/US\$	January 8, 2004
	Call	US\$10.00	₩ 1,165.4/US\$	January 8, 2004
	Put	US\$10.00	₩ 1,180.0/US\$	February 11, 2004
	Call	US\$10.00	₩ 1,208.35/US\$	February 11, 2004
	Put	US\$10.00	₩ 1,175.0/US\$	March 4, 2004
	Call	US\$10.00	₩ 1,199.0/US\$	March 4, 2004
Standard Chartered Bank	Put	US\$10.00	₩ 1,170.0/US\$	January 19, 2004
	Call	US\$10.00	₩ 1,189.6/US\$	January 19, 2004
	Put	US\$10.00	₩ 1,155.0/US\$	March 12, 2004
	Call	US\$10.00	₩ 1,177.9/US\$	March 12, 2004
	Put	US\$10.00	₩ 1,150.0/US\$	April 6, 2004
	Call	US\$10.00	₩ 1,177.35/US\$	April 6, 2004
Citi Bank	Put	US\$10.00	₩ 1,150.0/US\$	January 28, 2004
	Call	US\$10.00	₩ 1,168.0/US\$	January 28, 2004
	Put	US\$5.00	₩ 1,185.0/US\$	June 16, 2004
	Call	US\$5.00	₩ 1,222.9/US\$	June 16, 2004
KorAm Bank	Put	US\$10.00	₩ 1,150.0/US\$	January 28, 2004
	Call	US\$10.00	₩ 1,168.0/US\$	January 28, 2004
	Put	US\$10.00	₩ 1,175.0/US\$	February 18, 2004
	Call	US\$10.00	₩ 1,207.8/US\$	February 18, 2004
	Put	US\$10.00	₩ 1,150.0/US\$	March 9, 2004
	Call	US\$10.00	₩ 1,171.5/US\$	March 9, 2004
	Put	US\$5.00	₩ 1,180.0/US\$	May 6, 2004

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	Option type	Amount (in millions)	Exercise price	Contract due date
	Call	US\$5.00	₩ 1,212.0/US\$	May 6, 2004
	Put	US\$5.00	₩ 1,175.0/US\$	May 19, 2004
	Call	US\$5.00	₩ 1,208.5/US\$	May 19, 2004
	Put	US\$5.00	₩ 1,180.0/US\$	June 14, 2004
	Call	US\$5.00	₩ 1,219.3/US\$	June 14, 2004
	Put	US\$10.00	₩ 1,170.0/US\$	March 12, 2004
	Call	US\$10.00	₩ 1,199.1/US\$	March 12, 2004
Korea Development Bank	Put	US\$5.00	₩ 1,180.0/US\$	June 14, 2004
	Call	US\$5.00	₩ 1,219.3/US\$	June 14, 2004
Credit Agricole Indosuez	Put	US\$5.00	₩ 1,170.0/US\$	May 13, 2004
	Call	US\$5.00	₩ 1,200.25/US\$	May 13, 2004
Bank One	Put	US\$5.00	₩ 1,180.0/US\$	May 6, 2004
	Call	US\$5.00	₩ 1,208.1/US\$	May 6, 2004
	Put	US\$5.00	₩ 1,170.0/US\$	May 14, 2004
	Call	US\$5.00	₩ 1,199.4/US\$	May 14, 2004
ABN-AMRO Bank	Put	US\$10.00	₩ 1,150.0/US\$	April 7, 2004
	Call	US\$10.00	₩ 1,177.1/US\$	April 7, 2004
	Put	US\$10.00	₩ 1,190.0/US\$	June 22, 2004
	Call	US\$10.00	₩ 1,225.4/US\$	June 22, 2004
Korea Exchange Bank	Put	US\$10.00	₩ 1,170.0/US\$	January 16, 2004
	Call	US\$10.00	₩ 1,192.8/US\$	January 16, 2004
	Put	US\$10.00	₩ 1,190.0/US\$	July 2, 2004
	Call	US\$10.00	₩ 1,230.0/US\$	July 2, 2004
Societe Generale	Put	US\$10.00	₩ 1,150.0/US\$	April 6, 2004
	Call	US\$10.00	₩ 1,178.6/US\$	April 6, 2004

In order to reduce the impact of changes in interest rates and exchange rates, the Company has entered into a cross currency swap contract. An unrealized valuation loss of ₩1,684 million was charged to current operations for the year ended December 31, 2003. A summary of the terms of the outstanding cross currency swap contract as of December 31, 2003 is as follows:

(in millions of Won)

	Transaction amount		Annual interest rate (%)		Maturity
	Receipts	Disbursement	Receipts	Disbursement	
Standard Chartered Bank	₩110,000	US\$93	4.50%	3M Libor + 0.79%	November 7, 2005

As a result of the above derivatives contracts, a realized gain of ₩9,049 million and a realized loss of ₩6,022

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million were recorded as a non-operating income and expense, respectively, for the year ended December 31, 2003.

As of December 31, 2003, the Company is named as the defendant in legal actions which were brought against the Company by AVS Corporation in Canada and Mahmood Saleh Abbar Co. in Saudi Arabia. In addition, the Company is named as the defendant or the plaintiff in various foreign and domestic legal actions arising from the normal course of business. The aggregate amounts of domestic claims as the defendant and the plaintiff amounted to approximately ₩2,931 million in thirteen cases and ₩618 million in three cases, respectively, as of December 31, 2003. The Company believes that the outcome of these matters is uncertain but, in any event, they would not result in a material ultimate loss for the Company. Accordingly, no provision for potential losses arising from these claims is reflected in the accompanying non-consolidated financial statements.

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

18. Capital Stock

Capital stock as of December 31, 2003 is as follows:

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

As of December 31, 2003 and 2002, the number of shares authorized is 600,000,000 shares.

(*) The preferred shareholders have no voting rights and are entitled to non-participating and non-cumulative preferred dividends at a rate of one percentage point over those for common stock. This preferred dividend rate is not applicable to stock dividends.

19. Capital Surplus

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

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million.

As a result of the issuance of foreign currency convertible bonds on August 11, 2003, a premium for conversion rights amounting to ₩15,833 million was recorded as a capital surplus representing the difference between the issuance price of convertible bonds and the present value of bonds under identical conditions without conversion rights.

20. Retained Earnings

Retained earnings as of December 31, 2003 and 2002 are as follows:

<i>(in millions of Won)</i>				
		2003		2002
Legal reserve	₩	15,743	₩	-
Other reserves				
Reserve for improvement of financial structure		27,771		-
Reserve for research and manpower development		76,590		-
		104,361		-
Unappropriated retained earnings to be				
carried forward to the subsequent period		645,993		277,716
	₩	766,097	₩	277,716

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

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

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

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21. Capital Adjustments

Capital adjustments as of December 31, 2003 and 2002 comprise the following:

	(in millions of Won)			
	2003		2002	
Treasury stock	₩	(8,977)	₩	(11,850)
Gain on valuation of equity method investment securities		163,609		98,456
Loss on valuation of available-for-sale securities		(92,012)		(19,218)
Loss from disposal of treasury stock		(62)		(166)
	₩	62,558	₩	67,222

The Company retains treasury stock consisting of 194,953 shares of common stock and 4,678 shares of preferred stock as of December 31, 2003, and 215,973 shares of common stock and 4,678 shares of preferred stock as of December 31, 2002. The Company intends to grant the treasury stock to employees and directors as compensation or to sell these in the future.

22. Income Taxes

Income tax expense for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 are as follows:

	(in millions of Won)			
	2003		2002	
Current income taxes	₩	185,718	₩	168,624
Deferred income taxes		(11,742)		(47,227)
	₩	173,976	₩	121,397

The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company:

	(in millions of Won)			
	2003		2002	
Income before taxes	₩	836,800	₩	399,113
Statutory tax rate		29.70%		29.70%
Expected taxes at statutory rate		248,516		118,537
Permanent differences		9,595		9,676
Tax credits		(74,441)		(8,232)

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	2003	2002
Effect of change in tax rate	15,429	-
Others	(25,123)	1,416
Actual taxes	₩ 173,976	₩ 121,397
Effective tax rate	20.79%	30.41%

The reconciliation from income before income taxes to taxable income for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 are as follows:

(in millions of Won)

	2003	2002
Income before income taxes	₩ 836,800	₩ 399,113
Temporary differences:		
Allowance for doubtful accounts	(80,514)	30,937
Reserve for research and manpower development	-	80,250
Amortization of intangible assets	53,122	49,725
Gain on valuation of securities using the equity method, net	(448,201)	(26,666)
Depreciation	29,483	-
Accrued income	(32,790)	(24,115)
Deferred income tax for investment securities	302,506	-
Others	58,664	49,119
	719,070	558,363
Permanent differences	32,307	32,580
Taxable income	₩ 751,377	₩ 590,943

The income tax effect of temporary differences comprising the deferred income tax assets as of December 31, 2003 and 2002 are as follows:

(in millions of Won)

	2003	2002
Depreciation	₩ 1,499	₩ 462
Allowance for doubtful accounts	37,829	61,771
Reserve for research and manpower development	-	(62,489)
Deferred income tax for investment securities	-	(89,815)
Product warranty	23,095	23,522
Amortization of intangible assets	(21,470)	(38,055)
Loss on valuation of securities using the equity method, net	169,227	318,492
Others	39,548	24,017
Deferred income tax assets	₩ 249,728	₩ 237,905

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

The statutory income tax rate, including resident tax surcharges, applicable to the Company was approximately 29.7% in 2003 and 2002, and was amended to 27.5% effective for fiscal years beginning January 1, 2005, in accordance with the Corporate Income Tax Law enacted in December 2003. Deferred income tax assets were computed by applying the present tax rate of 29.7% for the temporary differences expected to be realized by 2004, and by applying the amended tax rate of 27.5% for the temporary differences expected to be realized in fiscal years beginning January 1, 2005 and thereafter.

23. Earnings Per Share

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

Basic earnings per share for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 are calculated as follows:

(in Korean Won)			
	2003		2002
Net income as reported on the statement of income	₩	662,824,222,611	₩ 277,716,219,383
Less: Preferred stock dividends (Note 24)		(22,335,708,200)	(18,040,379,700)
Additional income available for			
dividends allocated to preferred stock		(51,154,053,170)	(13,199,480,276)
Net income allocated to common stock		589,334,461,241	246,476,359,407
Weighted-average number of common shares outstanding		139,357,190	139,414,824
Basic earnings per share	₩	4,229	₩ 1,768

Basic ordinary income per share for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 are the same as basic earnings per share for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002, respectively, because there were no extraordinary gains or losses.

Diluted earnings per share is computed by dividing diluted net income, which is adjusted by adding back the after-tax amount of interest expense on any convertible debt and dividends on any convertible preferred stock, by

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

Diluted earnings per share for the year ended December 31, 2003 is calculated as follows:

		(in Korean Won)
		2003
Net income allocated to common stock	₩	589,334,461,241
Add: Interest expense on convertible bonds, net of tax (*)		2,128,886,613
		591,463,347,854
Weighted-average number of common shares and diluted securities outstanding		141,272,019
Diluted earnings per share and ordinary income per share	₩	4,187

(*) This is computed based on the effective tax rate of 20.79% (Note 22).

Diluted ordinary income per share for the year ended December 31, 2003 is the same as diluted earnings per share, because there were no extraordinary gains or losses.

The diluted securities outstanding as of December 31, 2003 are as follows:

Diluted security	Face value	Conversion period	Number of shares of common stock to be issued	Conversion price
Foreign currency denominated convertible bonds, issued in 2003	₩339,796 million (US\$287.5 million)	September 12, 2003 through July 28, 2006	4,887,500 shares	₩68,900 per share

24. Dividends

Details of dividends declared for the year ended December 31, 2003 and for the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 are as follows:

				(in Korean Won)
		2003		2002
	Dividend ratio(%)	Dividend amount	Dividend ratio(%)	Dividend amount
Common stock	25.0%	₩174,264,137,500	20.0%	₩139,390,290,000
Preferred stock	26.0%	22,335,708,200	21.0%	18,040,379,700
		₩196,599,845,700		₩157,430,669,700

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The Company's dividend payout ratio for the year ended December 31, 2003 and for the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 is computed as follows:

(in Korean Won)

	2003	2002
Total dividends (A)	₩ 196,599,845,700	₩ 157,430,669,700
Net income (B)	662,824,222,611	277,716,219,383
Dividend payout ratio ((A)/(B))	29.66%	56.69%

The Company's dividend yield ratio for the year ended December 31, 2003 and for the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 is computed as follows:

(in Korean Won)

	2003		2002	
	Common stock	Preferred stock	Common stock	Preferred stock
Dividend per share (A)	₩ 1,250	₩ 1,300	₩ 1,000	₩ 1,050
Market price as of balance sheet date (B)	58,600	25,950	41,300	18,800
Dividend yield ratio ((A)/(B))	2.13%	5.01%	2.42%	5.59%

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25. Transactions with Related Parties

Significant transactions entered into in the ordinary course of business with related parties for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002, and the related account balances outstanding as of December 31, 2003 and 2002, are summarized as follows:

(in millions of Won)

	Sales	Purchases	Receivables	Payables
LG Telecom, Ltd.	₩ 483,065	₩ 20,342	₩ 141,867	₩ 8,671
LG Chem, Ltd.	12,650	236,374	3,303	23,190
Hi Plaza Inc.	808,310	59,720	4,449	3,955
LG IBM PC Co., Ltd.	206,418	124,415	29,471	7,300
LG MRO	692	227,412	31,686	18,242
Hitachi-LG Data Storage Inc. (HLDS)	965,307	49,906	56,093	1,402
LG Electronics Australia PTY, Ltd. (LGEAP)	386,827	8,169	286	346
PT LG Electronics Display Devices Indonesia (LGEDI)	287,307	5,969	39,364	721
LG Electronics Huizhou Inc. (LGEHZ)	640,716	4,205	524	14,264
LG Electronics Italy S.P.A. (LGEIS)	176,982	27,317	173	2,417
LG Electronics Service Europe Netherlands B.V. (LGESE)	901,192	19,820	12,516	6,296
LG Electronics U.S.A. Inc. (LGEUS)	674,007	68,696	30	4,860
Zenith Electronics Corporation (Zenith)	186,566	10,234	969	4,164
LG Infocomm U.S.A. Inc. (LGICUS)	2,312,072	3,985	2,271	839
LG International Corp.	122,761	43,436	33,382	1,223
LG.Philips LCD Co., Ltd.	77,544	540,534	23,903	57,980
Others	4,348,304	1,228,869	204,120	163,675
2003	₩ 12,590,720	₩ 2,679,403	₩ 584,407	₩ 319,545
2002	₩ 7,360,895	₩ 2,120,313	₩ 990,556	₩ 819,649

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

26. Segment Information

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

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

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

Financial data by business division as of and for the year ended December 31, 2003 are as follows:

(in millions of Won)

	Total	Business Division			Supporting Division
		Digital Display & Media	Digital Appliance	Telecommunication Equipment & Handset (*1)	
SALES					
External sales	₩ 20,176,910	₩ 6,885,305	₩ 5,648,794	₩ 7,463,418	₩ 179,393
Inter-division sales	281,742	107,668	15,706	33,251	125,117
	20,458,652	6,992,973	5,664,500	7,496,669	304,510
OPERATING INCOME (LOSS)	1,062,193	397,482	496,743	285,711	(117,743)
FIXED ASSETS					
Property, plant and equipment	3,122,720	929,461	881,809	512,034	799,416
Intangible assets	836,301	47,124	14,240	366,316	408,621
	3,959,021	976,585	896,049	878,350	1,208,037
Depreciation and amortization	₩ 617,894	₩ 167,677	₩ 120,660	₩ 160,139	₩ 169,418

(*1) As of January 1, 2003, the Company reorganized its business structure and transferred the PC business from the Digital Display & Media division to the Telecommunication Equipment & Handset division.

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

Financial data by business division as of and for the nine-month period ended December 31, 2002 are as follows:

(in millions of Won)

	Total	Business Division			Supporting Division
		Digital Display & Media	Digital Appliance	Telecommunication Equipment & Handset	
SALES					
External sales	₩ 13,905,098	₩ 5,931,025	₩ 4,356,961	₩ 3,481,795	₩ 135,317
Inter-division sales	175,236	61,254	16,917	34,371	62,694
	14,080,334	5,992,279	4,373,878	3,516,166	198,011
OPERATING INCOME (LOSS)	661,673	141,082	385,164	208,496	(73,069)
FIXED ASSETS					
Property, plant and equipment	2,893,372	827,438	849,042	440,594	776,298
Intangible assets	972,467	71,449	13,343	413,443	474,232
	3,865,839	898,887	862,385	854,037	1,250,530
Depreciation and amortization	₩ 447,809	₩ 130,949	₩ 87,791	₩ 118,707	₩ 110,362

Financial data by geographic area for the year ended December 31, 2003 are as follows:

(in millions of Won)

	Total	Domestic	North America	Europe	Central & South America	Central Asia	Asia	Oceania	Others
Sales									
External sales	₩ 20,176,910	₩ 4,793,702	₩ 5,760,389	₩ 1,787,823	₩ 413,315	₩ 942,978	₩ 4,894,076	₩ 460,057	₩ 1,124,570
Ratio (%)	100%	24%	28%	9%	2%	5%	24%	2%	6%
Inter-division sales	281,742	281,742	-	-	-	-	-	-	-
	₩ 20,458,652	₩ 5,075,444	₩ 5,760,389	₩ 1,787,823	₩ 413,315	₩ 942,978	₩ 4,894,076	₩ 460,057	₩ 1,124,570

Financial data by geographic area for the nine-month period ended December 31, 2002 are as follows:

(in millions of Won)

	Total	Domestic	North America	Europe	Central & South America	Central Asia	Asia	Oceania	Others
Sales									
External sales	₩ 13,905,098	₩ 5,054,623	₩ 3,146,157	₩ 1,361,473	₩ 257,346	₩ 552,951	₩ 3,102,253	₩ 254,874	₩ 175,421
Ratio (%)	100%	36%	23%	10%	2%	4%	22%	2%	1%
Inter-division sales	175,236	175,236	-	-	-	-	-	-	-
	₩ 14,080,334	₩ 5,229,859	₩ 3,146,157	₩ 1,361,473	₩ 257,346	₩ 552,951	₩ 3,102,253	₩ 254,874	₩ 175,421

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

27. Value Added Information

Details of accounts included in the computation of value added for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 are as follows:

(in millions of Won)

	2003			2002		
	Selling and administrative expenses	Manufacturing costs	Total	Selling and administrative expenses	Manufacturing costs	Total
Salaries	₩ 490,534	₩ 590,443	₩ 1,080,977	₩ 197,477	₩ 441,879	₩ 639,356
Depreciation and amortization	293,181	324,713	617,894	204,759	243,050	447,809
Welfare expenses	82,149	123,289	205,438	32,274	79,579	111,853
Severance benefits	57,248	78,502	135,750	32,587	53,456	86,043
Rental charges	44,770	13,946	58,716	24,907	8,500	33,407
Taxes and dues	9,449	8,376	17,825	4,188	5,380	9,568
	₩ 977,331	₩ 1,139,269	₩ 2,116,600	₩ 496,192	₩ 831,844	₩ 1,328,036

28. Environmental Investment

As of December 31, 2003 and 2002, the Company's environmental investments, pursuant to environmental laws and the Company's environmental policies, amounted to ₩22,427 million and ₩13,669 million, respectively.

29. Employee Welfare and Social Contribution

The Company's investments for employee welfare for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 amounted to ₩214,955 million and ₩147,620 million, respectively.

The Company's social contributions for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 amounted to ₩8,271 million and ₩5,731 million, respectively.

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

30. Spin-Off

Upon a resolution of the Board of Directors on November 15, 2001 and a resolution of the shareholders on December 28, 2001, the Company was spun off from LG Electronics Investment Ltd. on April 1, 2002. On April 2, 2002, the Company completed the registration process required for new companies, in accordance with the Commercial Code of the Republic of Korea. In addition, on March 1, 2003, LG Electronics Investment Ltd. was legally merged into LG Chem Investment Ltd. (LGCI), which changed its name into LG Corp. after the merger.

In accordance with the provisions in the Commercial Code Article No. 530-2, LG Electronics Investment Ltd. established the Company to engage in the electronics and information and communications businesses.

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

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

The Company and LG Corp. jointly and severally hold a guarantee for the obligations before the spin-off.

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

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

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

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

31. Operating Results for the Final Interim Period

Significant operating results for the three-month periods ended December 31, 2003 and 2002 are as follows:

	<i>(in millions of Won, except per share amounts)</i>	
	2003	2002
Sales	₩ 5,417,450	₩ 4,608,973
Cost of sales	4,144,519	3,684,159
Operating income	197,694	42,202
Net loss for the period	(17,206)	(179,096)
Basic loss per share (in Korean Won)	(164)	(1,328)
Diluted loss per share (in Korean Won)	(153)	(1,328)

32. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the year ended December 31, 2003 and the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002 are as follows:

	<i>(in millions of Won)</i>	
	2003	2002
Transfer to building, machinery and others from construction in-progress	₩ 102,259	₩ 47,475
Transfer to machinery and equipment from machinery in-transit	108,299	72,478
Changes in retained earnings arising from deducting organization costs	3,271	-
Reclassification of current maturities of debentures	985,112	587,599
Reclassification of current maturities of long-term debt	4,468	9,639
Provision for severance benefits accounted for as intangible assets	-	1,063
Depreciation accounted for as intangible assets	-	4,009
Changes in capital adjustments arising from the equity method of accounting for investments	7,641	63,922

Notes to Non-Consolidated Financial Statements

For the years ended December 31, 2003 and 2002

33. Subsequent Event

Upon a resolution of the Board of Directors in February 2004, the Company is scheduled to acquire commercial papers (having a face value of ₩100,000 million at an annual interest rate of 7.5%, and maturing at the end of three months from the issuance date) of LG Card Co., Ltd., as part of the fulfillment of LG Card Co., Ltd.'s business normalization agreement with the creditor financial institutions.

34. Reclassification of Prior Year Financial Statement Presentation

Certain amounts in the non-consolidated financial statements as of December 31, 2002 and for the nine-month period from April 1, 2002 (spin-off date) to December 31, 2002, presented herein for comparative purposes, have been reclassified to conform to the non-consolidated financial statements presentation as of and for the year ended December 31, 2003. These reclassifications had no effect on previously reported net income or shareholders' equity.

Domestic Production Facilities

Korea

Company	Institute	Location	Major Products	Production Capacity(yr)	Employees
Digital Appliance	Changwon	Changwon, Gyeongsangnam-do	Refrigerator	3.0 Million EA	6,739
			Microwave oven	3.7 Million EA	
			RE compressor	12.0 Million EA	
			Air conditioner	5.5 Million EA	
			Laundry washer	3.0 Million EA	
			Vacuum cleaner	2.5 Million EA	
			RO compressor	5.0 Million EA	
	Gimhae	Gimhae, Gyeongsangnam-do	Household motor	28.5 Million EA	
	Gumi	Gumi, Gyeongsangbuk-do	MGT	8.5 Million EA	
Digital Display & Media	Gumi	Gumi, Gyeongsangbuk-do	Monito	3.0 Million EA	8,980
			TV	2.5 Million EA	
			PDP	0.8 Million EA	
	Pyeongtaek	Pyeongtaek, Gyeonggi-do	VCR	0.4 Million EA	
			PC (Notebook)	1.1 Million EA	
			Optical storage	12.5 Million EA	
			DVD-Player/DVD-REC Combo	1.3 Million EA	
	Osan	Osan, Gyeonggi-do	PCB	0.9 Million EA	
	Cheongju	Cheongju, Chungcheongbuk-do	Video tape	292.0 Million EA	
			DVD-R	5.0 Million EA	
Telecommunication System	Gumi	Gumi, Gyeongsangbuk-do	Mobile telecommunication (CDMA/W-CDMA/ WLL)	7,200 BTS	2,064
			Transmitter (Wire/wireless transmitting equipment)	2,500 Rack	
			Switchboard(TDX,ATM)	2.3 Million lines	
	Cheongju	Cheongju, Chungcheongbuk-do	PBX	1.0 Million lines	
			VoIP G/W	9.0 thousand	
			Keyphone system	0.075 Million EA	
			Keyphone	0.45 Million EA	
Mobile Handset	Seoul	Gasam-dong, Geumcheon-gu	CDMA handset	26.6 Million EA	4,087
	Gumi	Gumi, Gyeongsangbuk-do	WLL handset	400 EA	
	Cheongju	Cheongju, Chungcheongbuk-do	GSM handset	10.0 Million EA	

*All network products are produced in Gumi Factory

Type	Institute	Location	Employees
Headquarters	Twin Tower	LG Twin Tower Westwing 20 Yeouido-dong, Yeongdeungpo-gu, Seoul	632
Telecommunication HQ	Gangnam Tower	LG Gangnam Tower 679 Yeoksam-dong, Gangnam-gu, Seoul	465
Domestic sales	Gangnam Tower	LG Gangnam Tower 679 Yeoksam-dong, Gangnam-gu, Seoul	876
Customer service	Gangseo Tower	6-36 Munrae-2-dong, Yeongdeungpo-gu, Seoul	417
CTO	Twin Tower	LG Twin Tower Westwing 20 Yeouido-dong, Yeongdeungpo-gu, Seoul	2,884
Production engineering	Pyungtaek	19-1 Chungho-ri, Jinwi-myeon, Pyeongtaek-si, Gyeonggi-do	357

Overseas Subsidiaries

Overseas Production (2003. 12. 31)

	Location	Name	Type	Production	Capacity(1000)	Capital(1000)	Invest Type	Established
Americas	Mexico	LGEMX	Production	Monitor	1,800	USD 17,500	LGE 100%	88.07
	Mexicali							
	Mexico	LGERS	Production	TV	2,080	USD 39,481	LGE 100%	00.01
	Reynosa							
	Brazil	LGEAZ	Production	TV	1,200	BRL 74,555	LGE 100%	95.08
	Amazonia		/Sales	VCR/DVD	800			
				Audio	200			
				Air conditioner	200			
Europe	Mexico	LGEMM	Production	Refrigerator	1,000	MXP 156,369	LGE 100%	00.04
	Monterrey	/Sales						
	Brazil	LGESP	Production	Monitor	1,200	BRL 35,065	LGE 100%	96.04
	San Paulo		/Sales	Cellular	1,560			
				Optical storage	1,200			
	U.K	LGENE	Production	Microwave oven	1,200	GBP 9,000	LGE 100%	88.10
	New Castle							
	U.K	LGewa	Production	Monitor	1,500	GBP 65,900	LGE 100%	96.09
M. Asia	Wales							
	Romania	EMGS	Production	Switching system	50	USD 2,650	LGE 50%	91.10
	Bucharest		/Sales				EM S.A. & etc. 50%	
	Poland	LGEMA	Production	TV	1,000	PLZ 22,982	LGE 100%	99.03
	Malawa							
	Egypt	LGEEG	Production	DY	960	EGP 14,400	LGE 78%	90.11
	Ismalia			FBT	960		EIC & etc. 22%	
				Tuner	1,200			
Asia				TV	300			
	Turkey	LGEAT	Production	Air conditioner	300	TRL 28,800,000,000	LGE 50%	99.05
	Istanbul		/Sales				Arcelik & etc. 50%	
	India	LGEIL	Production	TV	1,200	INR 1,126,495	LGE 100%	97.01
	New Delhi		/Sales	Air conditioner	400			
	Noida			Refrigerator	1,000			
				Washing machine	500			
				Microwave oven	150			
Asia				Monitor	500			
				Re-compressor	1,500			
				WLL system/Handset	350			
	Thailand	LGEMT	Production	TV	600	THB 507,600	LGE 88%	88.09
	Bangkok		/Sales				Mitr 12%	
	Thailand	LGETH	Production	Washing machine	1,700	THB 205,000	LGE 100%	97.05
	Bangkok		/Sales	Air conditioner	1,000			
	Thailand	LGICTH	Production	Wire telephone	2,200	THB 76,000	LGE 60%	88.05
	Bangkok		/Sales	Wireless telephone	450		Srithai & etc. 40%	
	Vietnam	LGEMH	Production	Air conditioner	75	VND 30,616,400	LGE 70%	97.04
	Haipong			Washing machine	75		Mecanimex 30%	
				Refrigerator	75			
Asia	Vietnam	LGEVN	Production	TV	800	VND 44,004,331	LGE 100%	95.07
	Hanoi		/Sales	Monitor	200			

Oversea Subsidiaries

	Location	Name	Type	Production	Capacity(1000)	Capital(1000)	Invest Type	Established
				DVD	400			
				Optical storage	Sales			
				GSM handset	Sales			
	Vietnam	VKX	Production	Switch board	300,000 lines	VND 44,048,000	LGE 40%	94.06
	Hanoi		/Sales	CDMA System	100,000 lines		VNPT & etc 60%	
	Indonesia	LGEDI	Production	Monitor	4,500	USD 41,240	LGE 100%	95.03
	Jakarta			VCR, COMBI, DVD-R, DVD-P, Audio	10,000			
	Indonesia	LGEIN	Production	TV	1,700	IDR 80,109,000	LGE 100%	90.11
	Jakarta		/Sales	Refrigerator	800			
				Air conditioner	150			
China	China	LGETR	Production	Refrigerator	2,300	CNY 373,434	LGE 100%	95.12
	Taizhou		/Sales	Re-compressor	3,000			
	China	LGEHZ	Production	Audio	7,000	CNY 148,601	LGE 80%	93.10
	Huizhou		/Sales	Optical Storage	50,000		TCL 20%	
	China	LGENT	Production	Monitor	7,000	CNY 98,758	LGE 70%	97.09
	Nanjing		/Sales	LCD TV	50		Toptry 5%, Nanjing Xinggang 25%	
	China	LGEPN	Production	Washing machine	1,500	CNY 130,882	LGE 70%	95.12
	Nanjing		/Sales				PANDA 30%	
	China	LGEQH	Production	Foundry	20,000 ton	CNY 33,472	LGE 100%	95.12
	Qinhuangdoo		/Sales					
	China	LGESH	Production	VCR	422	CNY 64,880	LGE 70%	95.08
	Shangha		/Sales	DVD	4,850		S.V.A. 30%	
	China	LGESY	Production	TV	3,500	CNY 178,512	LGE 79%	94.12
	Shenyang		/Sales				S.V.A 21%	
	China	LGETA	Production	Microwave oven	10,000	CNY 899,846	LGE 80%	95.08
	Tianjin		/Sales	Air conditioner	4,500		TRIC 20%	
				Motor	20,000			
				MGT	10,000			
				Vacuum cleaner	6,000			
				Ro-compressor	8,000			
	China	LGEYT	Production	CDMA	2,160	CNY 152,293	LGE 49%	02.01
	Yantai		/Sales/Research				Langchao & etc. 51%	
	China	LGTOPS	Production	CDMA-WLL	300	CNY 49,665	LGE 40%	00.02
	Guangzhou		/Sales				GPTE & etc. 60%	
	China	LGEKS	Production	Notebook PC	552	CNY 14,899	LGE 51%	03.03
	Keun Shan		/Sales				MSI 49%	
	China	LGENTP	Production	PDP Module	120	CNY 206,750	LGE 100%	03.05
	Nanjing			TV	20			
	China	LGEHN	Production	DVD-Recordable	54,000	CNY 57,939	LGE 49%	03.10
	Hangzhou			Video Cassette Tape	108,000		Hangzhou Nature 51%	
	China	LGEQD	Production	GSM handset	1,200	CNY 41,387	LGE 60%	03.06
	Qinhuangdoo						Lanchao 40%	
CIS & others	CIS	LGEAK	Production	TV	500	USD 4,000	LGE 100%	97.10
	Kazakhstan		/Sales	Washing machine	40			
				Audio	200			

Overseas Subsidiaries

Overseas Production (2003. 12. 31)

	Location	Name	Type	Capital(1000)	Investment Type	Established
America	U.S. Huntsville	LGEAI	Service	USD 27	LGE 100%	81.04
	Canada Toronto	LGECI	Sales	CAD 18,600	LGE 100%	86.10
	U.S. New Jersey	LGEUS	Sales	USD 22,016	LGE 100%	78.08
	U.S. New Jersey	Triveni	R & D	USD 2,500	LGE 100%	96.10
	U.S. Chicago	Zenith	R & D/Sales	USD 0.02	LGE 100%	18.10
	U.S. San Diago	LGICUS	Sales	USD 11,000	LGE 100%	96.07
	Mexico Mexico city	LGEMS	Sales	MXP 19,800	LGE 100%	98.08
	Argentina Buenos Aires	LGEAR	Sales (dormant)	USD 6,000	LGE 100%	00.08
	Panama Panama	LGEPS	Sales	USD 2,100	LGE 100%	81.07
	Columbia Bogota	LGECB	Sales	COP 9,939,165	LGE 100%	00.01
	Chile San Tiago	LGECCL	Sales	CLP 3,165,000	LGE 100%	03.11
	Peru Lima	LGEPER	Sales	PEN 5,356	LGE 100%	97.09
Europe	U.K. London	LGEUK	Sales	GBP 12,600	LGE 100%	87.07
	Ireland Dublin	LGEDT	R&D Design	IEP 850	LGE 100%	91.04
	France Paris	LGFEFS	R&D	EUR 5,648	LGE 100%	90.12
	Spain Madrid	LGFEES	R&D	EUR 3,185	LGE 100%	96.01
	Belguim Antwerp	LGFEAL	R&D	EUR 879	LGE 100%	97.12
	Netherland Amsterdam	LGFESE	R&D/Shipping	EUR 8,464	LGE 100%	98.09
	Netherland Amsterdam	LPD	Shareholding			01.07
	German Dusseldorf	LGFEEDG	Sales	EUR 27,840	LGE 100%	80.10
	Italia Milano	LGFEIS	Sales	EUR 8,785	LGE 100%	96.01
	Hungary Budapest	LGFEEMK	Sales	HUF 1,084,360	LGE 100%	92.10

Oversea Subsidiaries

	Location	Name	Type	Capital(1000)	Investment Type	Established
	Poland Warsaw	LGEPL	Sales	PLZ 12,814	LGE 100%	97.05
	Sweden Stockholm	LGESW	Sales	SEK 44,357	LGE 100%	99.10
	Greece Athens	LGEHS	Sales	EUR 5,000	LGE 100%	02.10
	Austria Vienna	LGEAG	Sales	EUR 100	LGE 100%	02.07
	Czech	LGECZ	Sales	CZK 158,650	LGE 100%	03.09
	Portugal	LGEPT	Sales	EUR 5,000	LGE 100%	03.04
M. Asia	S. Africa Johanesburg	LGESA	Sales	ZAR 18,500	LGE 100%	96.10
	Moroco Casablanca	LGEMC	Sales	MAD 31,521	LGE 100%	00.07
	U.A.E. Dubai	LGEGF	Sales	AED 11,000	LGE 100%	96.10
	U.A.E. Dubai	LGEME	SVC	AED 3,614	LGE 100%	91.04
	Egypt Cairo	LGEEC	Sales	EGP 13,510	LGE 100%	01.02
Asia	India Bangalow	LGSI	R & D S/W	INR 112,043	LGE 75% ILFS & etc. 25%	98.03
	Singapore Kapel	SLD	SVC	USD 54,450	LGE 44% SKT & etc. 56%	01.01
	Singapore	EIC Property	Building management	SGD 34,170	LGE 38% LG Chemical 9% LG International 53%	00.12
	China Beijing	LGECH	Holding company	CNY 331,015	LGE 100%	95.06
	China Hong Kong	LGEHK	Shipping & handling	HKD 28,528	LGE 100%	95.03
	Japan Tokyo	HLDS	Sales	JPY 1,500,000	LGE 49% Hitachi 51%	00.11
	Malasia Kuala Lumpur	LGEML	Shipping & handling	MYR 38	LGE 100%	00.02
	Japan Tokyo	LGEJP	Sales	JPY 1,380,000	LGE 100%	81.01
	Taiwan Taipai	LGETT	Sales	TWD 194,925	LGE 99.99% Others 0.01%	01.10
	Phillipines Manila	LGEPH	Sales	PHP 739,036	LGE 100%	88.12
Oceania CIS	Australia Sydney	LGEAP	Sales	AUD 2,685	LGE 100%	94.05
	Russia Moscow	LGERI	SVC	USD 526	LGE 95% ALINA 5%	96.01
	Ukraine Kiev	LGEUR	SVC	USD 800	LGE 100%	98.06

Bound Balance

(Unit : Billion KRW, %)

Type	Issued Date	Issued Amount	Interest	Outstanding	Due Date
2nd Debenture, private, non-guaranteed payable	1998-01-03	3	16.5	30	2004-01-05
12th Debenture, private, non-guaranteed payable	1997-12-31	5	16.50	5	2004-01-05
21st Debenture, public, non-guaranteed payable	2001-02-08	15	6.00	15	2004-02-08
22nd Debenture, private, non-guaranteed payable	2001-02-27	10	7.65	10	2006-02-26
23rd Debenture, private, non-guaranteed payable	2001-04-03	10	7.90	10	2004-04-02
24th Debenture, public, non-guaranteed payable	2001-04-12	20	7.00	20	2004-04-12
26th Debenture, public, non-guaranteed payable	2001-05-31	15	7.00	15	2006-05-31
27th Debenture, public, non-guaranteed payable	2001-06-25	12	7.00	12	2004-06-25
29th Debenture, public, non-guaranteed payable	2001-09-12	30	6.00	30	2006-09-12
30th Public, non-guaranteed payable(FRN)	2001-10-18	20	Nation debt 3 years+0.4	20	2004-10-18
31st FRN	2001-11-14	US\$ 100,000		US\$ 100,000	2006-11-14
32nd FRN	2002-05-31	US\$ 200,000	6ML+0.66	US\$ 200,000	2005-05-31
33rd Public, non-guaranteed payable	2002-09-17	20	5.00	2,000	2005-09-19
34th FRN	2002-10-17	US\$ 100,000	6ML+0.6	US\$ 100,000	2004-10-17
34th FRN	2002-10-17	US\$ 100,000	6ML+0.5	US\$ 100,000	2005-10-17
35th Debenture, public, non-guaranteed payable	2003-02-04	10	5.00	10	2006-02-04
36th Debenture, public, non-guaranteed payable	2003-04-10	30	5.00	30	2006-04-10
37th Debenture, public, non-guaranteed payable	2003-05-09	10	5.00	10	2006-05-09
38th Debenture, public, non-guaranteed payable	2003-06-09	10	5.00	10	2006-06-09
39th CB	2003-08-11	US\$ 287,500	0.00	US\$ 287,500	2006-08-11
40th FRN	2003-08-26	US\$ 39,000	6ML+0.7	US\$ 39,000	2004-05-26
40th FRN	2003-08-26	US\$ 31,000	6ML+1.25	US\$ 31,000	2006-08-26
41-1st Debenture, public, non-guaranteed payable	2003-11-06	11	4.50	11	2005-11-06
41-2nd Debenture, public, non-guaranteed payable	2003-11-06	9	5.00	9	2008-11-06
42nd Debenture, private, non-guaranteed payable	2003-12-24	2.6	5.70	2.6	2005-12-23
Total	Foreign currency	US\$ 857,500		US\$ 857,500	
	Won currency	24,260		23,960	

Shareholder Information

Listing

Korea Stock Exchange (stocks)
London Stock Exchange (CBs)

Capital Stock

	2002			2003		
	Number of issuance (Shares)	Par value	Millions of Won	Number of issuance (Shares)	Par value	Millions of Won
Common stock	139,606,263	₩5,000	₩698,031	139,606,263	₩5,000	₩698,031
Preferred stock	17,185,992	5,000	85,930	17,185,992	5,000	85,930
Redeemable preferred stock	-	-	-	-	-	-
	156,792,255		₩783,961	156,792,255		₩783,961

Earnings Per Share

	2002		2003	
Basic earnings per share	₩	1,768	₩	4,229
Diluted earnings per share	₩	1,768	₩	4,187

Dividend Ratio

	2002	2003
Common shares	20.0%	25.0%
Preferred shares	21.0%	26.0%

Closing date	December 31st
Periodical meeting	Within 3 days of the end of business year
Shareholder's list closing date	From January 1st to January 31st
Announcing newspapers	Donga Ilbo, Chosun Ilbo
Share types	1, 5, 10, 50, 100, 500, 1,000, 10,000 shares (8 types)
Agency	Korea Security Depository (Tel : 02-3772-9000)
Location	34-6 Yeouido-dong, Yeongdeungpo-gu, Seoul
LG Electronics Investors Relations	82-2-3777-3427



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