

LG Electronics Inc.

**Non-Consolidated Interim Financial Statements
March 31, 2005 and 2004**

LG Electronics Inc.

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March 31, 2005 and 2004, and December 31, 2004

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Report of Independent Accountants

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, 2005, and the related non-consolidated statements of income and cash flows for the three-month periods ended March 31, 2005 and 2004, expressed in Korean won. These interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim financial statements based on our reviews.

We conducted our reviews in accordance with the quarterly and 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 reviews, nothing has come to our attention that causes us to believe that the non-consolidated interim financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

We have audited the non-consolidated balance sheet of LG Electronics Inc. as of December 31, 2004, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated January 28, 2005. These financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2004, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2004.

As discussed in Note 25 to the accompanying non-consolidated financial statements, for the three-month period ended March 31, 2005, the Company entered into various transactions with affiliated companies, including LG Electronics U.S.A. Inc., including sales amounting to ₩3,627,795 million and purchases amounting to ₩873,649 million. As of March 31, 2005, related receivables and payables approximate ₩706,752 million and ₩318,400 million, respectively.

As discussed in Note 27 to the accompanying non-consolidated financial statements, on January 1, 2005, the Company absorbed a part of PC division of LG IBM PC Co., Ltd., a joint venture with IBM Korea Inc. This absorption is aimed to optimize business efficiency, align operational strategies, and maximize profitability. On January 4, 2005, LG IBM PC Co., Ltd. was dissolved.

Accounting principles and review standards and their application in practice vary among countries. The accompanying 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 financial statements are for use by those who are informed about Korean accounting principles or review standards and their application in practice.

Seoul, Korea
April 15, 2005

This report is effective as of April 15, 2005, 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 Balance Sheets
March 31, 2005 and December 31, 2004
(Unaudited)

<i>(in millions of Korean won)</i>	2005	2004
Assets		
Current assets		
Cash and cash equivalents (Notes 3 and 7)	₩ 1,087,750	₩ 648,416
Short-term investments (Note 5)	89,501	89,501
Trade accounts and notes receivable, net (Notes 6, 7 and 25)	1,240,701	999,023
Inventories, net (Notes 8 and 12)	1,537,249	1,675,031
Other accounts receivable, net (Notes 6 and 7)	370,361	544,885
Prepaid expenses	79,974	40,116
Accrued income, net (Note 6)	19,637	12,751
Advances, net (Note 6)	51,792	46,650
Derivatives transaction debit (Note 17)	37,389	51,475
Deferred income tax assets (Note 23)	147,486	-
Other current assets, net (Note 6)	4,533	2,795
Total current assets	4,666,373	4,110,643
Property, plant and equipment, net (Notes 11, 12 and 26)	3,703,781	3,629,549
Long-term financial instruments (Note 4)	13,539	17,961
Long-term investment securities (Note 9)	84,922	65,234
Equity method investments (Note 10)	3,886,355	4,096,263
Refundable deposits (Note 7)	393,684	380,128
Long-term prepaid expenses	139,615	141,459
Deferred income tax assets (Note 23)	-	104,765
Long-term loans receivable, net (Notes 6 and 25)	71,938	52,305
Intangible assets, net (Notes 13 and 26)	602,116	635,532
Other non-current assets	321	402
Total assets	₩ 13,562,644	₩ 13,234,241

LG Electronics Inc.
Non-Consolidated Balance Sheets
March 31, 2005 and December 31, 2004
(Unaudited)

(in millions of Korean won)

	2005	2004
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Note 14)	₩ 124,935	₩ 209,890
Current maturities of long-term debt (Note 14)	841,554	646,783
Trade accounts and notes payable (Notes 7 and 25)	2,107,869	1,758,233
Other accounts payable (Note 7)	1,086,404	1,118,603
Income taxes payable (Note 23)	41,470	9,119
Dividends payable	234,851	-
Accrued expenses (Note 7)	911,779	993,225
Withholdings	9,493	19,110
Unearned income	1,016	1,644
Advances from customers	195,306	200,150
Derivatives transaction credit (Note 17)	3,171	2,066
Total current liabilities	5,557,848	4,958,823
Debtures and convertible bonds, net of current maturities and discounts on debtures (Note 15)		
	2,399,609	2,593,616
Long-term debt, net of current maturities (Note 15)	364,810	286,655
Accrued severance benefits, net (Note 16)	263,864	233,246
Product warranty reserve	172,143	145,657
Deferred income tax liabilities (Note 23)	82,847	-
Other long-term liabilities	116	77
Total liabilities	8,841,237	8,218,074
Commitments and contingencies (Note 17)		
Shareholders' equity		
Capital stock (Notes 1 and 18)	784,618	783,961
Capital surplus (Note 19)	1,907,453	1,907,543
Retained earnings (Note 20)	1,915,295	2,063,631
Capital adjustments (Note 21)	114,041	261,032
Total shareholders' equity	4,721,407	5,016,167
Total liabilities and shareholders' equity	₩ 13,562,644	₩ 13,234,241

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

See Report of Independent Accountants

LG Electronics Inc.
Non-Consolidated Statements of Income
Three-Month Periods Ended March 31, 2005 and 2004
(Unaudited)

(in millions of Korean won, except per share amounts)

	2005	2004
Sales (Notes 25 and 26)	₩ 5,958,530	₩ 5,996,438
Cost of sales (Note 25)	4,462,524	4,573,775
Gross profit	1,496,006	1,422,663
Selling and administrative expenses	1,216,170	1,015,805
Operating income (Note 26)	279,836	406,858
Non-operating income		
Equity in earnings of equity-method investees (Note 10)	48,970	351,546
Foreign exchange gains	93,496	115,127
Interest income	11,833	10,597
Refund of income taxes	-	797
Gain on valuation of derivatives (Note 17)	6,581	23,033
Gain on disposal of investment securities	74	8,069
Gain on settlement of derivatives (Note 17)	5,777	3,003
Reversal of allowance for doubtful accounts	133	-
Rent income	4,234	3,025
Dividend income	604	4,873
Gain on disposal of property, plant and equipment	573	1,240
Others	16,141	40,295
	188,416	561,605
Non-operating expenses		
Foreign exchange losses	65,075	69,036
Interest expense	47,244	48,048
Loss from transfer of trade accounts and notes receivable	34,180	28,686
Loss from disposal of property, plant and equipment	4,184	51,747
Loss from disposal of investment securities	995	20,188
Loss on impairment of investment securities	693	3,218
Additional payment of income taxes	7,135	-
Loss on settlement of derivatives (Note 17)	1,505	3,288
Donations	2,308	1,968
Loss on valuation of derivatives (Note 17)	4,032	-
Other bad debt expense	2,510	321
Equity in losses of equity-method investees (Note 10)	207,845	-
Others	13,962	9,528
	391,668	236,028
Income before income taxes	76,584	732,435
Income tax expense (benefit) (Note 23)	(6,621)	147,733
Net income	₩ 83,205	₩ 584,702
Earnings per share and		
ordinary income per share (in won) (Note 24)	₩ 532	₩ 3,735
Diluted earnings per share and		
diluted ordinary income per share (in won) (Note 24)	₩ 526	₩ 3,618

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

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LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Three-Month Periods Ended March 31, 2005 and 2004
(Unaudited)

<i>(in millions of Korean won)</i>	2005	2004
Cash flows from operating activities		
Net income	₩ 83,205	₩ 584,702
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	224,976	156,418
Amortization of discounts on debentures	9,743	4,890
Provision for severance benefits	45,337	67,467
Loss from transfer of trade accounts and notes receivable	34,180	28,686
Bad debt expense	3,298	10,228
Gain on foreign currency translation, net	(16,710)	(34,047)
Loss from disposal of investment securities, net	921	12,119
Loss on impairment of investment securities	693	3,218
Loss from disposal of property, plant and equipment, net	3,611	50,507
Equity in losses (gains) of equity-method investees, net	158,875	(351,546)
Gain on valuation of derivatives, net	(2,549)	(23,033)
Loss (gain) on settlement of derivatives, net	(4,272)	285
Provision for product warranty	26,486	22,409
Others	563	-
	<u>485,152</u>	<u>(52,399)</u>
Changes in operating assets and liabilities		
Increase in trade accounts and notes receivable	(247,152)	(486,568)
Decrease in other accounts receivable	180,698	108,261
Increase in accrued income	(6,530)	(24,989)
Increase in advances	(5,545)	(29,497)
Increase in other current assets	-	(16)
Decrease (increase) in inventories	134,228	(27,484)
Increase in prepaid expenses	(39,749)	(30,987)
Decrease in long-term prepaid expenses	1,843	-
Decrease (increase) in deferred income tax assets	(41,518)	73,996
Increase in trade accounts and notes payable	287,943	15,378
Decrease in other accounts payable	(37,114)	(186,705)
Increase (decrease) in accrued expenses	(74,682)	158,152
Decrease in withholdings	(11,344)	(30,974)
Increase (decrease) in advances from customers	(5,368)	9,304
Increase in income taxes payable	32,160	53,154
Payment of severance benefits	(32,031)	(38,469)
Decrease in severance insurance deposits	15,903	13,111
Decrease in contributions to the National Pension Fund	853	1,025
Decrease in deferred income tax liabilities	(15,297)	-
Others	(1,125)	(104)
	<u>136,173</u>	<u>(423,412)</u>
Net cash provided by operating activities	<u>704,530</u>	<u>108,891</u>

LG Electronics Inc.
Non-Consolidated Statements of Cash Flows
Three-Month Periods Ended March 31, 2005 and 2004
(Unaudited)

<i>(in millions of Korean won)</i>	2005	2004
Cash flows from investing activities		
Disposal of short-term financial instruments	-	39,924
Increase in short-term and long-term loans, net	(21,485)	(11,545)
Disposal of long-term financial instruments	4,423	-
Acquisition of long-term financial instruments	-	(1,514)
Proceeds from disposal of investment securities	3,723	122,902
Acquisition of investment securities	(41,456)	(298,400)
Payment of refundable deposits	(11,839)	(16,775)
Proceeds from disposal of property, plant and equipment	5,828	15,050
Proceeds from disposal of derivatives	22,013	-
Acquisition of property, plant and equipment	(260,787)	(242,363)
Acquisition of intangible assets	(10,761)	(6,790)
Acquisition of derivatives	-	(285)
Others	(31)	(704)
Net cash used in investing activities	(310,372)	(400,500)
Cash flows from financing activities		
Proceeds from short-term borrowings	-	251,011
Payment of current maturities of long-term debt	-	(229,161)
Proceeds from issuance of debentures	-	165,631
Proceeds from long-term debt	95,185	-
Payment of short-term borrowings	(84,584)	-
Acquisition of treasury stock	-	(16,283)
Net cash provided by financing activities	10,601	171,198
Cash inflow from merger	34,575	-
Net increase (decrease) in cash and cash equivalents	439,334	(120,411)
Cash and cash equivalents (Note 29)		
Beginning of the interim period	648,416	536,853
End of the interim period	₩ 1,087,750	₩ 416,442

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

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LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
March 31, 2005 and 2004, and December 31, 2004
(Unaudited)

1. The Company

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. Former LG Electronics Inc. was incorporated in February 1959 under the Commercial Code of the Republic of Korea to manufacture and sell electronics, and information and communication products, and had its shares listed on the Korea Stock Exchange in April 1970.

As of March 31, 2005, the Company operates manufacturing facilities mainly in Kuro, Pyeongtaek, Chongju, Gumi and Changwon in the Republic of Korea.

As of March 31, 2005, the Company has outstanding capital stock amounting to ₩784,618 million, including non-voting preferred stock. The Company’s stock was relisted on the Korean Stock Exchange on April 22, 2002, and its depository receipts (“DRs”) were relisted on the London Stock Exchange in September 2002.

As of March 31, 2005, LG Corp. and its related parties own 32.1% of the Company’s total stocks including common stock and preferred stock, while financial institutions, foreign investors and others own the rest of the Company’s stocks.

2. Summary of Significant Accounting Policies

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

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 non-consolidated 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 non-consolidated financial statements

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 differ from those estimates.

LG Electronics Inc.
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Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board 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. As SKFAS Nos. 10 *Inventories*, 12 *Construction-Type Contracts* and 13 *Debt Restructuring and Rescheduling*, became applicable to the Company on January 1, 2004, the Company adopted these Standards in its financial statements covering periods beginning on or after this date. As SKFAS No. 15 *Equity Method Accounting* through No. 17 *Provisions, Contingent Liabilities, and Contingent Assets* became applicable to the Company on January 1, 2005, the Company adopted these Standards in its financial statements as of and for the three-month period ended March 31, 2005.

Revenue Recognition

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

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.

Investments in Securities

The Company accounts for equity and debt securities under the provisions of SKFAS No. 8, *Investments in 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.

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
March 31, 2005 and 2004, and December 31, 2004
(Unaudited)

Equity Method Investments

Investments in equity securities of companies, over which the Company exercises a control or significant influence, are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership in 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 in 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.

In addition, proportionate share in the difference between fair value of the investee's identifiable assets (liabilities) and book value is amortized according to the investee's accounting for the assets and liabilities.

Unrealized profit included in inventories and property, plant and equipment from transaction between the Company and equity method investees is calculated based on gross margin by product and eliminated considering the percentage of ownership. However, unrealized profit arising from sales by the Company to equity method investees which are its consolidated subsidiaries is eliminated fully. Unrealized profit arising from 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 exchange rates in effect as of the balance sheet date for assets and liabilities, and three-month 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.

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 inventory is less than its cost, a contra inventory account representing the valuation loss, is presented to reduce the inventory to its net realizable value. The said valuation loss is recorded as cost of sales. If, however, the circumstances which caused the valuation loss ceased to exist, causing the market value to rise above the carrying amount, the valuation loss is reversed limited to the original carrying amount before valuation. The said reversal is a deduction from cost of sales.

LG Electronics Inc.
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Property, Plant and Equipment

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

	Estimated useful life
Buildings	20 - 40 years
Structures	20 - 40 years
Machinery and equipment	5 - 10 years
Tools	2 -5 years
Furniture, fixtures and vehicles	5 years

In 2005, the Company reduced its estimate of the useful life of moulds included in tools from five years to two years to better reflect their economic useful life. This change resulted in increase in depreciation expense for the three-month period ended March 31, 2005 by ₩ 47,070 million.

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

LG Electronics Inc.
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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.

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 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.

LG Electronics Inc.
Notes to Non-Consolidated Financial Statements
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(Unaudited)

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 that gave 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 carryforward amount.

According to SKFAS No. 16 *Income Taxes*, which became effective on January 1, 2005, the Company classified deferred income tax assets and liabilities into current portion and non-current portion based on net amount. Deferred income tax is recognized on unrealized gains or losses resulting from valuation of investment securities. However, previous financial statements presented for comparative purpose are not restated according to addendum of SKFAS No. 16.

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 exchange rate in effect at the balance sheet date (₩1,024.3: US\$1 as of March 31, 2005, ₩1,043.8: US\$1 as of December 31, 2004), and resulting translation gains or losses are recognized in current operations. However, convertible bonds in foreign currency are translated into Korean won at the agreed rate of exchange, considering the exercise of conversion rights by the creditors.

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.

LG Electronics Inc.
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(Unaudited)

Convertible Bonds

The Company recorded a premium for conversion rights 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. The Company offset conversion rights adjustment by the face value of convertible bonds and add call premium to the face value of convertible bonds.

Government grants

The Company recognizes government grants, which are to be repaid, as liabilities. The government grants, which are intended to be used for the acquisition of certain assets, are deducted from the cost of the acquired assets. Before the acquisition of the assets specified by the grant, the amounts are recognized as a deduction from the account under which the asset to be acquired is to be recorded, or from the other assets acquired as a temporary investment of the grant received.

The government grants, received to compensate for specific expenses, are offset against the related expenses. Other government grants, for which the use or purpose is not specified, are recorded as gains from assets contributed, and are recognized in current operations.

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3. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at March 31, 2005	2005	2004
Cash on hand	-	₩ 22	₩ 27
Checking accounts	-	5,701	3,569
Foreign currency checking accounts	-	61,505	26,921
Demand deposits	0.1 - 0.3	25,426	11,863
Foreign currency time deposits	1.0 - 5.0	117,619	74,036
Money market funds	3.2 - 8.9	800,000	502,000
Beneficiary certificates	3.4 - 3.5	77,477	30,000
		<u>₩ 1,087,750</u>	<u>₩ 648,416</u>

4. Financial Instruments

Long-term financial instruments as of March 31, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at March 31, 2005	2005	2004
Long-term financial instruments			
Other deposits	0.2 - 4.5	<u>₩ 13,539</u>	<u>₩ 17,961</u>

As of March 31, 2005, long-term financial instruments of ₩13,539 million (2004 : ₩17,961 million) 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.

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5. Short-term investments

Short-term investments as of March 31, 2005 and December 31, 2004 are as follows:

<i>(in millions of Korean won)</i>	2005			2004
	Acquisition cost	Market value	Carrying value	Carrying value
Commercial papers issued by LG Card Co., Ltd.	₩ 111,876	₩ 89,501	₩ 89,501	₩ 89,501

As approved by the Board of Directors on February 6, 2004, the Company purchased LG card Co., Ltd. (LG Card)'s commercial papers with a face value of ₩150,000 million as part of the fulfillment of LG Card's business normalization agreement with the creditor financial institutions. The commercial papers amounting to ₩111,876 million classified as short-term investments are scheduled to mature within December 31, 2005. The remaining commercial papers amounting to ₩38,124 million are classified as long-term investment securities (Note 9).

6. Receivables

Receivables, including trade accounts and notes receivable, as of March 31, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	2005			
	Original amount	Allowance for doubtful accounts	Discounts for present value	Carrying value
Trade accounts and notes receivable	₩1,317,190	₩ (76,489)	₩ -	₩1,240,701
Other accounts receivable	382,663	(11,183)	(1,119)	370,361
Accrued income	19,830	(193)	-	19,637
Advances	56,410	(4,618)	-	51,792
Other current assets	4,565	(32)	-	4,533
Long-term loans receivable	72,665	(727)	-	71,938
	<u>₩1,853,323</u>	<u>₩ (93,242)</u>	<u>₩ (1,119)</u>	<u>₩1,758,962</u>
<i>(in millions of Korean won)</i>	2004			
	Original amount	Allowance for doubtful accounts	Discounts for present value	Carrying value
Trade accounts and notes receivable	₩ 1,072,150	₩ (73,127)	₩ -	₩ 999,023
Other accounts receivable	554,436	(8,377)	(1,174)	544,885
Accrued income	12,970	(219)	-	12,751
Advances	50,650	(4,000)	-	46,650
Other current assets	2,810	(15)	-	2,795
Long-term loans receivable	52,810	(505)	-	52,305
	<u>₩ 1,745,826</u>	<u>₩ (86,243)</u>	<u>₩ (1,174)</u>	<u>₩ 1,658,409</u>

As of March 31, 2005, trade bills negotiated through banks that have not yet matured amount to approximately ₩3,814,086 million, which includes US\$2,725 million and EUR648 million (Note 17).

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7. Assets and Liabilities Denominated in Foreign Currencies

As of March 31, 2005 and December 31, 2004, monetary assets and liabilities denominated in foreign currencies, other than those disclosed in Notes 14 and 15, are as follows:

<i>(in millions)</i>	2005				2004			
	Foreign currency		Korean won equivalent		Foreign currency		Korean won equivalent	
Cash and cash equivalents	US\$	108	₩	110,833	US\$	65	₩	67,779
	JP ¥	884		8,425	JP ¥	185		1,877
	EUR	41		53,633	EUR	11		16,072
	Others	-		6,273	Others	-		15,229
				<u>179,164</u>				<u>100,957</u>
Trade accounts receivable	US\$	356		364,171	US\$	275		287,355
	JP ¥	360		3,425	JP ¥	96		973
	EUR	35		46,137	EUR	16		23,126
	GBP	10		19,997	GBP	-		844
	AUD	110		86,633	AUD	-		84
	Others	-		4,195	Others	-		1,143
				<u>524,558</u>				<u>313,525</u>
Other accounts receivable	US\$	131		134,620	US\$	128		133,168
	EUR	12		16,506	EUR	12		17,685
	Others	-		9,630	Others	-		13,993
				<u>160,756</u>				<u>164,846</u>
Refundable deposits	JP ¥	58		555	JP ¥	58		587
	US\$	3		2,663	US\$	2		1,913
	Others	-		368	Others	-		371
				<u>3,586</u>				<u>2,871</u>
Trade accounts payable	US\$	816		835,488	US\$	609		635,306
	JP ¥	10,892		103,746	JP ¥	12,036		121,816
	EUR	18		23,253	EUR	13		17,916
	Others	-		2,583	Others	-		279
				<u>965,070</u>				<u>775,317</u>
Other accounts payable	AUD	3		2,179	AUD	4		2,946
	CAD	1		902	CAD	1		1,114
	EUR	12		15,942	EUR	22		30,704
	JP ¥	157		1,497	JP ¥	441		4,467
	US\$	171		175,364	US\$	127		132,399
	Others	-		4,427	Others	-		11,715
				<u>200,311</u>				<u>183,345</u>
Accrued expenses	US\$	97		99,494	US\$	36		37,593
	Others	-		1,962	Others	-		640
				<u>₩ 101,456</u>				<u>₩ 38,233</u>

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8. Inventories

Inventories as of March 31, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	2005			2004
	Acquisition cost	Inventory valuation allowance	Carrying value	Carrying value
Merchandise	₩ 30,860	₩ (2,581)	₩ 28,279	₩ 28,213
Finished products	550,471	(33,296)	517,175	608,420
Work-in-process	377,868	-	377,868	313,023
Raw materials	543,187	(14,713)	528,474	589,463
Parts and supplies	90,141	(4,688)	85,453	135,912
	<u>₩1,592,527</u>	<u>₩ (55,278)</u>	<u>₩ 1,537,249</u>	<u>₩ 1,675,031</u>

See Note 12 for inventories insured against various property risks.

9. Long-Term Investment Securities

Long-term investment securities as of March 31, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	2005	2004
Available-for-sale securities	₩ 84,071	₩ 64,383
Held-to-maturity securities	851	851
	<u>₩ 84,922</u>	<u>₩ 65,234</u>

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Available-for-sale securities as of March 31, 2005 and December 31, 2004, are as follows:

(in millions of Korean won)	Percentage of ownership (%) at March 31, 2005	2005			2004		
		Acquisition cost	Net asset value/Market value	Carrying value	Acquisition cost	Net asset value/Market value	Carrying value
Marketable equity securities							
	12.57	₩ 812	₩ 3,633	₩ 3,633	₩ 812	₩ 2,918	₩ 2,918
Nara Mold & Die Co., Ltd.			3	3		8	8
Tube Media Co., Ltd.	3.02	142	670	670	142	604	604
Odicorp Co., Ltd.	8.83	318	1,494	1,494	318	1,568	1,568
Vodavi Technology Inc. ³	-	-	-	-	2,928	6,761	6,761
Hutchison Telephone Company Limited ⁴	-	-	-	-	3,462	3,622	3,622
ADP Engineering Co., Ltd. ⁵	7.03	75	14,758	14,758	-	-	-
LG Card Co., Ltd. ²	0.95	19,062	34,539	34,539	-	-	-
		20,409	55,094	55,094	7,662	15,473	15,473
Non-marketable equity securities							
Domestic companies							
Innopla Co., Ltd.	19.90	245	853	245	245	854	245
Castec Korea Co., Ltd.	5.00	182	766	182	182	859	182
Msoltech ¹	10.00	635	-	-	635	-	-
AL Tech Inc.	8.53	589	247	589	589	272	589
Korea Information Certificate Authority Inc.	9.35	1,852	1,230	1,852	1,852	1,230	1,852
Association of Electronics Environment	36.04	4,698	5,127	4,698	4,698	4,309	4,698
Temco, Inc.	13.04	1,200	1,200	1,200	1,200	1,200	1,200
Netgenetech. Co., Ltd.	7.50	176	215	176	176	35	176
Manager Society, Inc.	3.70	200	5	200	200	14	200
Silicon Works	12.00	501	824	501	501	504	501
LG fund for small and medium Enterprises ³	-	-	-	-	2,500	2,435	2,500
TU Media Corp.	4.74	6,500	5,762	6,500	6,500	5,765	6,500
Eonex Technologies, Inc. ⁵	2.14	2,080	2,080	2,080	600	600	600
ADS Technologies Co., Ltd. ⁵	15.00	150	150	150	-	-	-
Others	-	3,579	1,545	1,545	3,654	1,620	1,620
Overseas companies							
Erlang Technology Inc. ¹	6.90	1,129	-	-	1,129	-	-
Neopoint Inc. ¹	16.62	1,604	-	-	1,604	-	-
E2OPEN.COM ¹	3.64	15,694	-	-	15,694	-	-
COMMIT Incorporated	13.47	4,990	4,990	4,990	4,990	4,990	4,990
Monet Mobile Networks ¹	1.90	1,299	-	-	1,299	-	-
SUNPOWER.INC	10.35	1,257	169	1,257	1,257	231	1,257
Others	-	507	507	507	507	507	507
		49,067	25,670	26,672	50,012	25,425	27,617
Debt securities							
Bonds issued by the government		101	101	101	27	27	27
Convertible bonds issued by NeoDis Co., Ltd.		2,204	2,204	2,204	2,204	2,204	2,204
Commercial papers issued by LG Card Co., Ltd. ²		-	-	-	38,124	19,062	19,062
		2,305	2,305	2,305	40,355	21,293	21,293
		₩ 71,781	₩ 83,069	₩ 84,071	₩ 98,029	₩ 62,191	₩ 64,383

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- ¹ Carrying value was fully written down due to the negative net book value or bankruptcy of the investee company as of March 31, 2005.
- ² Investment in commercial papers of LG Card Co., Ltd. at December 31, 2004 were converted into investment in equity securities of LG Card in January 2005.
- ³ For the three month period ended March 31, 2005, the investments were reclassified as equity-method investment securities.
- ⁴ For the three month period ended March 31, 2005, the Company disposed of the investment in Hutchison Telephone Company Limited, resulting in loss from disposal of investment securities of ₩45 million.
- ⁵ For the three month period ended March 31, 2005, the Company newly or additionally purchased the investments.

The annual maturities of debt securities classified as available-for-sale securities and held-to-maturity securities as of March 31, 2005 and December 31, 2004, are as follows:

(in millions of Korean won)

Due in	2005		2004	
	Available-for-sale securities	Held-to-maturity securities	Available-for-sale securities	Held-to-maturity securities
Less than one year and one year ¹	₩ 89,501	₩ -	₩ 89,501	₩ -
Over one year through five years	2,305	807	21,293	807
Over five years through ten years	-	44	-	44
	<u>₩ 91,806</u>	<u>₩ 851</u>	<u>₩ 110,794</u>	<u>₩ 851</u>

¹These are classified as short-term investments (Note 5).

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The details of changes in accumulated gains (losses) on valuation of available-for-sale securities as recorded in capital adjustments for three month periods ended March 31, 2005 and 2004, are as follows (Note 21):

<i>(in millions of Korean won)</i>	January 1, 2005		Gain (loss)		Disposal		Income tax effect		March 31, 2005	
Nara Mold & Die Co., Ltd.	₩	2,107	₩	714	₩	-	₩	(776)	₩	2,045
Tube Media Co., Ltd.		462		66		-		(145)		383
Odicorp Co., Ltd.		1,250		(74)		-		(323)		852
Vodavi Technology Inc.		3,833		(851)		-		(820)		2,162
Hutchison Telephone Company Limited		160		(160)		160		-		-
ADP Engineering Co., Ltd.		-		14,685		-		(4,038)		10,647
LG Card Co., Ltd.		-		15,477		-		(4,256)		11,221
	₩	<u>7,812</u>	₩	<u>29,857</u>	₩	<u>160</u>	₩	<u>(10,358)</u>	₩	<u>27,310</u>

<i>(in millions of won)</i>	January 1, 2004		Gain (loss)		Disposal		March 31, 2004	
KT Corp.	₩	(22,184)	₩	-	₩	(22,184)	₩	-
Nara Mold & Die Co., Ltd.		2,187		(357)		-		1,830
Voiceware Co., Ltd.		1,157		417		-		1,574
LG Investment & Securities Co., Ltd.		(75,994)		23,534		-		(52,460)
Vodavi Technology Inc.		3,063		58		-		3,121
E2OPEN.COM		-		(13,795)		-		(13,795)
Bonds issued by the government		(241)		-		(241)		-
	₩	<u>(92,012)</u>	₩	<u>9,857</u>	₩	<u>(22,425)</u>	₩	<u>(59,730)</u>

Interest income from investment in securities amounts to ₩1,389 million for the three-month period ended March 31, 2005.

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10. Equity Method Investments

Equity method investments as of March 31, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	Percentage of ownership (%) at March 31, 2005	2005			2004		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
Domestic companies							
LG Micron Ltd.	36.00	₩68,100	₩122,638	₩113,966	₩68,100	₩120,716	₩111,651
LG Innotek Co., Ltd.	69.80	59,308	147,572	152,769	59,308	148,963	154,651
Hankuk Electric Glass Co., Ltd.	20.00	119,282	137,221	124,220	119,282	140,549	125,082
LG.Philips LCD Co., Ltd.	44.57	726,169	2,531,646	2,356,819	726,169	2,572,987	2,399,076
LG IBM PC Co., Ltd. ⁷	-	-	-	-	11,907	16,689	16,522
Hi Plaza Inc.	100.00	100,511	111,428	101,956	100,511	108,965	99,275
STIC Ventures Co., Ltd.	94.00	28,200	24,093	24,093	28,200	28,264	28,264
Hi Business Logistics ⁴	100.00	8,000	10,824	10,824	4,500	6,115	6,114
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	18,745	27,258	7,684	22,350	30,823
LG Electronics Austria GmbH (LGEAG) ²	100.00	116	-	116	116	116	116
LG Electronics Almaty Kazak Co., Ltd. (LGEAK)	100.00	3,746	15,277	12,450	3,746	15,508	11,438
LG Electronics Antwerp Logistics N.V. (LGEAL) ¹	100.00	967	713	-	967	1,637	356
LG Electronics Australia Pty, Ltd. (LGEAP) ¹	100.00	1,558	9,464	-	1,558	7,305	-
LG Electronics Argentina S.A. (LGEAR) ³	100.00	7,410	-	-	7,410	-	-
Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT)	50.00	14,718	22,058	17,506	14,718	21,869	20,621
LG Electronics Colombia, Ltda. (LGECEB)	100.00	3,330	8,269	4,132	3,330	5,038	3,786
LG Electronics China Co., Ltd. (LGECH) ¹	100.00	56,154	18,287	-	56,154	22,484	-

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<i>(in millions of Korean won)</i>	Percentage of ownership (%) at March 31, 2005	2005			2004		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG Electronics Canada, Inc. (LGECI)	100.00	13,779	13,128	7,295	13,779	16,562	9,888
LG Electronics Inc. Chile Limitada (LGECL)	100.00	5,856	6,915	5,383	5,856	7,659	6,960
LG Electronics Czech S.R.O. (LGE CZ)	100.00	6,534	6,341	4,797	6,534	6,993	6,106
LG Electronics Deutschland GmbH (LGEDG)	100.00	26,938	22,898	3,744	26,938	24,465	9,370
PT LG Electronics Display Devices Indonesia (LGEDI)	100.00	32,085	66,805	49,809	32,085	66,687	48,348
LG Electronics Design Tech, Ltd. (LGEDT) ^{2,3}	100.00	1,002	-	-	1,002	1,002	1,002
LG Electronics Egypt Cairo S.A.E. (LGE EC)	100.00	4,382	1,533	2,991	4,382	1,467	3,032
LG Electronics Egypt S.A.E. (LGE EG)	83.97	2,860	1,854	1,191	2,860	1,603	1,085
LG Electronics Espana S.A. (LGE ES) ¹	100.00	17,408	15,980	-	17,408	13,368	-
LG Goldstar France S.A.R.L. (LGE FS) ¹	100.00	7,139	5,599	-	7,139	952	-
LG Electronics Gulf FZE (LGE GF)	100.00	8,312	7,783	1,750	8,312	7,918	4,522
LG Electronics HK Limited (LGE HK) ⁴	100.00	9,398	9,935	9,926	4,316	4,445	4,445
LG Electronics Nature (Hangzhou) Recording Media Co., Ltd. (LGE HN)	49.00	4,031	2,933	2,854	4,031	3,087	3,037
LG Electronics Hellas S.A. (LGE HS)	100.00	6,063	6,465	2,216	6,063	6,820	5,402
LG Electronics Huizhou Inc. (LGE HZ)	80.00	1,277	26,758	22,097	1,277	28,405	22,038
LG Electronics India Pvt. Ltd. (LGE IL)	100.00	38,476	125,288	122,991	38,476	120,896	121,544
PT LG Electronics Indonesia (LGE IN)	100.00	29,431	27,865	16,456	29,431	18,560	18,052
LG Electronics Italy S.P.A. (LGE IS) ¹	100.00	28,170	20,672	-	28,170	21,075	8,047
LG Electronics Japan Inc. (LGE JP) ¹	100.00	12,978	967	-	12,978	1,954	583
Kunshan LGMS Computer Co., Ltd. (LGE KS)	100.00	2,649	998	309	2,649	3,027	2,649
LG Electronics Mlawa SP.Zo.O. (LGE MA) ⁴	100.00	61,561	67,280	52,387	36,024	48,791	45,869

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<i>(in millions of Korean won)</i>	Percentage of ownership (%) at March 31, 2005	2005			2004		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG Electronics Morocco S.A.R.L. (LGEMC)	100.00	3,352	2,716	385	3,352	3,806	1,171
LG Electronics Middle East Co., Ltd. (LGEME) ²	100.00	462	462	462	462	462	462
Goldstar Mobilecomm France SASU (LGEMF) ²	100.00	5,621	5,621	5,621	5,621	5,621	5,621
LG-MECA Electronics Haiphong, Inc. (LGEMH)	70.00	1,690	2,096	1,827	1,690	3,007	2,782
LG Electronics Magyar Kft. (LGEMK)	100.00	5,575	6,501	2,233	5,575	9,170	3,991
LG Electronics (M) SDN.BHD (LGEML)	100.00	7,869	7,869	7,869	7,869	7,869	7,869
LG Electronics Monterrey Mexico S.A. de C.V. (LGEMM) ¹	100.00	31,439	(532)	-	31,439	4,928	1,066
LG Electronics Mexico S.A. de C.V. (LGEMS)	100.00	13,575	20,989	12,455	13,575	23,076	21,169
LG MITR Electronics Co., Ltd. (LGEMT) ⁴	93.07	19,050	11,694	9,440	15,925	10,447	6,098
LG Electronics North of England Ltd. (LGENE) ³	100.00	11,229	901	694	11,229	9,981	10,052
LG Electronics (Nanjing) Plazma Co., Ltd. (LGENP)	100.00	13,241	12,225	4,003	13,241	(1,822)	5,057
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	70.00	9,367	24,342	14,240	9,367	20,516	16,518
LG Electronics Philippines, Inc. (LGEPH) (formerly LGECM)	100.00	23,524	717	2,350	23,524	1,713	3,000
LG Electronics Polska SP.Zo.O. (LGEPL)	100.00	4,117	10,828	8,567	4,117	11,217	9,000
Nanjing LG Panda Appliance Co., Ltd. (LGEPN)	70.00	7,596	13,927	11,589	7,596	12,672	11,843
LG Electronics Peru S.A. (LGEPR)	100.00	7,699	4,947	3,901	7,699	3,744	2,784
LG Electronics Panama S.A. (LGEPS)	100.00	2,333	8,417	6,538	2,333	6,144	3,755
LG Electronics Portugal (LGEPT)	100.00	20,927	16,474	11,197	20,927	20,338	17,528
LG Electronics Qinhuangdao Co., Ltd. (LGEQH)	100.00	3,284	8,152	6,704	3,284	7,160	6,587
LG Electronics RUS, LLC (LGERA) ^{2,4}	100.00	10,621	10,621	10,621	5,411	5,411	5,411
LG Electronics Russia Inc. (LGERI)	95.00	391	10,221	10,221	391	9,785	9,785
LG Electronics Romania S.R.L. (LGERO)	100.00	7,350	9,200	8,468	7,350	8,427	8,256
LG Electronics S.A. Pty Ltd. (LGESA)	100.00	3,382	26,709	21,407	3,382	33,045	29,028

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<i>(in millions of Korean won)</i>	Percentage of ownership (%) at March 31, 2005	2005			2004		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG Electronics Service Europe Netherlands B.V. (LGESE) ¹	100.00	10,470	32,772	-	10,470	14,372	-
Shanghai LG Electronics Co., Ltd. (LGESH)	70.00	4,899	11,472	7,471	4,899	9,170	7,704
LG Electronics de Sao Paulo Ltda. (LGESP)	100.00	28,481	81,790	71,445	28,481	78,801	68,234
LG Electronics Sweden AB (LGESW) ¹	100.00	5,668	3,044	-	5,668	5,780	2,581
LG Electronics Shenyang Inc. (LGESY)	78.87	11,267	22,938	15,201	11,267	16,765	13,474
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	80.00	42,948	127,292	97,567	42,948	109,743	100,046
LG Electronics Thailand Co., Ltd. (LGETH)	93.75	3,407	29,672	21,608	3,407	21,650	21,708
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	100.00	19,846	12,060	11,031	19,846	12,174	10,935
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	100.00	59,205	20,909	21,404	59,205	16,369	27,001
LG Electronics United Kingdom Ltd. (LGEUK) ¹	100.00	34,723	3,832	-	34,723	7,501	-
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	148,109	116,829	64,197	148,109	134,835	108,995
LG Electronics Vietnam Co., Ltd. (LGEVN)	100.00	6,035	8,647	7,783	6,035	9,846	8,546
LG Electronics Wales Ltd. (LGEWA)	100.00	963,757	83,848	16,930	963,757	149,207	69,650
Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT)	51.00	10,188	10,391	5,318	10,188	11,067	6,821
Kunshan LGMS Computer Co., Ltd. (LGMSK)	100.00	1,690	1,690	1,690	1,690	1,690	1,690
LG Soft India PVT, Ltd. (LGS I)	100.00	5,084	9,175	10,934	5,084	7,543	9,338
EIC Properties PTE, Ltd.	38.20	9,636	2,132	2,132	9,636	2,198	2,198
LG Infocomm Thailand, Inc. (LGICTH)	60.00	3,246	5,473	3,980	3,246	5,651	4,094
Vietnam Korea Exchange, Ltd. (V.K.X.)	40.00	1,736	1,685	1,694	1,736	2,040	2,064

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<i>(in millions of Korean won)</i>	Percentage of ownership (%) at March 31, 2005	2005			2004		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
LG TOPS	40.00	2,699	930	930	2,699	902	930
Langchao LG (Yantai) Digital Mobile Technology Research & Development Co., Ltd. ²	49.00	824	824	824	824	824	824
LGE (China) R&D Center	100.00	8,201	6,523	6,523	8,201	6,544	6,544
Electromagnetica Goldstar S.R.L. ²	50.00	508	508	508	508	508	508
SLD Telecom Pte. Ltd.	42.74	68,487	41,483	42,017	68,487	51,711	52,279
Triveni Digital Inc. ²	100.00	899	899	899	899	899	899
LG (Yantai) Information & Communication Technology Co., Ltd. ²	100.00	2,720	2,720	2,720	2,720	2,720	2,720
LG Holdings (HK) Ltd.	31.82	53,378	36,590	33,842	53,378	46,437	42,906
Qingdao LG Langchao Digital Communication Co., Ltd.	60.00	8,749	10,853	6,598	8,749	8,215	3,910
LG Electronics RUS-Marketing, LLC (LGERM) ^{2, 5}	100.00	204	204	204	-	-	-
Hi Ligistics China Company Limited ^{2, 5}	100.00	1,294	1,294	1,294	-	-	-
LG Electronics Singapore Pte Ltd (LGESL) ⁵	100.00	7,027	7,027	7,027	-	-	-
LG fund for small and medium Enterprises ^{2, 6}	50.00	2,500	2,414	2,500	-	-	-
Vodavi Technology Inc. ⁶	23.22	2,928	2,985	5,910	-	-	-
		<u>₩3,271,166</u>	<u>₩4,533,311</u>	<u>₩3,886,355</u>	<u>₩3,226,666</u>	<u>₩4,598,247</u>	<u>₩4,096,263</u>

¹ The equity method of accounting has been suspended due to the investee's 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 have just been established in the current period are stated at cost, in accordance with accounting principles generally accepted in the Republic of Korea.

³ The operations of this subsidiary were suspended as of March 31, 2005.

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- ⁴ For the three month period ended March 31, 2005, the Company purchased additional shares of these subsidiaries.
- ⁵ This subsidiary has just been established for the three month period ended March 31, 2005.
- ⁶ For the three month period ended March 31, 2005, the investments were reclassified to equity method investment securities.
- ⁷ The Company and IBM Korea Inc. divided their joint venture company, LG IBM PC Co., Ltd., and on January 1, 2005, the Company merged with a portion of the PC division from the joint venture.

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

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For the three-month period ended March 31, 2005, the details of changes in differences between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investee are as follows:

<i>(in millions of Korean won)</i>	January 1, 2005	Addition	Amortization	March 31, 2005
Domestic companies				
LG Micron Ltd.	₩ 2,064	₩ -	₩ (147)	₩ 1,917
LG Innotek Co., Ltd.	378	-	(38)	340
Hi Plaza Inc.	(1,587)	-	172	(1,415)
Hankuk Electric Glass Co., Ltd.	<u>(13,608)</u>	<u>-</u>	<u>851</u>	<u>(12,757)</u>
	<u>(12,753)</u>	<u>-</u>	<u>838</u>	<u>(11,915)</u>
Overseas companies				
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	8,037	-	(670)	7,367
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	2,161	-	(185)	1,976
LG Electronics Wales Ltd. (LGEWA)	(70,377)		11,729	(58,648)
Others	<u>16,409</u>	<u>-</u>	<u>(1,548)</u>	<u>14,861</u>
	<u>(43,770)</u>	<u>-</u>	<u>9,326</u>	<u>(34,444)</u>
	<u>₩ (56,523)</u>	<u>₩ -</u>	<u>₩ 10,164</u>	<u>₩ (46,359)</u>

In the above table, positive numbers represent goodwill while negative numbers represent negative goodwill.

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For the three-month period ended March 31, 2004, the details of changes in differences between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investee were as follows:

<i>(in millions of won)</i>	January 1, 2004	Addition	Amortization	March 31, 2004
Domestic companies				
LG Micron Ltd.	₩ 2,653	₩ -	₩ (147)	₩ 2,506
LG Innotek Co., Ltd.	528	-	(38)	490
Hi Plaza Inc.	(2,275)	-	172	(2,103)
Hankuk Electric Glass Co., Ltd.	-	(17,010)	850	(16,160)
	<u>906</u>	<u>(17,010)</u>	<u>837</u>	<u>(15,267)</u>
Overseas companies				
LG Electronics Mlawa SP. Zo. O. (LGEMA)	(775)	-	194	(581)
LG Electronics Service Europe Netherlands B.V. (LGESE)	(53)	-	13	(40)
LG Electronics Shenyang Inc. (LGESY)	228	-	(38)	190
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR) (formerly LGECT)	10,716	-	(670)	10,046
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	2,901	-	(185)	2,716
LG Electronics Wales Ltd. (LGEWA)	(125,599)	-	12,560	(113,039)
Others	18,169	-	(1,746)	16,423
	<u>(94,413)</u>	<u>-</u>	<u>10,128</u>	<u>(84,285)</u>
	<u>₩ (93,507)</u>	<u>₩ (17,010)</u>	<u>₩ 10,965</u>	<u>₩(99,552)</u>

In the above table, positive numbers represent goodwill while negative numbers represent negative goodwill.

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For the three-month period ended March 31, 2005, the details of the elimination of unrealized gain or loss arising from intercompany transactions according to the equity method of accounting are as follows:

<i>(in millions of Korean won)</i>	Inventories	Property, plant and equipment	Intangible assets	Total
Domestic companies				
LG Micron Ltd.	₩ (49)	₩ 589	₩ -	₩ 540
LG Innotek Co., Ltd.	(468)	14	-	(454)
LG.Philips LCD Co., Ltd.	648	832	9,624	11,104
Hankuk Electric Glass Co., Ltd.	1,614	-	-	1,614
Others	170	3	-	173
	<u>1,915</u>	<u>1,438</u>	<u>9,624</u>	<u>12,977</u>
Overseas companies				
LG Electronics Espana S.A. (LGEES)	(13,245)	-	-	(13,245)
LG Electronics India Pvt. Ltd. (LGEIL)	(6,999)	20	-	(6,979)
LG Electronics Italy S.P.A. (LGEIS)	(12,322)	-	-	(12,322)
LG Electronics Mlawa SP. Zo. O. (LGEMA)	(11,806)	(166)	-	(11,972)
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	(11,354)	(421)	-	(11,775)
LG Electronics U.S.A., Inc. (LGEUS)	(44,742)	477	-	(44,265)
LG Electronics Mexico S.A. de C.V. (LGEMS)	(6,593)	(1)	-	(6,594)
Others	(23,226)	(989)	-	(24,215)
	<u>(130,287)</u>	<u>(1,080)</u>	<u>-</u>	<u>(131,367)</u>
	<u>₩ (128,372)</u>	<u>₩ 358</u>	<u>₩ 9,624</u>	<u>₩ (118,390)</u>

In the above table, positive numbers represent equity in earnings of affiliates while negative numbers represent equity in losses of affiliates.

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For the three-month period ended March 31, 2004, the details of the elimination of unrealized gain or loss arising from intercompany transactions according to the equity method of accounting were as follows:

<i>(in millions of Won)</i>	Inventories	Property, plant and equipment	Intangible assets	Total
Domestic companies				
LG Micron Ltd.	₩ (357)	₩ (3,971)	₩ -	₩ (4,328)
LG Innotek Co., Ltd.	3,704	(97)	-	3,607
LG.Philips LCD Co., Ltd.	(4,594)	(5,778)	9,624	(748)
LG IBM PC Co., Ltd.	(858)	(62)	-	(920)
Hi Plaza Inc.	5,231	-	-	5,231
	<u>3,126</u>	<u>(9,908)</u>	<u>9,624</u>	<u>2,842</u>
Overseas companies				
LG Electronics Alabama, Inc. (LGEAI)	(3,951)	(689)	-	(4,640)
LG Electronics Huizhou Inc. (LGEHZ)	(3,031)	-	-	(3,031)
LG Electronics India Pvt. Ltd. (LGEIL)	391	(113)	-	278
PT LG Electronics Indonesia (LGEIN)	(1,604)	(531)	-	(2,135)
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	(2,274)	(2)	-	(2,276)
LG Electronics Service Europe Netherlands B.V. (LGESE)	(8,871)	-	-	(8,871)
LG Electronics Shenyang Inc. (LGESY)	(264)	(40)	-	(304)
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	(6,222)	(34)	-	(6,256)
LG Electronics U.S.A., Inc. (LGEUS)	(17,153)	-	-	(17,153)
LG Electronics Wales Ltd. (LGEWA)	1,282	(133)	-	1,149
Others	(70,300)	(1,878)	-	(72,178)
	<u>(111,997)</u>	<u>(3,420)</u>	<u>-</u>	<u>(115,417)</u>
	<u>₩(108,871)</u>	<u>₩(13,328)</u>	<u>₩9,624</u>	<u>₩ (112,575)</u>

In the above table, positive numbers represent equity in earnings of affiliates while negative numbers represent equity in losses of affiliates.

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Changes in investments in subsidiaries and affiliates accounted for using the equity method for the three-month period ended March 31, 2005, are as follows:

<i>(in millions of Korean won)</i>	January 1, 2005	Equity in earnings (losses) of affiliates, net	Others	March 31, 2005
Domestic companies				
LG Micron Ltd.	₩ 111,651	₩ 2,430	₩ (115)	₩ 113,966
LG Innotek Co., Ltd.	154,651	2,922	(4,804)	152,769
Hankuk Electric Glass Co., Ltd.	125,082	423	(1,285)	124,220
LG.Philips LCD Co., Ltd.	2,399,076	(36,052)	(6,205)	2,356,819
LG IBM PC Co., Ltd.	16,522	(2,362)	(14,160)	-
Hi Plaza Inc.	99,275	2,681	-	101,956
STIC Ventures Co., Ltd.	28,264	(4,600)	429	24,093
Hi Business Logistics	6,114	1,210	3,500	10,824
	<u>2,940,635</u>	<u>(33,348)</u>	<u>(22,640)</u>	<u>2,884,647</u>
Overseas companies				
LG Electronics Huizhou Inc. (LGEHZ)	22,038	356	(297)	22,097
LG Electronics India Pvt. Ltd. (LGEIL)	121,544	3,966	(2,519)	122,991
PT LG Electronics Display Device Indonesia (LGEDI)	48,348	3,050	(1,589)	49,809
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	16,518	(1,915)	(363)	14,240
LG Electronics Shenyang Inc. (LGESY)	13,474	2,068	(341)	15,201
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	100,047	(473)	(2,007)	97,567
LG Electronics U.S.A., Inc. (LGEUS)	108,996	(41,109)	(3,690)	64,197
Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGETR)	27,001	(5,183)	(414)	21,404
LG Electronics Wales Ltd. (LGEWA)	69,650	(21,468)	(31,252)	16,930
LG Electronics Mlawa SP.Zo.O. (LGEMA)	45,869	(13,777)	20,295	52,387
LG Electronics de Sao Paulo Ltda. (LGESP)	68,234	5,100	(1,889)	71,445
SLD Telecom Pte. Ltd.	52,279	(9,423)	(839)	42,017
LG Holdings (HK) Ltd.	42,906	(7,487)	(1,577)	33,842
LG Electronics Mexico S.A. de C.V. (LGEMS)	21,169	(8,196)	(518)	12,455
Others	397,555	(31,036)	(1,393)	365,126
	<u>1,155,628</u>	<u>(125,527)</u>	<u>(28,393)</u>	<u>1,001,708</u>
	<u>₩4,096,263</u>	<u>₩ (158,875)</u>	<u>₩ (51,033)</u>	<u>₩3,886,355</u>

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Changes in investments in subsidiaries and affiliates accounted for using the equity method for the three-month period ended March 31, 2004, were as follows:

<i>(in millions of won)</i>	January 1, 2004	Equity in earnings (losses) of affiliates, net	Others	March 31, 2004
Domestic companies				
LG Micron Ltd.	₩ 86,070	₩ (405)	₩ (278)	₩ 85,387
LG Sports Ltd.	1,204	34	(1,238)	-
LG Innotek Co., Ltd.	137,039	9,221	(777)	145,483
Hankuk Electric Glass Co., Ltd.	-	3,095	118,789	121,884
LG.Philips LCD Co., Ltd.	1,259,904	313,215	11,909	1,585,028
LG IBM PC Co., Ltd.	14,548	644	-	15,192
Hi Plaza Inc.	60,806	2,117	-	62,923
STIC Ventures Co., Ltd.	28,200	21,048	717	49,965
Hi Logistics System (HLS)	4,500	476	-	4,976
	<u>1,592,271</u>	<u>349,445</u>	<u>129,122</u>	<u>2,070,838</u>
Overseas companies				
LG Electronics Alabama, Inc. (LGEAI)	53,116	5,995	(3,235)	55,876
LG Electronics Huizhou Inc. (LGEHZ)	19,943	(880)	(1,125)	17,938
LG Electronics India Pvt. Ltd. (LGEIL)	113,063	2,682	(606)	115,139
PT LG Electronics Indonesia (LGEIN)	23,867	(552)	(3,581)	19,734
Nanjing LG-Tontru Color Display System Co., Ltd. (LGENT)	15,860	(991)	(838)	14,031
LG Electronics Service Europe Netherlands B.V. (LGESE)	20,203	17,838	(1,649)	36,392
LG Electronics Shenyang Inc. (LGESY)	11,831	1,574	(948)	12,457
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	106,851	1,359	(5,002)	103,208
LG Electronics U.S.A., Inc. (LGEUS)	42,594	(14,604)	(1,387)	26,603
Others	622,280	(10,320)	(16,682)	595,278
	<u>1,029,608</u>	<u>2,101</u>	<u>(35,053)</u>	<u>996,656</u>
	<u>₩2,621,879</u>	<u>₩ 351,546</u>	<u>₩ 94,069</u>	<u>₩3,067,494</u>

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As of March 31, 2005 and for the three-month period ended March 31, 2005, summary of financial information of major equity-method investees are as follows:

<i>(in millions of won)</i>	Total assets	Total liabilities	Net assets	Sales	Net income(loss)
LG.Philips LCD Co., Ltd.	₩10,379,664	₩4,699,773	₩5,679,891	₩1,770,308	₩ (78,830)
LG Innotek Co., Ltd.	436,988	225,569	211,419	212,997	5,850
Hi Plaza Inc.	268,232	156,803	111,429	128,432	2,535
LG Micron Ltd.	724,609	383,912	340,697	187,375	13,160
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	695,213	536,099	159,114	520,328	16,146
LG Electronics India Pvt. Ltd. (LGEIL)	512,018	386,730	125,288	345,632	5,886

As of March 31, 2005, market value of marketable equity-method investments are as follows:

	Number of shares owned	Market price per share (in won)	Market value (in millions of won)
Hankuk Electric Glass Co., Ltd.	1,614,675	₩ 47,550	₩ 76,778
LG.Philips LCD Co., Ltd.	145,000,000	44,200	6,409,000
LG Micron Ltd.	2,699,702	55,800	150,643

As of March 31, 2005 and December 31, 2004, the respective accumulated losses of equity method investees from which the application of the equity method of accounting has been suspended due to their accumulated losses are as follows:

<i>(in millions of Korean won)</i>	December 31,2004		March 31,2005	
	Accumulated losses	Increase (Decrease)	Accumulated losses	Accumulated capital adjustment
LG Electronics Australia PTY., Ltd. (LGEAP)	₩ 4,141	₩ (2,086)	₩ 2,055	₩ (209)
LG Electronics China Co., Ltd. (LGECH)	18,397	5,285	23,682	(1,726)
LG Goldstar France S.A.R.L (LGEFS)	1,040	3,338	4,378	(210)
LE Electronics Espana S.A. (LGEES)	4,138	9,555	13,693	(1,077)
LG Electronics Italia S.P.A (LGEIS)	-	4,677	4,677	-
LG Electronics Monterrey Mexico S.A de C.V. (LGEMM)	-	4,031	4,031	-
LG Electronics Service Europe Netherland B.A (LGESE)	22,565	(16,532)	6,033	(959)
LG Electronics U.K. Ltd. (LGEUK)	3,990	6,317	10,307	(319)
LG Electronics MobileComm U.S.A. Inc. (LGEMU) (Subsidiary of LGEUS)	9,874	21,745	31,619	(311)
Others	-	1,473	1,473	-
	₩ 64,145	₩ 37,803	₩ 101,948	₩ (4,811)

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11. Property, Plant and Equipment

Changes in property, plant and equipment for the three-month period ended March 31, 2005, are as follows:

<i>(in millions of Korean won)</i>	Balance at January 1, 2005	Acquisitions and capital expenditure	Transfer-in (out) ¹	Disposals	Depreciation	Balance at March 31, 2005	Accumulated depreciation at March 31, 2005
Land	₩ 705,134	₩ 5	₩ -	₩ (102)	₩ -	₩ 705,037	₩ -
Buildings	1,115,424	4,418	15,862	(253)	(8,120)	1,127,331	194,085
Structures	73,512	1,782	2,587	(76)	(1,313)	76,492	38,507
Machinery and equipment	754,610	80,836	9,046	(3,832)	(58,206)	782,454	776,085
Tools	425,290	30,894	822	(4,285)	(86,969)	365,752	384,482
Furniture and fixtures	230,695	24,798	1,666	(1,095)	(22,538)	233,526	369,811
Vehicles	7,413	402	-	(8)	(658)	7,149	10,663
Construction-in-progress	309,303	101,610	(26,607)	-	-	384,306	-
Machinery-in-transit	8,168	16,042	(2,476)	-	-	21,734	-
Total	₩ 3,629,549	₩ 260,787	₩ 900	₩ (9,651)	₩ (177,804)	₩ 3,703,781	₩ 1,773,633

¹ Includes the amount resulting from the merger with a portion of PC division of LG IBM PC Co., Ltd.

Changes in property, plant and equipment for the three-month period ended March 31, 2004, were as follows:

<i>(in millions of Won)</i>	Balance at January 1, 2004	Acquisitions and capital expenditure	Transfer-in (out)	Disposals	Depreciation	Balance at March 31, 2004	Accumulated depreciation at March 31, 2004
Land	₩ 707,683	₩ -	₩ -	₩ (28)	₩ -	₩ 707,655	₩ -
Buildings	905,935	3,264	545	(2,007)	(6,551)	901,186	163,853
Structures	65,577	1,052	-	(265)	(1,156)	65,208	33,489
Machinery and equipment	634,708	20,947	861	(9,513)	(45,459)	601,544	610,847
Tools	399,837	57,145	2,101	(50,486)	(31,058)	377,539	255,940
Furniture and fixtures	207,633	20,134	733	(1,565)	(19,801)	207,134	333,147
Vehicles	8,088	1,399	-	(1,692)	(724)	7,071	12,114
Construction in-progress	184,926	127,889	(1,406)	-	-	311,409	-
Machinery in-transit	8,333	10,533	(2,834)	-	-	16,032	-
Total	₩3,122,720	₩ 242,363	₩ -	₩ (65,556)	₩(104,749)	₩3,194,778	₩1,409,390

As of March 31, 2005 and December 31, 2004, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, approximates ₩770,545 million.

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A substantial portion of property, plant and equipment as of March 31, 2005, is pledged as collateral for long-term debts up to a maximum of approximately ₩883,461 million. The said amount includes the equivalent of US\$99 million, JP ¥ 150 million and EUR360 million (Note 15).

12. Insured Assets

As of March 31, 2005, and inventories property, plant and equipment, exchanging land and certain construction-in-progress, are insured against fire and other casualty losses up to approximately ₩6,263,079 million. In addition, the Company is insured against business interruption losses and losses arising from the transportation of goods up to approximately ₩5,214,172 million and ₩279,365 million, respectively.

13. Intangible Assets

Changes in intangible assets for the three-month period ended March 31, 2005, are as follows:

<i>(in millions of Korean won)</i>	Goodwill¹	Industrial property rights	Development costs	Other intangible assets	Total
Balance as of January 1, 2005	₩ 215,974	₩ 278,825	₩ 61,804	₩ 78,929	₩ 635,532
Additions	3,151	4,441	2,256	3,908	13,756
Disposals	-	-	-	-	-
Amortization	(10,125)	(19,667)	(9,728)	(7,652)	(47,172)
Balance as of March 31, 2005	<u>₩ 209,000</u>	<u>₩ 263,599</u>	<u>₩ 54,332</u>	<u>₩ 75,185</u>	<u>₩ 602,116</u>
Accumulated amortization as of March 31, 2005	<u>₩ 192,454</u>	<u>₩ 391,670</u>	<u>₩ 216,743</u>	<u>₩ 99,190</u>	<u>₩ 900,057</u>

¹ Includes goodwill of ₩2,995 million arising from the merger with a portion of PC division of LG IBM PC Co., Ltd.

Changes in intangible assets for the three-month period ended March 31, 2004, were as follows:

<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Other intangible assets	Total
Balance as of January 1, 2004	₩256,102	₩381,139	₩115,571	₩83,489	₩836,301
Additions	76	3,039	-	3,675	6,790
Disposals	-	-	-	-	-
Amortization	(10,045)	(21,214)	(13,432)	(6,978)	(51,669)
Balance as of March 31, 2004	<u>₩246,133</u>	<u>₩362,964</u>	<u>₩102,139</u>	<u>₩80,186</u>	<u>₩791,422</u>
Accumulated amortization as of March 31, 2004	<u>₩151,664</u>	<u>₩306,436</u>	<u>₩239,489</u>	<u>₩69,249</u>	<u>₩766,838</u>

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Amortization of intangible assets presented under manufacturing costs, and selling and administrative expenses for the three-month periods ended March 31, 2005 and 2004, consists of the following:

<i>(in millions of Korean won)</i>	2005	2004
Manufacturing costs	₩ 4,970	₩ 8,198
Selling and administrative expenses	42,202	43,471
	<u>₩ 47,172</u>	<u>₩ 51,669</u>

The carrying value of significant intangible assets as of March 31, 2005 and December 31, 2004, consists of the following:

<i>(in millions of Korean won)</i>	2005	2004	Remaining years for amortization
Goodwill	₩ 205,172	₩ 215,017	Six years
Industrial property rights	182,060	197,067	One through six 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, former LG Electronics Inc. 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 ₩15,007 million, respectively, for the three-month period ended March 31, 2005.

Research and development costs incurred for the three-month period ended March 31, 2005 amounted to ₩315,854 million (2004: ₩216,651 million) all of which were charged to current operations as ordinary development costs and research costs.

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

Short-term borrowings as of March 31, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) at	2005	2004
	March 31, 2005		
General term loans	CD ¹ + 0.8	₩ 12,000	₩ 12,000
Commercial papers	-	-	114,500
Foreign currency loans	0.3 ~ 5.9	112,935	83,390
		<u>₩124,935</u>	<u>₩209,890</u>

¹ CD represents the annual interest rate for certificates of deposits.

Current maturities of long-term debts as of March 31, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	2005	2004
Debentures	₩ 843,290	₩ 649,140
Less : Discount on debentures	(1,736)	(2,357)
	<u>₩ 841,554</u>	<u>₩ 646,783</u>

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15. Debentures, Convertible Bonds and Long-Term Debts

Debentures and convertible bonds as of March 31, 2005 and December 31, 2004, consist of the following:

<i>(in millions)</i>	Annual interest rate (%) at March 31, 2005	2005	2004
Debentures			
Private, non-guaranteed payable through 2006	5.70 ~ 7.65	₩ 126,000	₩ 126,000
Public, non-guaranteed payable through 2009	4.25 ~ 7.97	2,070,000	2,070,000
Floating rate notes of US \$ 431 million (2004:US \$431 million) , payable through 2006	6M LIBOR + 0.5 ~ 1.25, 3M LIBOR+1.9	441,474	449,878
		<u>2,637,474</u>	<u>2,645,878</u>
Convertible Bonds			
Zero coupon rate convertible bonds of US\$ 287.0 million (2004 : US\$ 287.5 million), payable through 2006	-	339,205	339,796
Zero coupon rate convertible bonds of US\$ 250 million (2004: US\$ 250 million), payable through 2007	-	<u>296,975</u>	<u>296,975</u>
		<u>636,180</u>	<u>636,771</u>
		3,273,654	3,282,649
Less: Current maturities		(843,290)	(649,140)
Discount on debentures		(23,677)	(27,477)
Conversion rights adjustment		(44,170)	(49,508)
Add : Premium on conversion rights		<u>37,092</u>	<u>37,092</u>
		<u>₩ 2,399,609</u>	<u>₩ 2,593,616</u>

The Company issued foreign currency convertible bonds in the Luxembourg Stock Exchange on August 11, 2003. The terms and conditions of the 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 remains at least 115% of the conversion price for at least 20 consecutive trading days during the 30-day trading period ending on the redemption date.
 - 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 after 18 months from the date of issuance.

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- Terms and conditions for conversion
 - Type of stock to be issued: registered common stock
 - Number of shares convertible: 4,920,464 shares
 - Conversion price: ₩68,900 per share
 - Conversion period: September 12, 2003 through July 28, 2006

During three-month period ended March 31, 2005, the foreign currency convertible bonds amounting to ₩591 million were converted to 8,557 shares of common stock, and 4,911,907 shares of common stock remain unconverted at March 31, 2005 (Note 18).

The Company issued foreign currency convertible bonds to Lehman Brothers Commercial Corporation on May 17, 2004. The terms and conditions of issuance are as follows:

- Type of bonds: Private convertible bond
- Total face value of bonds: US\$250 million (fixed exchange rate of ₩1,181.5 : US\$1)
- Date of issuance: May 17, 2004
- Terms and conditions for issuance of bonds
 - Coupon rate: 0% , Effective interest rate to maturity: 3.96%
 - Maturity: May 17, 2007
 - The Company redeems the bonds at 112.49% of face value in a lump sum on the date of maturity.
 - Call option: The Company holds the right to redeem the bonds at 106.06% of face value any time between May 18, 2006 and 60 days before maturity, provided that the market value per share of common stock remains at least 115% of the conversion price for at least 20 consecutive trading days, ending on the date on which redemption notice is given.
 - 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 106.06% of face value on the day after 18 months from the date of issuance.
- Terms and conditions for conversion
 - Type of stock to be issued: registered common stock
 - Number of shares convertible: 3,049,221 shares
 - Conversion price: ₩96,869 per share. The conversion price was adjusted upwards from ₩91,840 to ₩96,869, because the average closing price of the common shares of the Company during the 20 consecutive Korea Exchange business days preceding and including the second Korea Exchange business day prior to the day falling 6 months after the issue date is above ₩ 65,600.
 - Conversion period: May 18, 2005 through May 7, 2007

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Long-term debt as of March 31, 2005 and December 31, 2004, consists of the following:

<i>(in millions)</i>	Annual interest rate (%) at March 31, 2005	2005	2004
Foreign currency loans¹			
Kookmin Bank	6M LIBOR + 1.25	₩ 19,461	19,832
Hong Kong and Shanghai Banking Corp.	3M LIBOR + 1.45	30,729	31,314
The Korea Development Bank	3M EULIBOR + 1.75, 3M Libor+1.56	283,891	204,195
The Export-Import Bank of Korea	6M LIBOR + 1.54	30,729	31,314
		<u>364,810</u>	<u>286,655</u>
Less: Current maturities		-	-
		<u>₩ 364,810</u>	<u>₩ 286,655</u>

¹Representing US \$ 79 million and EUR 215 million (2004: US \$ 79 million and EUR 144 million).

See Note 11 for the related collateral arrangements for the Company's long-term debt.

The maturities of long-term debt outstanding as of March 31, 2005, are as follows:

<i>(in millions of Korean won)</i>	For the twelve-month period ending March 31,	Debentures and Convertible bonds	Long-term debt	Total
2007		₩ 1,593,389	₩ 107,849	₩ 1,701,238
2008		596,975	117,164	714,139
2009		90,000	111,018	201,018
2010		150,000	28,779	178,779
		<u>₩ 2,430,364</u>	<u>₩ 364,810</u>	<u>₩ 2,795,174</u>

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16. Accrued Severance Benefits

Changes in accrued severance benefits for the three-month periods ended March 31, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	2005	2004
Beginning balance	₩ 619,827	₩ 555,362
Severance payments	(32,715)	(38,682)
Transferred from affiliated companies, net	684	213
Transferred from construction-in-progress ¹	574	-
Provisions	45,337	67,467
	<u>633,707</u>	<u>584,360</u>
Severance insurance deposit	(354,355)	(330,105)
Contributions to the National Pension Fund	(15,488)	(18,382)
	<u>₩ 263,864</u>	<u>₩ 235,873</u>

¹ Includes the amount from the merger with a portion of the PC division of LG IBM PC Co., Ltd.

The severance benefits are funded at approximately 55.9% (2004: 56.5%) as of March 31, 2005 through employee severance insurance plans with Kyobo Life Insurance Co., Ltd. and other life insurance companies. The severance insurance deposits, which are amounts funded under employee severance insurance plans, are presented as a deduction from accrued severance benefits.

17. Commitments and Contingencies

As of March 31, 2005, the Company provided several notes to financial institutions as collateral in relation to various borrowings and guarantees of indebtedness.

As of March 31, 2005, the Company has various technical assistance agreements with various foreign companies for the manufacture of certain product lines.

As of March 31, 2005, the Company has bank overdraft facility agreements with various banks amounting to ₩560,500 million.

As of March 31, 2005, the Company has sales agreements for export trade accounts receivable with various banks amounting to ₩5,039,556 million. The Company has corporate electronic settlement services contracts with Hana Bank for the collection of its accounts receivable amounting to ₩180,000 million (Note 6).

As of March 31, 2005, the Company has corporate electronic settlement services contracts with various banks for payment of its trade accounts payable amounting to ₩930,000 million.

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As of March 31, 2005, the Company has sales contracts with several companies, the undelivered portions of which amounted to approximately ₩19,989 million for LG TeleCom, Ltd. and ₩105,631 million for Public Telecommunication Corporation in Yemen and others.

The Company is contingently liable for guarantees approximating ₩1,847,466 million, including US\$1,275 million, on the indebtedness of its subsidiaries and affiliates as follows:

(in millions of Korean won)

LG Electronics Wales Ltd. (LGEWA)	₩	136,421
PT LG Electronics Display Device Indonesia (LGEDI)		167,985
LG Electronics da Amazonia Ltda. (LGEAZ)		71,701
LG Electronics Gulf FZE (LGEGF)		54,288
PT LG Electronics Indonesia (LGEIN)		53,776
LG Electronics Japan Inc. (LGEJP)		55,251
LG Electronics Mexico S.A. de C.V. (LGEMS)		97,726
LG Electronics Monterrey Mexico S.A. de C.V. (LGEMM)		71,066
LG Electronics Service Europe Netherlands B.V. (LGESE)		124,517
LG Electronics de Sao Paulo Ltda. (LGESP)		51,215
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)		123,556
LG Electronics U.S.A., Inc. (LGEUS)		36,875
LG.Philips Displays Holding B.V.		51,215
LG Electronics Thailand Co., Ltd. (LGETH)		64,805
LG Electronics Mlawa SP.Zo.O. (LGEMA)		91,247
Others		595,822
	₩	<u>1,847,466</u>

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, 2005, the Company has outstanding forward contracts with ABN-AMRO and others to sell US dollars amounting to US\$185 million at contract exchange rates of ₩1,000.00 : US\$1 ~ ₩1,040.10 : US\$1 from April to July 2005.

As of March 31, 2005, the Company has outstanding forward contracts with Societe General Bank and others for selling euro and buying US dollars amounting to €55 million at contract exchange rates of €1.2886 : US\$1 ~ €1.3467 : US\$1, with contract due dates of April through June 2005.

As of March 31, 2005, the Company has outstanding forward contracts with UFJ Bank and others to sell US dollars and buy Japanese yen amounting to US\$91 million at contract exchange rates of ¥102.47 : US\$1 ~ ¥106.49 : US\$1 from April to June 2005.

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As a result of the above foreign currency forward contracts, an unrealized valuation gain and loss amounting to ₩3,598 million and ₩3,965 million, respectively, were charged to current operations for the three-month period ended March 31, 2005.

In order to reduce the impact of changes in exchange rates, the Company has also entered into foreign currency option contracts. An unrealized valuation gain and loss amounting to ₩1,722 million and ₩67 million, respectively, were recorded to current operations for the three-month period ended March 31, 2005.

A summary of the terms of outstanding currency option contracts as of March 31, 2005, is as follows:

Option type	Amount (in millions)	Exercise price	Contract due date
Put	US\$170	₩990.0/US\$1.00 ~ ₩1,145.0/US\$1.00	April 14, 2005 through September 28, 2005
Call	US\$170	₩1,013.0/US\$1.00 ~ ₩1,160.9/US\$1.00	April 14, 2005 through September 28, 2005

In order to reduce the impact of changes in interest rates and exchange rates, the Company has also entered into a cross currency swap contract. An unrealized valuation gain of ₩1,261 million was recorded for the three-month period ended March 31, 2005.

A summary of the terms of the outstanding cross currency swap contracts as of March 31, 2005, is as follows:

<i>(in millions)</i>	Transaction amount		Annual interest rate (%)		Maturity
	Disbursement	Receipts	Receipts	Disbursement	
Standard Chartered Bank	₩110,000	US\$93	4.50%	3M LIBOR + 0.79%	November 7, 2005
Barclays Bank	117,150	100	5.00%	3M LIBOR + 1.17%	February 26, 2007

As a result of the above derivatives contracts, a realized gain of ₩5,777 million and a realized loss of ₩1,505 million were recorded as a non-operating income and expense, respectively, for the three-month period ended March 31, 2005.

As of March 31, 2005, the Company is named as a defendant in legal actions which were brought against the Company by Mahmood Saleh Abbar Co. in Saudi Arabia and AVS Corporation in Canada. In addition, the Company is named as either 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 plaintiff amounted to approximately ₩8,594 million as of March 31, 2005. The Company believes that although the outcome of these legal actions is uncertain, they would not result in a material ultimate loss for the Company.

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18. Capital Stock

Capital stock as of March 31, 2005 and December 31, 2004, are as follows:

	Par value per share	2005		2004	
		Number of shares issued	Millions of Korean won	Number of shares issued	Millions of Korean won
Common stock	₩ 5,000	139,737,654	₩ 698,688	139,606,263	₩ 698,031
Preferred stock ¹	5,000	17,185,992	85,930	17,185,992	85,930
		<u>156,923,646</u>	<u>₩ 784,618</u>	<u>156,792,255</u>	<u>₩ 783,961</u>

As of March 31, 2005, the number of shares authorized is 600 million shares.

¹ 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.

For the three-month period ended March 31, 2005, changes in capital stock and capital surplus are as follows:

Date	description	Common stock	Preferred stock	Capital Surplus
January 1, 2005		₩ 698,031	₩ 85,930	₩1,876,153
January 4, 2005	Issuance of stock	614	-	7,272
March 23, 2005	Conversion of convertible bonds	43	-	556
March 31, 2005		<u>₩ 698,688</u>	<u>₩ 85,930</u>	<u>₩1,883,981</u>

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, net of capital stock of ₩783,961 million and capital adjustments transferred from LG Electronics Investment Ltd. of ₩155,593 million. In addition, for the three-month period ended March 31, 2005, ₩7,828 million was recorded as a capital surplus due to issuance of stock and conversion of convertible bonds.

As a result of the issuance of foreign currency convertible bonds in August 2003 and May 2004, a premium for conversion rights of ₩21,553 million, net of tax 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. In addition, as a result of disposal of treasury stock, gains on disposal of treasury stock of ₩1,919 million were

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recorded as a capital surplus.

20. Retained Earnings

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, with the ratification of the Company's majority 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, with the ratification of the Company's majority 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.

21. Capital Adjustments

Capital adjustments as of March 31, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	2005	2004
Treasury stock	₩ (46,657)	₩ (46,657)
Increase resulting from equity method investments	319,964	299,877
Decrease resulting from equity method investments	(140,419)	-
Gain on valuation of available-for-sale securities	27,310	7,812
Others	(46,157)	-
	<u>₩ 114,041</u>	<u>₩ 261,032</u>

The Company has retained treasury stocks consisting of 793,208 shares of common stock and 4,680 shares of preferred stock as of March 31, 2005 and December 31, 2004. The Company intends to either grant these treasury stocks to employees and directors as compensation, or to sell them in the future.

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22. Stock Options

The Company may grant stock options to its executives and employees who can contribute to the Company's development in accordance with the resolution of the Board of Directors or approval of the shareholders of the Company.

The Company granted stock options to its executives in accordance with the resolution of the Board of Directors on March 22, 2005. The details of the stock options are as follows:

- Stock exercised by the stock options : common stock
- Grant method: To compensate the difference between market price of the stock and exercise price of the option
- Number of shares to be exercised : 766,000 shares. However, if the increase ratio of the stock price for three years from grant date of the stock options is not higher than that of the KOSPI (Korea Composite Stock Price Index), the final number of shares to be exercised shall be 50% of number of shares to be exercised at grant date.
- Exercise price: ₩71,130
- Exercisable period: Within 4 years from the day after 3 years from grant date.
- Exercisable condition: for executives who have worked for the Company for more than two years from grant date

Compensation expense related to stock options was not recorded for the three-month period ended March 31, 2005, because the market price of the Company's stock is lower than the exercise price of the options as of March 31, 2005.

23. Income Taxes

Income tax expense for the three-month periods ended March 31, 2005 and 2004 are as follows:

<i>(in millions of Korean won)</i>	2005	2004
Current income taxes	₩ 51,392	₩ 75,577
Deferred income taxes from temporary differences	29,449	72,156
Deferred income taxes from tax credit	10,677	-
Deferred income taxes added to shareholders' equity	(98,139)	-
Income tax expense (benefit)	₩ (6,621)	₩ 147,733

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The reconciliations between income before income taxes and taxable income for the three-month periods ended March 31, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	2005	2004
Income before income taxes	₩ 76,584	₩ 732,435
Temporary differences	237,296	(303,313)
Permanent differences	15,996	518
Taxable income	<u>₩ 329,876</u>	<u>₩ 429,640</u>

There is a difference between current income tax amount calculated based on above taxable income and actual current income tax amount due to tax adjustments such as tax credit for temporary investments.

The income tax effects of temporary differences comprising the deferred income tax assets (liabilities) as of March 31, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	2005	2004
Depreciation	₩ (46,919)	₩ (42,943)
Allowance for doubtful accounts	19,914	21,658
Product warranty	47,339	40,056
Amortization of intangible assets	(8,483)	(10,104)
Equity-method investment securities	(111,710)	(156,360)
Accrued expenses	115,108	108,978
Others	(27,832)	55,581
	<u>(12,583)</u>	<u>16,866</u>
Tax credit carried forward	77,222	87,899
Deferred income tax assets, net	<u>₩ 64,639</u>	<u>₩ 104,765</u>

As of March 31, 2004, deferred income tax assets were computed by applying the tax rate of 27.5% for the temporary differences expected to be realized in fiscal years beginning January 1, 2005 and thereafter, except for 29.7% for certain temporary differences expected to be filed as revision of the prior years' tax return in 2005.

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 realize such assets, the assets are reduced to its estimated net realizable value. As of March 31, 2005, deferred income tax assets amounting to ₩179,314 million resulting from equity-method investment securities are not recorded because the Company's ability to realize those deferred income tax assets is uncertain.

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As of March 31, 2005, current portion of deferred income tax assets and liabilities amount to ₩157,233 million and ₩9,747 million, respectively, and non-current portion of deferred income tax assets and liabilities amount to ₩202,186 million and ₩285,033 million, respectively.

As a result of tax adjustments, effective tax rate of the Company for the three-month period ended March 31, 2005, is approximately negative 8.6% (2004: 20.2%).

24. 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 three-month periods ended March 31, 2005 and 2004, are calculated as follows:

(in millions of Korean won, except per share amounts)

	2005	2004
Net income as reported on the statement of income	₩ 83,205	₩ 584,702
Less: Preferred stock dividends	(6,549)	(5,553)
Additional income available for dividends allocated to preferred stock	(2,803)	(58,893)
Net income allocated to common stock	73,853	520,256
Weighted-average number of common shares outstanding	138,940,352	139,280,084
Basic earnings per share (in won)	₩ 532	₩ 3,735

Basic earnings per share for the year ended December 31, 2004 was ₩9,890.

Basic ordinary income per share for the three-month periods ended March 31, 2005 and 2004 is identical to the basic earnings per share for the three-month periods ended March 31, 2005 and 2004 since there was no extraordinary gain or loss.

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 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

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during the period.

Diluted earnings per share for the three-month periods ended March 31, 2005 and 2004, are calculated as follows:

(in millions of Korean won, except per share amounts)

	2005	2004
Net income allocated to common stock	₩ 73,853	₩ 520,256
Add: Interest expense on convertible bonds, net of tax ¹	1,747	1,376
	<u>75,600</u>	<u>521,632</u>
Weighted-average number of common shares and diluted securities outstanding	<u>143,852,259</u>	<u>144,167,584</u>
Diluted earnings per share and diluted ordinary income per share (in won)	<u>₩ 526</u>	<u>₩ 3,618</u>

¹ This is computed based on the effective zero tax rate (2004: 20.2%) for the three-month period ended March 31, 2005 (Note 23).

Diluted earnings per share for the year ended December 31, 2004 was ₩9,517.

Diluted ordinary income per share for the three-month periods ended March 31, 2005 and 2004, is identical to the diluted earnings per share for the three-month periods ended March 31, 2005 and 2004 since there were no extraordinary gains or loss.

The diluted securities outstanding as of March 31, 2005, are as follows:

(in millions, except conversion price)

Diluted security	Face value (won equivalent)	Conversion period	Number of shares of common stock to be issued	Conversion price
Foreign currency denominated convertible bonds of US\$287 million, issued in 2003	₩339,205	September 12, 2003 through July 28, 2006	4,911,907 shares	₩68,900 per share
Foreign currency denominated convertible bonds of US\$250 million, issued in 2004	₩296,975	May 18, 2005 through May 7, 2007	3,049,221 shares	₩96,869 per share

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25. Transactions with Related Parties

Significant transactions entered into in the ordinary course of business with related parties for the three-month periods ended March 31, 2005 and 2004, and the related account balances outstanding as of March 31, 2005 and December 31, 2004, are summarized as follows:

<i>(in millions of Korean won)</i>	Sales		Purchases		Receivables		Payables	
LG Telecom, Ltd.	₩	105,731	₩	324	₩	114,175	₩	354
LG Chem, Ltd.		1,061		84,528		1,482		17,255
Hi Plaza Inc.		105,266		3,314		2,591		3,877
LG Electronics Mlawa SP.Zo.O. (LGEMA)		120,894		1,733		10,985		2,595
Hitachi-LG Data Storage Inc. (HLDS)		187,704		7,323		27,985		4,420
LG Electronics Wales Ltd. (LGEWA)		39,017		213		3,371		-
PT LG Electronics Display Devices Indonesia (LGEDI)		68,307		359		10,500		4
LG Electronics Huizhou Inc. (LGEHZ)		174,888		240		346		-
LG Electronics Italy S.P.A. (LGEIS)		189,871		20,924		801		5,083
LG Electronics Service Europe Netherlands B.V. (LGESE)		207,132		4,070		23,201		307
LG Electronics U.S.A. Inc. (LGEUS)		223,570		601		12,556		-
Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT)		114,258		375		2,096		-
LG Electronics MobileComm U.S.A. Inc. (LGEMU) (formerly LGICUS)		656,456		846		23,340		-
LG.Philips Displays Holding B.V. ¹		2,090		157,647		4,924		20,236
LG.Philips LCD Co., Ltd.		38,718		103,334		24,517		84,141
LG Electronics Australia PTY, Ltd. (LGEAP)		101,578		274		86,810		-
LG Electronics United Kingdom Ltd. (LGEUK)		46,673		16,982		27,050		4,663
Others		1,244,581		470,562		330,022		175,465
2005	₩	<u>3,627,795</u>	₩	<u>873,649</u>	₩	<u>706,752</u>	₩	<u>318,400</u>
2004	₩	<u>4,011,036</u>	₩	<u>654,164</u>	₩	<u>632,716</u>	₩	<u>566,379</u>

¹ For the three month period ended March 31, 2005, purchases of ₩157,647 million include the purchase of LG.Philips Displays Holding B.V.'s trade accounts receivable from the Company's subsidiaries amounting to ₩71,318 million.

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26. Segment Information

The Company has organized four reportable business divisions: Digital Display division, Digital Media division, Digital Appliance division and Mobile communications 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.

On January 1, 2005, the Company splitted the former Digital Display & Media division into Digital Display division and Digital Media division.

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

Digital Display division:	TV, PDP, Monitor, etc.
Digital Media division:	Audio, VCR, CD-ROM, PC, etc.
Digital Appliance division:	Refrigerator, washing machine, air conditioner, microwave oven and vacuum cleaner
Mobile Communications Division:	CDMA handset, UMTS handset, wireless telephone, WLL handset, mobile telecommunication, transmitter, switchboard and keyphone system

Financial data by business division as of and for the three-month period ended March 31, 2005, are as follows:

<i>(in millions of Korean won)</i>	Business Division					
	Total	Digital Display	Digital Media	Digital Appliance	Mobile Communications	Supporting Division
Sales						
External sales	₩5,958,530	₩1,253,169	₩846,314	₩1,668,699	₩2,154,926	₩35,422
Inter-division sales	85,012	27,022	352	3,420	11,879	42,339
	<u>6,043,542</u>	<u>1,280,191</u>	<u>846,666</u>	<u>1,672,119</u>	<u>2,166,805</u>	<u>77,761</u>
Operating income (loss)	<u>279,836</u>	<u>16,939</u>	<u>22,972</u>	<u>169,595</u>	<u>101,742</u>	<u>(31,412)</u>
Property, plant and equipment	3,703,781	1,188,577	251,745	803,893	666,991	792,575
Intangible assets	602,116	24,134	7,208	15,586	227,065	328,123
	<u>4,305,897</u>	<u>1,212,711</u>	<u>258,953</u>	<u>819,479</u>	<u>894,056</u>	<u>1,120,698</u>
Depreciation and amortization	<u>224,976</u>	<u>59,083</u>	<u>16,902</u>	<u>58,923</u>	<u>50,425</u>	<u>39,643</u>

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Financial data by business division as of and for the three-month period ended March 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	Total	Business Division			
		Digital Display & Media	Digital Appliance	Mobile Communications	Supporting Division
Sales					
External sales	₩ 5,996,438	₩2,395,600	₩1,766,272	₩1,788,859	₩45,707
Inter-division sales	76,135	31,865	2,409	5,561	36,300
	<u>6,072,573</u>	<u>2,427,465</u>	<u>1,768,681</u>	<u>1,794,420</u>	<u>82,007</u>
Operating income (loss)	<u>406,858</u>	<u>146,541</u>	<u>209,582</u>	<u>56,350</u>	<u>(5,615)</u>
Property, plant and equipment	3,194,778	1,156,523	855,945	435,391	746,919
Intangible assets	791,422	56,428	14,870	342,873	377,251
	<u>3,986,200</u>	<u>1,212,951</u>	<u>870,815</u>	<u>778,264</u>	<u>1,124,170</u>
Depreciation and amortization	<u>156,418</u>	<u>49,191</u>	<u>28,276</u>	<u>41,974</u>	<u>36,977</u>

Financial data by geographic area for the three-month period ended March 31, 2005, are as follows:

<i>(in millions of Korean won)</i>	Total	Domestic	North		Central & South	Central Asia & Africa	Asia	Oceania	CIS
			America	Europe	America				
Sales									
External sales	₩5,958,530	₩ 1,301,945	₩1,421,516	₩1,005,907	₩147,173	₩288,790	₩1,354,183	₩117,907	₩321,109
Ratio (%)	100%	22%	24%	17%	2%	5%	23%	2%	5%
Inter-division sales	85,012	85,012	-	-	-	-	-	-	-
	<u>₩6,043,542</u>	<u>₩ 1,386,957</u>	<u>₩1,421,516</u>	<u>₩1,005,907</u>	<u>₩147,173</u>	<u>₩288,790</u>	<u>₩1,354,183</u>	<u>₩117,907</u>	<u>₩321,109</u>

Financial data by geographic area for the three-month period ended March 31, 2004, were as follows:

<i>(in millions of Korean won)</i>	Total	Domestic	North		Central & South	Central Asia & Africa	Asia	Oceania	CIS
			America	Europe	America				
Sales									
External sales	₩5,996,438	₩1,276,176	₩1,444,527	₩715,271	₩173,043	₩329,596	₩1,417,421	₩104,142	₩536,262
Ratio (%)	100%	21%	24%	12%	3%	5%	24%	2%	9%
Inter-division sales	76,135	76,135	-	-	-	-	-	-	-
	<u>₩6,072,573</u>	<u>₩1,352,311</u>	<u>₩1,444,527</u>	<u>₩715,271</u>	<u>₩173,043</u>	<u>₩329,596</u>	<u>₩1,417,421</u>	<u>₩104,142</u>	<u>₩536,262</u>

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27. Dissolution of LG IBM PC Co., Ltd.

The Board of Directors approved the dissolution of LG IBM PC Co., Ltd. ("LG IBM PC"), a joint venture between the Company and IBM Korea, Inc. on November 17, 2004. On January 1, 2005 the Company absorbed a portion of the PC division of LG IBM PC and issued 122,834 shares to IBM Korea Inc. In turn, IBM Korea Inc. absorbed remaining division of LG IBM PC and issued 48,600 shares to the Company. Thereafter all the LG IBM PC stocks owned by the Company and IBM Korea Inc. were retired. LG IBM PC was dissolved on January 4, 2005.

Assets and liabilities from the transaction were evaluated at their fair value in accordance with the Accounting Standards for Mergers and Acquisition.

The difference between the fair value of net assets amounting to ₩9,645 million for a PC division of LG IBM PC and its merger cost of ₩12,640 million is recorded as goodwill of ₩2,995 million.

Summary of financial information of LG IBM PC for the year ended and as of December 31, 2004, is as follows:

<i>(in millions of Korean won)</i>	2004
Total assets	₩118,415
Total liabilities	89,436
Net assets	28,979
Sales	479,880
Net income	1,483

28. Environmental Investments

For the three-month period ended March 31, 2005, the Company's environmental investments, pursuant to environmental laws and the Company's environmental policies, amounted to ₩25,069 million (2004: ₩7,912 million).

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29. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the three-month periods ended March 31, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	2005	2004
Reclassification of construction-in-progress to buildings, machinery and others	₩ 26,961	₩ 1,407
Reclassification of current maturities of debenture	200,000	-
Conversion of convertible bonds	591	-