

**LG ELECTRONICS INC.**  
**Review Report 2003**

As of and for the three-month period ended March 31, 2003

## Independent Accountant's Report

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

We have reviewed the accompanying non-consolidated balance sheet of LG Electronics Inc. (the "Company") as of March 31, 2003, the related statements of income and cash flows for the three-month period then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

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

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

We have audited the non-consolidated balance sheet of LG Electronics Inc. as of December 31, 2002, and the related non-consolidated statements of income, appropriations of retained earnings (draft) and cash flows for the nine-month period from April 1, 2002 (date of spin-off) to December 31, 2002, in accordance with auditing standards generally accepted in the Republic of Korea. Our audit report dated January 25, 2003 expressed an unqualified opinion on those financial statements. These audited financial statements are not included in this review report. The balance sheet as of December 31, 2002, presented herein for comparative purposes, is consistent, in all material respects, with the audited non-consolidated balance sheet referred to above as of December 31, 2002.

Continued;

As discussed in Note 23 to the accompanying non-consolidated financial statements, for the three-month period ended March 31, 2003, the Company entered into various transactions with affiliated companies, including sales amounting to ₩2,998,826 million and purchases amounting to ₩542,724 million. As of March 31, 2003, related receivables and payables approximate ₩1,032,783 million and ₩535,228 million, respectively.

As discussed in Note 2 to the accompanying non-consolidated financial statements, the Company has adopted the newly established Statement of Korean Financial Accounting Standards (“SKFAS”) No. 2 to No. 9 effective from January 1, 2003. The effect of this adoption of the new SKFAS was to decrease sales and cost of sales by ₩284,769 million and increase net income by ₩1,106 million for the three-month period ended March 31, 2003, and decrease retained earnings by ₩2,165 million as of March 31, 2003.

Accounting principles and review 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 review 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 review standards and their application in practice.

Seoul, Korea  
April 19, 2003

This report is effective as of April 19, 2003, the review report date. Certain subsequent events or circumstances, which may occur between the review 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 review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**LG ELECTRONICS INC.**  
**NON-CONSOLIDATED BALANCES SHEETS**  
**(Unaudited - See Independent Accountant's Report)**  
**March 31, 2003 and December 31, 2002**  
**(In millions of Korean Won)**

	March 31, 2003	December 31, 2002
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Notes 3 and 7)	₩ 554,038	₩ 17,176
Short-term financial instruments (Note 4)	881	766
Short-term trading securities (Note 5)	20,298	-
Trade accounts and notes receivable, net (Notes 6, 7 and 23)	1,292,933	1,187,275
Inventories (Note 8)	1,404,942	1,180,690
Other accounts receivable, net (Notes 6 and 7)	249,480	194,404
Prepaid expenses	79,729	67,896
Accrued income (Notes 6 and 7)	139,505	143,167
Advances (Note 6)	141,341	166,951
Derivatives transaction debit (Note 16)	-	2,110
Other current assets (Note 6)	2,162	2,174
	3,885,309	2,962,609
Property, plant and equipment, net of accumulated depreciation (Notes 10 and 24)	2,897,989	2,893,372
Long-term financial instruments (Note 4)	9,400	8,729
Long-term investment securities (Note 9)	2,594,775	2,652,630
Refundable deposits (Note 7)	302,879	293,619
Long-term trade accounts receivable (Note 6)	95	123
Long-term prepaid expenses	71,756	68,878
Deferred income tax assets, net (Note 21)	362,654	237,905
Long-term loans (Notes 6 and 23)	44,844	42,246
Intangible assets (Notes 11 and 24)	921,343	972,467
	11,091,044	10,132,578
	₩ 11,091,044	₩ 10,132,578

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

Continued;

**LG ELECTRONICS INC.**  
**NON-CONSOLIDATED BALANCE SHEETS, Continued**  
**(Unaudited - See Independent Accountant's Report)**  
**March 31, 2003 and December 31, 2002**  
**(In millions of Korean Won)**

	March 31, 2003	December 31, 2002
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term borrowings (Note 12)	₩ 791,552	₩ 42,393
Current maturities of long-term debt (Note 12)	836,711	703,018
Trade accounts and notes payable (Notes 7 and 23)	2,409,036	1,954,039
Other accounts payable (Note 7)	529,784	1,051,833
Income taxes payable (Note 21)	134,616	156,609
Dividends payable	157,431	-
Accrued expenses (Note 7)	535,097	585,433
Withholdings	54,968	45,352
Advances from customers	224,172	197,428
Derivatives transaction credit (Note 16)	1,965	534
Total current liabilities	5,675,332	4,736,639
Debentures, net of current maturities and discounts on debentures (Note 13)	2,042,732	2,143,841
Long-term debt, net of current maturities (Note 13)	4,914	4,720
Accrued severance benefits, net (Note 15)	193,876	162,960
Product warranty provision	108,597	79,200
Other long-term liabilities	122	166
Total liabilities	8,025,573	7,127,526
Commitments and contingencies (Note 16)		
Shareholders' equity:		
Capital stock (Note 17)	783,961	783,961
Capital surplus:		
Additional paid-in capital (Note 18)	1,876,153	1,876,153
Retained earnings (Note 19)	303,029	277,716
Capital adjustments (Note 20)	102,328	67,222
Total shareholders' equity	3,065,471	3,005,052
Total liabilities and shareholders' equity	₩ 11,091,044	₩ 10,132,578

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

**LG ELECTRONICS INC.**  
**NON-CONSOLIDATED STATEMENT OF INCOME**  
**(Unaudited - See Independent Accountant's Report)**  
**For the three-month period ended March 31, 2003**  
**(In millions of Korean Won except for Earnings Per Share amounts)**

Sales (Notes 23 and 24)	₩	5,170,521
Cost of sales (Note 23)		<u>3,907,624</u>
Gross profit		1,262,897
Selling and administrative expenses		<u>845,680</u>
Operating income (Note 24)		<u>417,217</u>
Non-operating income:		
Interest income		4,157
Dividend income		2,782
Rent income		2,077
Gain on valuation of short-term trading securities		298
Foreign exchange gains		97,519
Gain on disposal of property, plant and equipment		397
Gain on derivatives transactions (Note 16)		627
Others		23,226
		<u>131,083</u>
Non-operating expenses:		
Interest expense		51,547
Foreign exchange losses		139,903
Loss from transfer of trade accounts and notes receivable		26,238
Loss from disposal of property, plant and equipment		7,139
Loss from disposal of investment securities		957
Loss on impairment of investment securities		27,343
Equity in losses of affiliates, net (Note 9)		51,550
Donations		1,434
Other bad debt expense		30,050
Loss on derivatives transactions (Note 16)		1,545
Loss on valuation of derivatives (Note 16)		2,909
Others		9,774
		<u>350,389</u>
Ordinary income		197,911
Extraordinary gains		-
Extraordinary losses		<u>-</u>
Income before income taxes		197,911
Income tax expense (Note 21)		<u>9,054</u>
Net income	₩	<u>188,857</u>
Earnings per share in Won (Note 22)	₩	<u>1,188</u>
Ordinary income per share in Won (Note 22)	₩	<u>1,188</u>

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

**LG ELECTRONICS INC.**  
**NON-CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(Unaudited - See Independent Accountant's Report)**  
**For the three-month period ended March 31, 2003**  
**(In millions of Korean Won)**

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	₩	188,857
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation		149,674
Amortization of discounts on debentures		3,506
Provision for severance benefits		45,817
Loss from transfer of trade accounts and notes receivable		26,238
Bad debt expense		59,952
Foreign currency translation loss, net		52,719
Gain on valuation of short-term trading securities		(298)
Loss from disposal of investment securities		957
Loss on impairment of investment securities		27,343
Loss from disposal of property, plant and equipment, net		6,742
Equity in losses of affiliates, net		51,550
Loss on valuation of derivatives		2,909
Loss on derivatives transactions, net		918
Product warranty provision		29,397
Others		3
Changes in assets and liabilities:		
Increase in trade accounts and notes receivable		(136,358)
Increase in other accounts receivable		(63,208)
Decrease in accrued income		7,111
Decrease in advances		25,551
Increase in other current assets		(101)
Increase in inventories		(224,578)
Increase in prepaid expenses		(14,711)
Increase in deferred income tax assets		(123,617)
Increase in trade accounts and notes payable		430,756
Decrease in other accounts payable		(527,216)
Decrease in accrued expenses		(52,824)
Increase in withholdings		9,616
Increase in advances from customers		26,745
Decrease in income taxes payable		(21,993)
Payment of severance benefits		(29,666)
Decrease in severance insurance deposits		13,713
Decrease in contributions to the National Pension Fund		1,052
Net cash used in operating activities	₩	<u>(33,444)</u>

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

Continued;

**LG ELECTRONICS INC.**  
**NON-CONSOLIDATED STATEMENT OF CASH FLOWS, Continued**  
**(Unaudited - See Independent Accountant's Report)**  
**For the three-month period ended March 31, 2003**  
**(In millions of Korean Won)**

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of short-term financial instruments	₩	(115)
Acquisition of short-term trading securities		(20,000)
Decrease in short-term and long-term loans, net		727
Acquisition of long-term financial instruments		(671)
Proceeds from disposal of long-term investment securities		4,548
Acquisition of long-term investment securities		(17,821)
Payment of refundable deposits		(8,769)
Proceeds from disposal of property, plant and equipment		3,406
Proceeds from disposal of intangible assets		36
Acquisition of property, plant and equipment		(111,597)
Acquisition of intangible assets		(4,702)
Acquisition of derivatives		(286)
Others		45
Net cash used in investing activities		<u>(155,199)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from short-term borrowings, net	735,695
Proceeds from issuance of debentures	99,287
Payment of current maturities of long-term debt	(102,285)
Acquisition of treasury stock	(7,192)
Net cash provided by financing activities	<u>725,505</u>

INCREASE IN CASH AND CASH EQUIVALENTS 536,862

CASH AT THE BEGINNING OF THE PERIOD (Note 26) 17,176

CASH AT THE END OF THE PERIOD (Note 26) ₩ 554,038

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



LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited - See Independent Accountant's Report)  
As of and for the three-month period ended March 31, 2003  
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1. The Company:

As discussed in Note 25, 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 March 31, 2003, the Company has its manufacturing facilities in Kuro, Pyeongtaek, Chongju, Gumi, Changwon, etc.

As of March 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 March 31, 2003, affiliated companies comprised of the LG Group, including LG Corp., and key management personnel, including close members of the families of such individuals, own a total of 36.2% 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 significant accounting policies followed by the Company in the preparation of its interim financial statements for the three-month period ended March 31, 2003, which conform to the Financial Accounting Standards of the Republic of Korea, are similar to those adopted in the non-consolidated financial statements for the fiscal year ended December 31, 2002, except for the application of Statement of Korean Financial Accounting Standards ("SKFAS") No. 2 to No. 9 effective from the first fiscal year beginning after December 31, 2002. On the other hand, the balance sheet as of December 31, 2002, presented herein for comparative purposes, complies with Financial Accounting Standards of the Republic of Korea effective on December 31, 2002, and were not restated in accordance with SKFAS No. 2 to No. 9.

Continued;

LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
(Unaudited - See Independent Accountant's Report)  
As of and for the three-month period ended March 31, 2003  
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2. Summary of Significant Accounting Policies, Continued:

Basis of Financial Statement Presentation -

The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with financial accounting standards generally accepted in the Republic of Korea. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. 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. Certain information attached to the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company's financial position and results of operations, is not presented in the accompanying non-consolidated financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these 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.

Spin-Off Accounting -

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

- Assets and liabilities are transferred based on the book value.
- Capital adjustments including 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.

Continued;

LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
(Unaudited - See Independent Accountant's Report)  
As of and for the three-month period ended March 31, 2003  
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2. Summary of Significant Accounting Policies, Continued:

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.

Securities -

The Company accounts for equity and debt securities under the provision of Statement of Korean Financial Accounting Standards No. 8, "Investments" (SKFAS 8). 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 weighted-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, 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 operations when the related securities are sold, or when an impairment loss on the securities is recognized. Impairment losses are recognized in the income statement when the recoverable amounts are less than the acquisition cost of securities or the adjusted cost of debt securities after the amortization of discounts or premiums.

Investments in equity securities of companies over which the Company exerts 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.

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LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
(Unaudited - See Independent Accountant's Report)  
As of and for the three-month period ended March 31, 2003  
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2. Summary of Significant Accounting Policies, Continued:

Securities, Continued -

The Company discontinues the equity method of accounting for investments when the Company's share in accumulated losses equals the costs of the investments, and until the subsequent cumulative 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 straight-line method.

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

Allowance for Doubtful Accounts -

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

Inventories -

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

Continued;

LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
(Unaudited - See Independent Accountant's Report)  
As of and for the three-month period ended March 31, 2003  
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2. Summary of Significant Accounting Policies, Continued:

Property, Plant and Equipment -

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

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

Routine maintenance and repairs are charged to current operations as incurred. Betterments and renewals which enhance the value of the assets over the most recently appraised value of the assets 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 unlikely, and recognizes an impairment loss when the carrying value of an asset exceeds its value of 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 percent of the estimated economic life of the leased property, or have a present value of the minimum lease payments at the beginning of the lease term amounting to more than 90 percent of the fair value of the leased property, are accounted for as capital leases. Leases that do not meet these criteria are accounted for as operating leases, of which the total minimum lease payments are charged to expense over the lease period on a straight-line basis.

Continued;

LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
(Unaudited - See Independent Accountant's Report)  
As of and for the three-month period ended March 31, 2003  
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2. Summary of Significant Accounting Policies, Continued:

Research and Development Costs -

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

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 for the acquisition of the related asset. Amortization is computed using the straight-line method over the estimated useful lives ranging 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 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.

Interest Capitalization -

Interest expense incurred on borrowings used to acquire property, plant and equipment, intangible assets and investments are all charged to expense as incurred when at least one year is required to bring the related asset to working condition for its intended use.

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.

Continued;

LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
(Unaudited - See Independent Accountant's Report)  
As of and for the three-month period ended March 31, 2003  
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2. Summary of Significant Accounting Policies, Continued:

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 Provision -

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

Accrued Severance Benefits -

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

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

Income Taxes -

The Company recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between amounts reported for financial accounting 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 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.

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LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
(Unaudited - See Independent Accountant's Report)  
As of and for the three-month period ended March 31, 2003  
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2. Summary of Significant Accounting Policies, Continued:

Income Taxes -

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 gains and 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 and losses are recognized in current operations.

The exchange rate used to translate U.S. Dollar denominated monetary assets and liabilities as of March 31, 2003 and December 31, 2002 is ₩1,252.9: 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.

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LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
(Unaudited - See Independent Accountant's Report)  
As of and for the three-month period ended March 31, 2003  
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2. Summary of Significant Accounting Policies, Continued:

Application of the Statements of Korean Financial Accounting Standards -

The significant accounting policies followed by the Company in the preparation of its financial statements for the three-month period ended March 31, 2003, which conform to both Financial Accounting Standards of the Republic of Korea, including Statement of Korean Financial Accounting Standards ("SKFAS") No. 2 to No. 9 effective from the first fiscal year beginning after December 31, 2002, are similar to those adopted in the non-consolidated financial statements for the fiscal year ended December 31, 2002, except for the following items:

In accordance with the newly effective SKFAS No. 4 on revenue recognition, the Company changed its accounting policy for revenue recognition of outsourcing for assembling activities. Raw materials provided to subcontractors for assembling were previously recognized as sales when taken out of the warehouse, and recognized as purchases when the assembled materials were returned. Effective from January 1, 2003, only outsourcing fees related with assembling are recognized as manufacturing costs. The effect of this application of SKFAS No. 4 was to decrease sales and cost of sales for the three-month period ended March 31, 2003 by ₩284,769 million.

In accordance with the newly effective SKFAS No. 3 on intangible assets, the Company deducted its remaining balance of organization costs, which had been accounted for as an intangible asset, from unappropriated retained earnings as of December 31, 2002. The effect of this application of SKFAS No. 3 was to increase net income for the three-month period ended March 31, 2003 by ₩1,106 million and decrease retained earnings as of March 31, 2003 by ₩2,165 million.

Reclassification of Prior Year Financial Statement Presentation -

Certain amounts in the balance sheet as of December 31, 2002, presented herein for comparative purpose, have been reclassified to conform to the presentation applied to the balance sheet as of March 31, 2003. These reclassifications had no effect on previously reported net income or shareholders equity.

LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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3. Cash and Cash Equivalents:

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

	Annual interest rate (%) at March 31, 2003	Millions of Won	
		March 31, 2003	December 31, 2002
Cash on hand	-	₩ 50	₩ 78
Current deposits	-	4,695	914
Foreign currency current deposits	-	15,101	7,014
Ordinary deposits	0.5	6,584	8,330
Foreign currency time deposits	0.6 - 1.0	43,133	840
Money market deposit accounts	3.8 - 3.9	180,000	-
Money market funds	4.0 - 4.2	304,475	-
		₩ 554,038	₩ 17,176

4. Financial Instruments:

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

	Annual interest rate (%) at March 31, 2003	Millions of Won	
		March 31, 2003	December 31, 2002
<u>Short-term financial instruments</u>			
Installment deposits	6.8	₩ 881	₩ 766
<u>Long-term financial instruments</u>			
Installment deposits	6.5	505	429
Other deposits	0.3	8,895	8,300
		9,400	8,729
		₩ 10,281	₩ 9,495

As of March 31, 2003 and December 31, 2002, long-term financial instruments amounting to ₩8,895 million and ₩8,300 million, respectively, are deposited in connection with maintaining checking accounts, debt or research and development projects funded by government. The withdrawal of these financial instruments is restricted (see Notes 12 and 13).

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5. Short-Term Trading Securities:

Short-term trading securities as of March 31, 2003 consist of the following:

	Annual interest rate (%) at March 31, 2003	Millions of Won	
		Acquisition cost	Carrying value
Beneficiary certificates	6.7	₩ 20,000	₩ 20,298

6. Receivables:

Receivables, including trade accounts and notes receivable, as of March 31, 2003 and December 31, 2002 comprise the following (Millions of Won):

	March 31, 2003				December 31, 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	₩1,387,630	₩ (94,245)	₩ (452)	₩1,292,933	₩1,269,200	₩ (81,834)	₩ (91)	₩1,187,275
Other accounts receivable	313,895	(64,415)	-	249,480	241,688	(47,284)	-	194,404
Accrued income	142,268	(2,763)	-	139,505	145,814	(2,647)	-	143,167
Advances	145,966	(4,625)	-	141,341	171,517	(4,566)	-	166,951
Other current assets	2,172	(10)	-	2,162	2,184	(10)	-	2,174
Long-term trade accounts receivable	96	(1)	-	95	124	(1)	-	123
Long-term loans	102,604	(57,760)	-	44,844	100,011	(57,765)	-	42,246
	<u>₩2,094,631</u>	<u>₩(223,819)</u>	<u>₩ (452)</u>	<u>₩1,870,360</u>	<u>₩1,930,538</u>	<u>₩(194,107)</u>	<u>₩ (91)</u>	<u>₩1,736,340</u>

LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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7. Assets and Liabilities Denominated in Foreign Currencies:

As of March 31, 2003 and December 31, 2002, monetary assets and liabilities denominated in foreign currencies, other than those disclosed in Note 13, are as follows:

	March 31, 2003		December 31, 2002					
	Foreign currencies (In Millions)	Won Equivalent (In Millions of Won)	Foreign currencies (In Millions)	Won Equivalent (In Millions of Won)				
Cash and cash equivalents	USD	35	₩	44,440	USD	2	₩	2,589
	JPY	80		832	JPY	265		2,681
	EUR	2		2,469	EUR	1		1,594
	GBP	3		4,985	Others	-		990
	CAD	3		2,314				
	AUD	2		1,806				
	SEK	9		1,389				
				58,235				7,854
Trade accounts receivable	USD	537		672,805	USD	427		512,160
	JPY	961		10,041	JPY	409		4,138
	EUR	38		50,712	EUR	18		22,717
	GBP	2		3,137	GBP	1		2,447
	AUD	6		4,414	AUD	4		2,813
	CAD	5		4,485	Others	-		1,974
	Others	-		770				
				746,364				546,249
Other accounts receivable	FRF	4		784	FRF	4		729
	USD	3		3,583	USD	34		41,412
			4,367				42,141	
Accrued income	USD	88		109,661	USD	71		84,711
	IDR	1,860		262	Others	-		148
			109,923				84,859	
Refundable deposits	JPY	58		601	JPY	58		582
	USD	2		1,920	USD	2		1,920
	Others	-		78	Others	-		62
			2,599				2,564	

Continued;

LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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7. Assets and Liabilities Denominated in Foreign Currencies, Continued:

	March 31, 2003				December 31, 2002			
	Foreign currencies (In Millions)		Won Equivalent (In Millions of Won)		Foreign currencies (In Millions)		Won Equivalent (In Millions of Won)	
Trade accounts payable	USD	526	₩	659,008	USD	457	₩	549,010
	JPY	16,824		175,751	JPY	20,880		211,491
	EUR	9		11,696	EUR	3		3,606
	ITL	131		91	Others	-		282
	Others	-		116				
				846,662				764,389
Other accounts payable	AUD	11		8,515	AUD	14		9,541
	CAD	3		2,241	CAD	5		3,912
	EUR	16		20,960	EUR	26		32,100
	JPY	2,189		22,864	JPY	4,063		41,151
	USD	72		89,729	USD	140		168,555
	Others	-		3,354	Others	-		3,479
				147,663				258,738
Accrued expenses	USD	84		105,040	USD	42		50,078
	Others	-		898	Others	-		1,465
				₩ 105,938				₩ 51,543

8. Inventories:

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

	Millions of Won			
	March 31, 2003		December 31, 2002	
Merchandise	₩	31,803	₩	26,795
Finished products		409,735		479,835
Work-in-process		343,839		244,200
Raw materials		520,524		325,494
Parts and supplies		99,041		104,366
		₩ 1,404,942		₩ 1,180,690

See Note 10 for inventories insured against various property risks.

LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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9. Long-Term Investment Securities:

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

	Millions of Won	
	March 31, 2003	December 31, 2002
Equity-method investment securities	₩ 2,243,875	₩ 2,355,029
Available-for-sale securities	276,978	199,740
Held-to-maturity securities	73,922	97,861
	₩ 2,594,775	₩ 2,652,630

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

	Percentage of ownership (%) at March 31, 2003	Millions of Won					
		March 31, 2003			December 31, 2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
<u>Domestic Companies</u>							
LG Micron Ltd.	17.24	₩ 5,000	₩ 36,778	₩ 36,778	₩ 5,000	₩ 35,541	₩ 35,541
LG Sports Ltd.	25.00	1,404	2,064	2,064	2,204	1,916	1,916
LG Innotek Co., Ltd.	69.80	59,308	115,987	115,987	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	701,542	701,542	726,169	715,488	715,488
LG IBM PC Co., Ltd.	49.00	11,907	12,424	12,424	11,907	15,133	15,133
Hi Plaza Inc.	100.00	70,511	43,537	43,537	70,511	55,685	55,685
<u>Overseas Companies</u>							
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	23,024	23,024	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	92,499	92,499	63,940	58,736	58,736
LG Electronics Almaty Kazak							
Co., Ltd. (LGEAK)	100.00	3,746	11,974	11,974	3,746	11,368	11,368
LG Electronics Antwerp							
Logistics N.V. (LGEAL) (*1)	100.00	967	-	-	967	224	224

Continued;

LG ELECTRONICS INC.  
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9. Long-Term Investments Securities, Continued:

	Percentage of ownership (%) at March 31, 2003	Millions of Won					
		March 31, 2003			December 31, 2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
<u>Overseas Companies</u>							
LG Electronics Australia PTY, Ltd. (LGEAP) (*1)	100.00	₩ 1,558	₩ -	₩ -	₩ 1,558	₩ -	₩ -
LG Electronics Argentina S.A. (LGEAR) (*1)	100.00	7,410	-	-	7,410	-	-
Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT)	50.00	14,718	19,270	19,270	14,718	12,856	12,856
LG Electronics da Amazonia Ltda. (LGEAZ)	100.00	46,652	11,465	11,465	46,652	-	-
LG Electronics Colombia, Ltda. (LGECEB)	60.00	3,330	836	836	3,330	1,445	1,445
LG Electronics China Co., Ltd. (LGECH)	100.00	37,614	39,609	39,609	37,614	35,635	35,635
LG Electronics Canada, Inc. (LGECEI)	100.00	13,779	8,041	8,041	13,779	10,173	10,173
LG Collins Electronics Manila Inc. (LGECEM)	92.25	20,302	5,752	5,752	20,302	6,187	6,187
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECECT)	100.00	59,205	50,004	50,004	59,205	48,420	48,420
LG Electronics Deutschland GmbH (LGEDG)	100.00	26,938	10,913	10,913	26,938	9,989	9,989
PT LG Electronics Display Devices Indonesia (LGEDDI)	100.00	32,085	40,859	40,859	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. (LGECEC)	100.00	4,382	2,748	2,748	4,382	3,292	3,292
LG Electronics Egypt S.A.E. (LGECEG)	78.00	2,630	1,738	1,738	2,630	2,519	2,519
LG Electronics Espana S.A. (LGEES) (*1)	100.00	3,374	-	-	3,374	-	-
LG Electronics Gulf FZE (LGECHF) (*1)	100.00	2,489	-	-	2,489	1,453	1,453
LG Electronics HK Limited (LGECHK)	100.00	4,316	4,825	4,825	4,316	3,944	3,944

Continued;

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9. Long-Term Investment Securities, Continued:

	Percentage of ownership (%) at March 31, 2003	Millions of Won										
		March 31, 2003			December 31, 2002							
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value					
<u>Overseas Companies</u>												
LG Electronics Hellas S.A. (LGEHS) (*2)	100.00	₩ 6,063	₩ 6,063	₩ 6,063	₩ 6,063	₩ 6,063	₩ 6,063	₩ 6,063	₩ 6,063	₩ 6,063	₩ 6,063	
LG Electronics Huizhou Inc. (LGEHZ)	80.00	2,319	17,760	17,760	2,319	14,938	14,938	14,938	14,938	14,938	14,938	
LG Electronics India Pvt. Ltd. (LGEIL)	100.00	38,476	83,847	83,847	32,076	77,191	77,191	77,191	77,191	77,191	77,191	
PT LG Electronics Indonesia (LGEIN)	100.00	29,431	21,440	21,440	29,431	16,434	16,434	16,434	16,434	16,434	16,434	
LG Electronics Italy S.P.A. (LGEIS)	100.00	14,136	1,927	1,927	14,136	3,627	3,627	3,627	3,627	3,627	3,627	
LG Electronics Japan Inc. (LGEJP)	100.00	12,978	1,100	1,100	12,978	2,635	2,635	2,635	2,635	2,635	2,635	
LG Electronics Mlawa SP.Zo.O. (LGEMA)	100.00	7,066	14,612	14,612	7,066	11,586	11,586	11,586	11,586	11,586	11,586	
LG Electronics Morocco S.A.R.L. (LGEMC)	100.00	3,532	4,504	4,504	3,532	2,677	2,677	2,677	2,677	2,677	2,677	
LG Electronics Middle East Co., Ltd. (LGEME) (*2)	100.00	462	462	462	462	462	462	462	462	462	462	
LG-MECA Electronics Haiphong, Inc. (LGEMH)	70.00	1,690	1,755	1,755	1,690	1,259	1,259	1,259	1,259	1,259	1,259	
LG Electronics Magyar Kft. (LGEMK)	100.00	5,575	3,854	3,854	5,575	7,501	7,501	7,501	7,501	7,501	7,501	
LG Electronics (M) SDN.BHD (LGEML) (*2)	100.00	11	11	11	11	11	11	11	11	11	11	
LG Electronics Monterrey Mexico S.A. de C.V. (LGEMM)	100.00	19,800	12,487	12,487	19,800	18,850	18,850	18,850	18,850	18,850	18,850	
LG Electronics Mexico S.A. de C.V. (LGEMS) (*1)	100.00	1,936	-	-	1,936	-	-	-	-	-	-	
LG MITR Electronics Co., Ltd. (LGEMT)	87.74	15,925	6,291	6,291	15,925	7,344	7,344	7,344	7,344	7,344	7,344	
LG Electronics North of England Ltd. (LGENE)	100.00	11,229	13,405	13,405	11,229	12,430	12,430	12,430	12,430	12,430	12,430	
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	70.00	14,571	11,851	11,851	14,571	10,520	10,520	10,520	10,520	10,520	10,520	
LG Electronics Polska SP.Zo.O. (LGEPL)	100.00	4,117	8,606	8,606	4,117	5,819	5,819	5,819	5,819	5,819	5,819	

Continued;



LG ELECTRONICS INC.  
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9. Long-Term Investment Securities, Continued:

	Percentage of ownership (%) at March 31, 2003	Millions of Won					
		March 31, 2003			December 31, 2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
<u>Overseas Companies</u>							
Nanjing LG Panda Appliance Co., Ltd. (LGEPN)	70.00	₩ 9,465	₩ 13,298	₩ 13,298	₩ 9,465	₩ 12,422	₩ 12,422
LG Electronics Peru S.A. (LGEPR) (*1)	100.00	1,879	-	-	1,879	-	-
LG Electronics Panama S.A. (LGEPS) (*1)	100.00	2,333	-	-	2,333	2,142	2,142
LG Electronics Portugal (LGEPT) (*2)	100.00	6,822	6,822	6,822	-	-	-
LG Electronics Qinhuangdao Co., Ltd. (LGEQH)	100.00	4,104	6,331	6,331	4,104	6,064	6,064
Triveni Digital Inc. (*2)	100.00	899	899	899	899	899	899
LG Electronics Russia Inc. (LGERI) (*2)	95.00	391	391	391	391	391	391
LG Electronics S.A. Pty Ltd. (LGESA)	100.00	3,382	13,658	13,658	3,382	6,341	6,341
LG Electronics Service Europe Netherlands B.V. (LGESE)	100.00	10,470	30,378	30,378	10,470	23,498	23,498
Shanghai LG Electronics Co., Ltd. (LGESH)	70.00	4,229	919	919	4,229	3,763	3,763
LG Electronics de Sao Paulo Ltda. (LGESP)	100.00	28,481	3,278	3,278	28,481	-	-
LG SEL Electronics Vietnam Inc. (LGEVN)	100.00	6,035	9,468	9,468	6,035	9,240	9,240
LG Electronics Sweden AB (LGESW)	100.00	5,668	3,329	3,329	5,668	4,642	4,642
LG Electronics Shenyang Inc. (LGESY)	78.87	15,139	11,336	11,336	15,139	8,205	8,205
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	49,479	107,451	107,451	49,479	99,315	99,315
LG Electronics Thailand Co., Ltd. (LGETH)	93.75	7,122	20,033	20,033	7,122	17,840	17,840

Continued;

LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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9. Long-Term Investment Securities, Continued:

	Percentage of ownership (%) at March 31, 2003	Millions of Won					
		March 31, 2003			December 31, 2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
<u>Overseas Companies</u>							
LG Taistar Electronics							
Taiwan Co., Ltd. (LGETT)	100.00	₩ 8,439	₩ 1,196	₩ 1,196	₩ 5,609	₩ 380	₩ 380
LG Electronics United Kingdom							
Ltd. (LGEUK) (*1)	100.00	10,486	-	-	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	19,701	19,701	37,985	39,822	39,822
LG Electronics Wales Ltd.							
(LGEWA)	100.00	101,812	60,546	60,546	101,812	54,262	54,262
Langchao LG (Yantai) Digital							
Mobile Technology Research & Development Co., Ltd.							
(LGEYT) (*2)	49.00	824	824	824	824	824	824
Langchao LG Digital Mobile							
Communication Co., Ltd.	49.00	9,669	10,293	10,293	9,669	9,669	9,669
LG Soft India PVT, Ltd. (LGSII) (*2)	88.00	2,920	2,920	2,920	2,920	2,920	2,920
EIC PROPERTIES PTE, Ltd.	38.20	9,636	8,618	8,618	9,636	8,618	8,618
Zenith Electronics Corporation							
(Zenith) (*1)	100.00	236,860	-	-	236,860	-	-
LG Electronics LG Infocomm U.S.A.							
Inc. (LGICUS)	100.00	4,673	10,127	10,127	4,673	2,522	2,522
LG Infocomm Thailand, Inc.							
(LGICTH)	60.00	3,246	4,370	4,370	3,246	4,356	4,356
Vietnam Korea Exchange, Ltd.							
(V.K.X.)	40.00	1,736	2,384	2,384	1,736	2,316	2,316
LG TOPS	40.00	2,699	1,514	1,514	2,699	1,267	1,267
LG Electronics System India, Ltd.							
(LGSYS) (*1)	-	-	-	-	6,400	-	-
LGE (China) R&D Center	100.00	4,202	4,202	4,202	-	-	-
Electromagnetica Goldstar S.R.L.							
(*2)	50.00	508	508	508	508	508	508

Continued;

LG ELECTRONICS INC.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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9. Long-Term Investment Securities, Continued:

	Percentage of ownership (%) at March 31, 2003	Millions of Won					
		March 31, 2003			December 31, 2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
<u>Overseas Companies</u>							
SLD Telecom Pte. Ltd.	44.00	₩ 10,042	₩ 10,042	₩ 10,042	₩ 10,042	₩ 10,042	₩ 10,042
LG.Philips Displays Holding B.V.	50.00	1,086,431	401,027	401,027	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 (*2)	100.00	4,990	4,990	4,990	4,990	4,990	4,990
LG Holdings (HK) Ltd.	31.82	23,448	22,243	22,243	23,448	22,241	22,241
Investments using the equity method of accounting total		<u>₩ 3,142,154</u>	<u>₩ 2,243,875</u>	<u>₩ 2,243,875</u>	<u>₩ 3,391,532</u>	<u>₩ 2,355,029</u>	<u>₩ 2,355,029</u>

(\*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 investment carried using the equity method in 2002 was reclassified to available-for-sale securities in 2003.

The equity method of accounting is applied based on the affiliates' unaudited financial statements.

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

	Percentage of ownership (%) at March 31, 2003	Millions of Won					
		March 31, 2003			December 31, 2002		
		Acquisition cost	Market value	Carrying value	Acquisition cost	Market value	Carrying value
<Marketable equity securities>							
Hynix Semiconductor Inc.	0.38	₩ 24,298	₩ 254	₩ 254	₩ 24,298	₩ 527	₩ 527
KT Corp.	0.76	127,441	102,071	102,071	127,441	119,653	119,653
LG Card Co., Ltd.	0.46	1,820	5,580	5,580	1,820	10,842	10,842
LG Investment & Securities Co., Ltd. (*3)	8.34	262,432	101,194	101,194	-	-	-
NARA MOLD&DIE Co., Ltd.	12.34	812	2,802	2,802	812	3,570	3,570
Voiceware Co., Ltd.	13.08	206	1,796	1,796	206	1,844	1,844
Vodavi Technology Inc.	19.86	2,928	1,902	1,902	2,928	1,853	1,853
		<u>419,937</u>	<u>215,599</u>	<u>215,599</u>	<u>157,505</u>	<u>138,289</u>	<u>138,289</u>

Continued;

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9. Long-Term Investments Securities, Continued:

	Percentage of ownership (%) at March 31, 2003	Millions of Won					
		March 31, 2003			December 31, 2002		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
<Non-marketable equity securities>							
<u>Domestic Companies</u>							
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
Airlinktek	10.00	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.	94.00	28,200	29,364	28,200	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.	19.90	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.	15.01	176	176	176	176	176	176
MACHI (*4)	9.50	150	-	-	150	150	150
Manager Society, Inc.	3.70	200	200	200	200	200	200
Mobisys Telecom	11.63	279	279	279	279	279	279
Thermo Metrix Technology	19.90	158	158	158	158	158	158
WOWLINUX	8.33	100	100	100	100	100	100
Silicon Works	12.00	501	501	501	-	-	-
Others	-	1,552	1,552	1,552	952	952	952
<u>Overseas Companies</u>							
Gemfire Corp.	4.41	1,835	170	1,835	1,835	170	1,835
Erlang Technology Inc.	8.40	1,129	187	1,129	1,129	187	1,129
Mainstreet Networks (*4)	5.45	1,468	-	-	1,468	-	-
iTV Corporation (*4)	13.08	1,957	-	-	1,957	-	-
Pocket Science (*4)	4.42	473	-	-	473	-	-
Neopoint Inc. (*4)	16.62	1,604	-	-	1,604	-	-
E2OPEN.COM	6.25	12,751	1,994	12,751	12,751	3,606	12,751
Cenix Inc. (*4)	2.07	3,272	-	-	3,272	958	3,272
Monet Mobile Networks	1.90	1,299	871	1,299	1,299	871	1,299
SUNPOWER.INC	10.35	1,257	219	1,257	1,257	219	1,257
Others	-	346	346	346	346	346	346
		₩ 68,077	₩ 42,653	₩ 59,153	₩ 66,944	₩ 45,036	₩ 61,442

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9. Long-Term Investments Securities, Continued:

	Millions of Won					
	March 31, 2003			December 31, 2002		
	Acquisition cost	Market value	Carrying value	Acquisition cost	Market value	Carrying value
<Debt securities>						
Bonds issued by the government	₩ 17	₩ 22	₩ 22	₩ 11	₩ 9	₩ 9
Convertible bonds issued by NeoDis	2,204	2,204	2,204	-	-	-
	2,221	2,226	2,226	11	9	9
Available-for-sale securities total	<u>₩ 490,235</u>	<u>₩ 260,478</u>	<u>₩ 276,978</u>	<u>₩ 224,460</u>	<u>₩ 183,334</u>	<u>₩ 199,740</u>

(\*4) Acquisition cost was written off due to the negative net book value of the investment as of March 31, 2003.

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

	Millions of Won	
	March 31, 2003	December 31, 2002
Senior secured note issued by Zenith	₩ 73,878	₩ 97,817
Others	44	44
Held-to-maturity securities total	<u>₩ 73,922</u>	<u>₩ 97,861</u>

The annual maturities of debt securities classified into available-for-sale securities and held-to-maturity securities as of March 31, 2003 and December 31, 2002 are as follows:

Due In	Millions of Won			
	Available-for-sale securities		Held-to-maturity securities	
	March 31, 2003	December 31, 2002	March 31, 2003	December 31, 2002
Less than 5 years	₩ 2,226	₩ 9	₩ -	₩ -
5 years ~ 10 years	-	-	73,922	97,861
	<u>₩ 2,226</u>	<u>₩ 9</u>	<u>₩ 73,922</u>	<u>₩ 97,861</u>

Continued;

LG ELECTRONICS INC.  
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9. Long-Term Investment Securities, Continued:

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

	Millions of Won			
	January 1, 2003	Gain (Loss)	Disposal	March 31, 2003
Hynix Semiconductor Inc.	₩ (23,771)	₩ (273)	₩ (23,922)	₩ (122)
KT Corp.	(7,788)	(17,582)	-	(25,370)
LG Card Co., Ltd.	9,022	(5,262)	-	3,760
NARA MOLD & DIE Co., Ltd.	2,758	(768)	-	1,990
Voiceware Co., Ltd.	1,638	(48)	-	1,590
LG Investment & Securities Co., Ltd. (*1)	-	(59,299)	-	(59,299)
Vodavi Technology Inc.	(1,075)	49	-	(1,026)
Bonds issued by the government	(2)	(4)	-	(6)
	<u>₩ (19,218)</u>	<u>₩ (83,187)</u>	<u>₩ (23,922)</u>	<u>₩ (78,483)</u>

(\*1) This investment carried using the equity method in 2002 was reclassified to available-for-sale securities in 2003.

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9. Long-Term Investment Securities, Continued:

For the three-month period ended March 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:

	Millions of Won			
	January 1, 2003	Addition	Amortization	March 31, 2003
<u>Domestic Companies</u>				
LG Sports Ltd.	₩ (3)	₩ 1	₩ 1	₩ (1)
LG Innotek Co., Ltd.	112	-	104	216
LG Investment & Securities Co., Ltd.	25,571	(25,571)	-	-
LG.Philips LCD Co., Ltd.	1,572	-	(393)	1,179
Hi Plaza Inc.	(2,963)	-	172	(2,791)
<u>Overseas Companies</u>				
LG Electronics Mlawa SP. Zo. O. (LGEMA)	(1,550)	-	194	(1,356)
LG Electronics Service Europe Netherlands B.V. (LGESE)	(105)	-	13	(92)
LG Electronics Shenyang Inc. (LGESY)	380	-	(38)	342
TaiZhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	20,731	-	(8,006)	12,725
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	1,459	2,079	(82)	3,456
LG.Philips Displays Holding B.V.	(175,839)	-	12,560	(163,279)
Others	(360)	6,384	(3,563)	2,461
	<u>₩(130,995)</u>	<u>₩ (17,107)</u>	<u>₩ 962</u>	<u>₩ (147,140)</u>

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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9. Long-Term Investment Securities, Continued:

For the three-month period ended March 31, 2003, the details of the elimination of unrealized gain or loss arising from the equity method accounting are as follows:

	Millions of Won			
	Inventories	Property, plant and equipment	Intangible assets	Total
<u>Domestic Companies</u>				
LG Micron Ltd.	₩ 324	₩ -	₩ -	₩ 324
LG Innotek Co., Ltd.	109	-	-	109
LG.Philips LCD Co., Ltd.	(58)	526	9,624	10,092
LG IBM PC Co., Ltd.	627	-	-	627
Hi Plaza Inc.	(5,657)	-	-	(5,657)
<u>Overseas Companies</u>				
LG Electronics Alabama, Inc. (LGEAI)	(418)	-	-	(418)
LG Electronics Huizhou Inc. (LGEHZ)	(462)	-	-	(462)
LG Electronics India Pvt. Ltd. (LGEIL)	(1,444)	-	-	(1,444)
PT LG Electronics Indonesia (LGEIN)	1,121	65	-	1,186
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	(1,819)	35	-	(1,784)
LG Electronics Service Europe Netherlands B.V. (LGESE)	(14,405)	-	-	(14,405)
LG Electronics Shenyang Inc. (LGESEY)	690	14	-	704
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	(9,014)	80	-	(8,934)
LG Electronics U.S.A., Inc. (LGEUS)	(22,788)	-	-	(22,788)
LG.Philips Displays Holding B.V.	(273)	-	-	(273)
Others	(35,811)	164	-	(35,647)
	₩(89,278)	₩ 884	₩ 9,624	₩ (78,770)

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

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9. Long-Term Investment Securities, Continued:

Changes in investments in subsidiaries and affiliates accounted for using the equity method for the three-month period ended March 31, 2003 are as follows:

	Millions of Won			
	January 1, 2003	Equity in earnings (losses) of affiliates, net	Others	March 31, 2003
<u>Domestic Companies</u>				
LG Micron Ltd.	₩ 35,541	₩ 2,235	₩ (998)	₩ 36,778
LG Sports Ltd.	1,916	1,324	(1,176)	2,064
LG Innotek Co., Ltd.	117,645	(1,744)	86	115,987
LG Investment & Securities Co., Ltd.	145,270	-	(145,270)	-
LG.Philips LCD Co., Ltd.	715,488	(15,736)	1,790	701,542
LG IBM PC Co., Ltd.	15,133	1,954	(4,663)	12,424
Hi Plaza Inc.	55,685	(12,148)	-	43,537
<u>Overseas Companies</u>				
LG Electronics Alabama, Inc. (LGEAI)	58,736	5,540	28,223	92,499
LG Electronics Huizhou Inc. (LGEHZ)	14,938	1,643	1,179	17,760
LG Electronics India Pvt. Ltd. (LGEIL)	77,191	5,637	1,019	83,847
PT LG Electronics Indonesia (LGEIN)	16,434	3,177	1,829	21,440
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	10,520	465	866	11,851
LG Electronics Service Europe Netherlands B.V. (LGESE)	23,498	6,725	155	30,378
LG Electronics Shenyang Inc. (LGESY)	8,205	2,163	968	11,336
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	99,315	2,388	5,748	107,451
LG Electronics U.S.A., Inc. (LGEUS)	39,822	(21,665)	1,544	19,701
LG.Philips Displays Holding B.V.	433,819	(32,927)	135	401,027
Others	485,873	(581)	48,961	534,253
	<u>₩2,355,029</u>	<u>₩ (51,550)</u>	<u>₩(59,604)</u>	<u>₩ 2,243,875</u>

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9. Long-Term Investment Securities, Continued:

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

	Millions of Won
LG Electronics Espana S.A. (LGEES)	₩ 11,718
LG Goldstar France S.A.R.L. (LGEFS)	5,083
LG Electronics Mexico S.A. de C. V. (LGEMS)	6,691
LG Electronics Panama S.A. (LGEPS)	3,522
LG Electronics United Kingdom Ltd. (LGEUK)	15,465
Zenith Electronics Corporation (Zenith)	290,699
Others	8,614
	₩ 341,792

A senior secured note issued by Zenith, outstanding on March 31, 2003, 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 (see Note 16). The note's terms and conditions are as follows:

Interest: LIBOR + 1.0% per annum to be paid on the maturity date  
Maturity of principal: November 1, 2009

During the three-month period ended March 31, 2003, the Company purchased additional shares of common stock of LG Taistar Electronics Taiwan Co., Ltd. (LGETT) for US\$2 million (₩2,830 million).

During the three-month period ended March 31, 2003, the Company established LG Electronics Portugal (LGEPT) and made capital contributions to it amounting to EUR5 million (₩6,822 million).

During the three-month period ended March 31, 2003, the Company established LGE (China) R&D Center and made capital contributions to it amounting to US\$4 million (₩4,202 million).

During the three-month period ended March 31, 2003, the Company sold 171,000 shares of common stock of LG Sports Ltd. As a result of this transaction, a loss from disposal of investments amounting to ₩896 million was incurred.

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10. Property, Plant and Equipment:

Changes in property, plant and equipment for the three-month period ended March 31, 2003 are as follows:

	Millions of Won									
	Land	Buildings	Structures	Machinery and equipment	Tools	Furnitures and fixtures	Vehicles	Construction in-progress	Machinery in-transit	Total
Balance as of January 1, 2003	₩705,980	₩882,219	₩67,740	₩ 563,864	₩345,816	₩205,579	₩ 7,052	₩105,662	₩ 9,460	₩2,893,372
Acquisitions and capital expenditure	4,586	5,419	23	11,906	27,823	16,618	731	20,048	24,443	111,597
Transfer-in (out)	-	10,338	337	3,536	10,487	3,653	-	(11,619)	(16,406)	326
Disposals	(1,112)	(5,268)	(172)	(632)	(2,274)	(562)	(128)	-	-	(10,148)
Depreciation	-	(6,438)	(1,156)	(44,439)	(31,610)	(12,837)	(678)	-	-	(97,158)
Balance as of March 31, 2003	<u>₩709,454</u>	<u>₩886,270</u>	<u>₩66,772</u>	<u>₩ 534,235</u>	<u>₩350,242</u>	<u>₩212,451</u>	<u>₩ 6,977</u>	<u>₩114,091</u>	<u>₩17,497</u>	<u>₩2,897,989</u>
Accumulated depreciation as of										
March 31, 2003	₩ -	₩139,206	₩29,239	₩ 582,302	₩385,002	₩313,294	₩14,390	₩ -	₩ -	₩1,463,433

As of March 31, 2003 and December 31, 2002, the value of the Company's land, as determined by the local government in Korea for property tax assessment purpose, approximates ₩599,911 million and ₩598,235 million, respectively.

As of March 31, 2003 and December 31, 2002, property, plant and equipment, other than land and certain construction in-progress, and inventories are insured against fire and other casualty losses up to approximately ₩4,538,583 million.

A substantial portion of property, plant and equipment as of March 31, 2003 is pledged as collateral for various loans from banks, including Korea Development Bank, up to a maximum Won equivalent amount of approximately ₩323,832 million (see Notes 12 and 13).

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11. Intangible Assets:

Changes in intangible assets for the three-month period ended March 31, 2003 are as follows:

	Millions of Won					Total
	Goodwill	Industrial property rights	Development costs	Organization costs	Other intangible assets	
Balance as of January 1, 2003	₩296,012	₩415,497	₩183,877	₩3,271	₩73,810	₩972,467
Additions	185	1,188	-	-	3,329	4,702
Disposals	(39)	-	-	-	-	(39)
Amortization	(10,039)	(20,118)	(17,081)	(3,271)	(5,278)	(55,787)
Balance as of March 31, 2003	₩286,119	₩396,567	₩166,796	₩ -	₩71,861	₩921,343
Accumulated amortization as of March 31, 2003	₩111,823	₩221,793	₩174,831	₩ -	₩44,102	₩552,549

Amortization of intangible assets for the three-month period ended March 31, 2003 consist of the following:

	Millions of Won
Manufacturing costs	₩ 7,835
Selling and administrative expenses	44,681
Retained earnings (*1)	3,271
	₩ 55,787

(\*1) In accordance with SKFAS No. 3, the remaining balance of organization costs was deducted from retained earnings.

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

	Millions of Won		Remaining years for amortization
	March 31, 2003	December 31, 2002	
Goodwill (*2)	₩ 283,936	₩ 293,781	7
Industrial property rights (*2)	368,800	387,890	2 ~7

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11. Intangible Assets, Continued:

(\*2) As a result of LG Electronics Investment Ltd.'s (formerly LG Electronics Inc.) 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 ₩9,845 million and ₩19,090 million, respectively, for the three-month period ended March 31, 2003.

All of research and development costs amounting to ₩183,237 million incurred for the three-month period ended March 31, 2003 are expensed.

12. Short-Term Borrowings:

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

	Annual interest rate (%) at March 31, 2003	Millions of Won	
		March 31, 2003	December 31, 2002
Bank overdrafts	1.0 - 6.7	₩ 90,821	₩ 34,393
General term loans	CD + 0.8	12,000	8,000
Commercial papers	5.2 - 6.2	378,425	-
Foreign currency loans	0.35 - 3.08	310,306	-
		₩ 791,552	₩ 42,393

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

See Notes 4 and 10 for collateral arrangements for these borrowings.

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12. Short-Term Borrowings, Continued:

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

	Millions of Won	
	March 31, 2003	December 31, 2002
Debtentures	₩ 825,290	₩ 690,040
Discount on debtentures	(2,290)	(2,441)
Long-term debt	13,711	15,419
	₩ 836,711	₩ 703,018

13. Long-Term Debt:

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

	Annual interest rate (%) at March 31, 2003	In Millions	
		March 31, 2003	December 31, 2002
<u>Debtentures</u>			
Private, non-guaranteed payable through 2006	7.4 - 16.5	₩ 380,000	₩ 380,000
Public, non-guaranteed payable through 2006	5.0 - 9.0	1,760,000	1,760,000
Floating rate notes in foreign currency, payable through 2006	LIBOR + 0.5 - 1.9	751,740 (US\$ 600)	720,240 (US\$ 600)
		2,891,740	2,860,240
Less: Current maturities		(825,290)	(690,040)
Discount on debtentures		(23,718)	(26,359)
		₩2,042,732	₩2,143,841

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13. Long-Term Debt, Continued:

	Annual interest rate (%) at	In Millions	
		March 31, 2003	December 31, 2002
<u>Won currency loans</u>			
Kookmin Bank	3.0	₩ 249	₩ 249
<u>Foreign currency loans</u>			
Woori Bank	LIBOR + 0.4	1,019	976
Korea First Bank	LIBOR + 1.5	914	2,620
Export-Import Bank of Korea	LIBOR + 0.625 - 1.175	1,795	2,260
Banque Paribas	LIBOR + 0.7	4,106	3,934
Societe General	LIBOR + 0.6	7,861	7,532
Bank of Tokyo-Mitsubishi	LIBOR + 0.74	2,681	2,568
		18,625	20,139
		(US\$ 15)	(US\$ 17)
Less: Current maturities		(13,711)	(15,419)
		₩ 4,914	₩ 4,720

See Notes 4 and 10 for the related collateral arrangements for the Company's long-term debt.

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

For the year ending March 31,	Millions of Won		
	Debentures	Long-term debt	Total
2005	₩ 715,290	₩ 4,682	₩ 719,972
2006	775,870	9	775,879
2007	575,290	11	575,301
2008	-	12	12
2009 and thereafter	-	200	200
	₩ 2,066,450	₩ 4,914	₩ 2,071,364

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14. Leases:

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

As of March 31, 2003, future lease payments under operating lease agreements are as follows:

Period	Millions of Won
April 1, 2003 ~ March 31, 2004	₩ 4,613
April 1, 2004 ~ March 31, 2005	1,657
April 1, 2005 ~ March 31, 2006	1,377
	₩ 7,647

15. Accrued Severance Benefits:

Changes in accrued severance benefits for the three-month period ended March 31, 2003 are as follows:

	Millions of Won
Balance as of January 1, 2003	₩ 500,909
Severance payments	(30,703)
Transfer-in from affiliated companies, net	1,037
Provisions	45,817
Balance as of March 31, 2003	517,060
Severance insurance deposits	(302,163)
Contributions to the National Pension Fund	(21,021)
	₩ 193,876

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 March 31, 2003, the severance benefits are funded at approximately 58.4% 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.



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16. Commitments and Contingencies:

As of March 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 March 31, 2003, the Company has entered into bank overdraft facility agreements with various banks amounting to ₩520,500 million.

As of March 31, 2003, the outstanding balance of export trade accounts receivable sold at a discount to various financial institutions with recourse amounted to ₩3,560,209 million.

As of March 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 March 31, 2003, the Company has entered into factoring agreements for domestic trade accounts receivable with Hana Bank. However, in relation to the agreements, as of March 31, 2003, there is no outstanding balance of factored accounts receivable.

As of March 31, 2003, the Company has entered into sales contracts with several companies, which comprise approximately ₩29,592 million of sales to KTF Co., Ltd., ₩57,750 million of sales to LG Telecom, Ltd., ₩3,706 million of sales to KT Corp., and ₩23,186 million of sales to SK Telecom Co. and others.

As of March 31, 2003, the Company was contingently liable for guarantees approximating ₩1,636,072 million on indebtedness of its subsidiaries and affiliates as follows:

	Millions of Won
<u>Domestic Companies</u>	
Woosung Corp.	₩ 1,503
Others	1,931
	3,434
<u>Overseas Companies</u>	
LG Electronics Wales Ltd.	134,415
PT LG Electronics Display Device Indonesia	80,186
LG Electronics Alabama, Inc.	56,381
LG Electronics U.S.A., Inc.	106,497
LG.Philips Displays Holding B.V.	250,580
LG Electronics Tianjin Appliance Co., Ltd.	130,967
LG Electronics Mexico S.A. de C.V.	114,489
Zenith Electronics Corporation	26,311
Others	732,812
	1,632,638
Total	₩ 1,636,072

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16. Commitments and Contingencies, Continued:

In order to reduce the impact of changes in exchange rates on future cash flows, the Company has entered into foreign currency forward contracts. As of March 31, 2003, the Company has outstanding forward contracts with Citi Bank and others for selling US dollars amounting to US\$42 million (contract rates: ₩1,185.50: US\$1 ~ ₩1,274.45: US\$1, contract due dates: April through September 2003).

As of March 31, 2003, the Company has outstanding forward contracts with Bank of Tokyo-Mitsubishi for selling Euro and buying US Dollars amounting to € 4 million (contract rates: € 1. 0223: US\$1, contract due date: June 2003).

As a result of the above foreign currency forward contracts, an unrealized valuation loss amounting to ₩1,723 million was charged to current operations for the three-month period ended March 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 gain amounting to ₩1,186 million was charged to current operations for the three-month period ended March 31, 2003. A summary of the terms of outstanding currency option contracts as of March 31, 2003 is as follows:

	Option type	Amount (In millions)	Exercise price	Contract due date	
Citi Bank	Put	US\$ 10.0	₩ 1,205.0/US\$	May 30, 2003	
	Call	US\$ 10.0	₩ 1,250.3/US\$	May 30, 2003	
Deutsche Bank	Put	US\$ 10.0	₩ 1,255.0/US\$	April 15, 2003	
	Call	US\$ 10.0	₩ 1,310.0/US\$	April 15, 2003	
Credit Lyonnais	Put	US\$ 10.0	₩ 1,245.0/US\$	April 11, 2003	
	Call	US\$ 10.0	₩ 1,303.5/US\$	April 11, 2003	
	Put	US\$ 5.0	₩ 1,180.0/US\$	May 7, 2003	
	Call	US\$ 5.0	₩ 1,223.9/US\$	May 7, 2003	
	Put	US\$ 10.0	₩ 1,205.0/US\$	May 9, 2003	
	Call	US\$ 10.0	₩ 1,237.0/US\$	May 9, 2003	
	Put	US\$ 10.0	₩ 1,205.0/US\$	August 11, 2003	
	Call	US\$ 10.0	₩ 1,255.4/US\$	August 11, 2003	
	USB Warburg	Put	US\$ 10.0	₩ 1,205.0/US\$	June 5, 2003
		Call	US\$ 10.0	₩ 1,227.3/US\$	June 5, 2003
KorAm Bank	Put	US\$ 5.0	₩ 1,212.0/US\$	June 9, 2003	
	Call	US\$ 5.0	₩ 1,238.6/US\$	June 9, 2003	
	Put	US\$ 5.0	₩ 1,225.0/US\$	September 8, 2003	
	Call	US\$ 5.0	₩ 1,277.0/US\$	September 8, 2003	

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16. Commitments and Contingencies, Continued:

As a result of the above derivatives contracts, a gain amounting to ₩627 million and a loss amounting to ₩1,545 million were recognized as a non-operating income and expense, respectively, for the three-month period ended March 31, 2003.

As of March 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 ₩346 million in twelve cases and ₩630 million in four cases, respectively, as of March 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.

Zenith Electronics Corporation ("Zenith"), a subsidiary, has experienced significant financial difficulties resulting from continuous losses. Zenith filed a pre-packaged plan of reorganization under Chapter 11 of the Bankruptcy Code of the United States of America, and the reorganization plan was approved by a legal court in November 1999. As a result of the reorganization plan, the Company owns 100% of equity in the restructured Zenith. However, due to continuous losses and accumulated deficits, as of March 31, 2003, Zenith's total liabilities are greater than its total assets by ₩286,438 million (US\$229 million). As of March 31, 2003, the Company has ₩144,641 million (US\$115 million) of senior secured notes issued by Zenith, ₩75,174 million (US\$60 million) of loans to Zenith, and ₩26,311 million (US\$21 million) of guarantees provided to Zenith. As of March 31, 2003, the Company provided bad debt allowance amounting to ₩106,764 million for the above senior secured notes and loans (see Note 9).

In response to the generally unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Company may be either directly or indirectly affected by these generally unstable 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 situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

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17. Capital Stock:

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

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

As of March 31, 2003, the number of shares authorized is 600,000,000 shares.

- (\*) As of March 31, 2003, 17,185,992 shares of non-voting preferred stock are issued and outstanding. The preferred shareholders have no voting rights and are entitled to non-participating and non-cumulative preferred dividends at a rate of one percentage point over those for common stock. This preferred dividend rate is not applicable to stock dividends.

18. Capital Surplus:

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

19. Retained Earnings:

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

	Millions of Won	
	March 31, 2003	December 31, 2002
<u>Legal reserve</u>	₩ 15,743	₩ -
<u>Other reserves</u>		
Reserve for improvement of financial structure	27,771	-
Reserve for research and manpower development	76,590	-
	<u>104,361</u>	<u>-</u>
<u>Unappropriated retained earnings to be carried forward to the subsequent period</u>	182,925	277,716
	<u>₩ 303,029</u>	<u>₩ 277,716</u>

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19. Retained Earnings, Continued:

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 equity equals 30% of total assets. This reserve is not available for the payment of dividends, but may be transferred to capital stock through an appropriate resolution by the Company's Board of Directors or used to reduce accumulated deficit, if any, through an appropriate resolution by the Company's shareholders.

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

20. Capital Adjustments:

Capital adjustments as of March 31, 2003 and December 31, 2002 are as follows:

	Millions of Won	
	March 31, 2003	December 31, 2002
Treasury stock	₩ (19,005)	₩ (11,850)
Gain on valuation of equity method investment securities	199,853	98,456
Loss on valuation of available-for-sale securities	(78,483)	(19,218)
Loss from disposal of treasury stock	(37)	(166)
	₩ 102,328	₩ 67,222

As of March 31, 2003, the Company retains treasury stock consisting of 413,020 shares of common stock and 4,678 shares of preferred stock. The Company intends to give the treasury stock to employees as compensation or to sell these in the future.

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21. Income Taxes:

Income tax expense for the three-month period ended March 31, 2003 is as follows:

	Millions of Won
Current income taxes	₩ 133,803
Deferred income taxes	(124,749)
	₩ 9,054

The statutory income tax rate applicable to the Company, including resident tax surcharges, is approximately 29.7%. The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company:

	Millions of Won
Income before taxes	₩ 197,911
Statutory tax rate	29.7%
Expected taxes at statutory rate	58,780
Permanent differences and others	4,137
Tax credits	(53,863)
Actual taxes	₩ 9,054
Effective tax rate	4.6%

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21. Income Taxes, Continued:

Changes in the components of deferred income taxes for the three-month period ended March 31, 2003 are as follows (in Millions of Won):

	As of January 1, 2003	Increases	Decreases	As of March 31, 2003
<u>Deferred income tax assets</u>				
Deferred foreign exchange loss, net	₩ 2,410	₩ 109	₩ 650	₩ 1,869
Investments using the equity method of accounting	318,492	16,442	1,736	333,198
Bad debt expense	61,771	8,390	(621)	70,782
Product warranty provision	23,522	8,731	-	32,253
Others	27,506	20,346	(8,310)	56,162
	<u>433,701</u>	<u>54,018</u>	<u>(6,545)</u>	<u>494,264</u>
<u>Deferred income tax liabilities</u>				
Amortization of intangible assets	(38,055)	-	(3,945)	(34,110)
Customs duty drawback	(5,321)	(6,719)	(5,321)	(6,719)
Reserve for technological development	(62,489)	-	(62,489)	-
Deferred income tax for investment securities	(89,815)	-	30	(89,845)
Others	(116)	(936)	(116)	(936)
	<u>(195,796)</u>	<u>(7,655)</u>	<u>(71,841)</u>	<u>(131,610)</u>
Net deferred income tax assets	<u>₩ 237,905</u>	<u>₩ 46,363</u>	<u>₩ (78,386)</u>	<u>₩ 362,654</u>

The Company periodically assesses its ability to recover deferred income tax assets. In the event of the 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.

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22. Earnings Per Share:

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

Basic earnings per share for the three-month period ended March 31, 2003 are calculated as follows:

	Millions of Won (except for EPS data)
<u>Basic earnings per share</u>	
Net income as reported on the income statement	₩ 188,857
Less: Preferred stock dividends	(5,904)
Additional income available for dividend allocated to preferred stock	(17,479)
Net income allocated to common stock	165,474
Weighted-average number of common shares outstanding	139,313,966
Basic earnings per share (in Korean Won)	₩ 1,188

Basic ordinary income per share for the three-month period ended March 31, 2003 is the same as basic earnings per share, because there were no extraordinary gains or losses.



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23. Transactions with Related Parties:

Significant transactions entered into in the ordinary course of business with related parties for the three-month period ended March 31, 2003 and the related account balances outstanding as of March 31, 2003 are summarized as follows:

	Millions of Won			
	Sales	Purchases	Receivables	Payables
LG Telecom, Ltd.	₩ 160,718	₩ 1,939	₩ 107,343	₩ 6,915
LG Chem, Ltd.	2,215	60,477	5,322	30,794
Hi Plaza Inc.	140,117	2,169	12,497	51
LG IBM PC Co., Ltd.	27,278	31,630	13,107	25,071
LG MRO	117	147,392	78,596	135,507
Hitachi-LG Data Storage Inc. (HLDS)	215,333	22,474	35,827	1,306
PT LG Electronics Display Devices Indonesia (LGEDI)	69,638	28	59,463	5,978
LG Electronics Huizhou Inc. (LGEHZ)	143,176	971	5,522	11,191
LG Electronics Service Europe Netherlands B.V. (LGESE)	255,713	592	17,901	43,477
LG Electronics LG Infocomm U.S.A., Inc. (LGEUS)	259,680	2,872	26,793	6,674
Zenith Electronics Corporation (Zenith)	54,885	-	285,768	11,829
LG Electronics (LGICUS)	395,903	34	27,525	1,416
LG International Corp.	46,674	-	40,121	533
Others	1,227,379	272,146	316,998	254,486
	₩2,998,826	₩ 542,724	₩ 1,032,783	₩ 535,228

24. Segment Information:

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

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

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

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24. Segment Information, Continued:

Financial Data by Business Division (Millions of Won)

	Business Division				
	Total	Digital Display & Media	Digital Appliance	Telecommunication Equipment & Handset (*1)	Supporting Division
Sales					
External sales	₩ 5,170,521	₩ 1,709,625	₩ 1,647,763	₩ 1,766,270	₩ 46,863
Inter-division sales	58,647	24,623	5,064	7,506	21,454
	<u>5,229,168</u>	<u>1,734,248</u>	<u>1,652,827</u>	<u>1,773,776</u>	<u>68,317</u>
Operating income (loss)	<u>417,217</u>	<u>153,398</u>	<u>223,137</u>	<u>61,958</u>	<u>(21,276)</u>
Fixed assets					
Property, plant and equipment	2,897,989	747,455	847,693	510,560	792,281
Intangible assets	921,343	63,489	14,257	395,558	448,039
Total	<u>3,819,332</u>	<u>810,944</u>	<u>861,950</u>	<u>906,118</u>	<u>1,240,320</u>
Depreciation and amortization	₩ 149,674	₩ 41,811	₩ 31,776	₩ 42,432	₩ 33,655

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

Financial Data by Geographic Area (Millions of Won)

	Total	Domestic	North America	Europe	Central & South				
					America	Central Asia	Asia	Oceania	Others
Sales									
External sales	₩5,170,521	₩1,228,995	₩1,583,680	₩506,976	₩114,966	₩229,596	₩1,137,483	₩64,714	₩304,111
Ratio (%)	100%	24%	31%	10%	2%	4%	22%	1%	6%
Inter-division sales	58,647	58,647	-	-	-	-	-	-	-
	<u>₩5,229,168</u>	<u>₩1,287,642</u>	<u>₩1,583,680</u>	<u>₩506,976</u>	<u>₩114,966</u>	<u>₩229,596</u>	<u>₩1,137,483</u>	<u>₩64,714</u>	<u>₩304,111</u>

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25. 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 company, in accordance with the Commercial Code of the Republic of Korea.

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 Electronics Investment Ltd. 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:

	Millions of Won		
	Prior to spin-off	Post spin-off	
			LG Electronics Investment Ltd.
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

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26. Supplemental Cash Flow Information:

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

Significant transactions not affecting cash flows for the three-month period ended March 31, 2003 are as follows:

	<u>Millions of Won</u>
Transfer to building, machinery and others from construction in-progress	₩ 11,619
Transfer to machinery and equipment from machinery in-transit	13,098
Reclassification of current maturities of debentures	234,675
Reclassification of current maturities of long-term debt	576
Changes in capital adjustments arising from the equity method of accounting for investments	18,144
Changes in retained earnings arising from the equity method of accounting for investments	3,807