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annual report 1999

Digitally yours



- We of LG Electronics (LGE) have grown to be an unrivaled leader in the Korean electronics industry. Our more than forty years of R&D and innovation since our establishment in 1958 and our talented employees have made us a world-renowned electronics manufacturer today.
- LGE currently operates three companies: Digital Display, Digital Appliance, and Digital Media. Each company takes full managerial responsibility and exercises flexible decision-making. Their 60 subsidiaries in 34 countries and our worldwide marketing network are carrying on our global operations.
- Our globally touted products are TVs, plasma display panels (PDPs), monitors, and other display devices. We are providing diverse home appliances such as air conditioners, refrigerators, and washing machines, many of them world hits. Our multimedia products such as optical storage devices, PCs, VCRs, and digital A/V systems and such electric and electronic products as CRTs, printed circuit boards (PCBs), and compressors are on the global leading edge.
- We have declared to the world our Digital LG vision, throwing open the digital era and launching ourselves into it. Digital LG aims at making our customers' lives more exciting and affluent with innovative products and services and at putting us on the global forefront as a digital leader.
- To achieve this aim, we have refocused our energies on our leading-edge products, including digital TVs and PDPs. We are also upgrading the competitiveness of our electronic tubes, monitors, optical storage devices, and air conditioners, which are already of good repute in the global market. At the same time we are not slackening in our globalization and corporate restructuring.

(Unit: billion KRW)

	1999	1998	1997
Sales	10,546	9,853	9,240
- Domestic	2,704	2,570	3,503
- Overseas	7,842	7,283	5,737
Operating income	684	753	798
Ordinary income	2,588	167	116
Net income	2,005	112	92
Investment	826	921	978
- CAPEX	407	494	543
- R & D	419	427	435
Total shareholders' equity	3,186	1,834	1,527
Total capital stock	632	632	525
Earnings per share (Won)	18,494	1,264	1,034
Sales per share (Won)	83,419	93,432	87,429
Cash flow per share (Won)	21,949	6,470	5,110

SALES	1997	9,240
	1998	9,853
	1999	10,546

OPERATING INCOME	1997	798
	1998	753
	1999	684

NET INCOME	1997	92
	1998	112
	1999	2,005



A Solid 7% Increase in Revenues and a Rocketing 1,690% Increase in Net Income

Our emergency management kept up from last year brought us remarkable cost reduction, quality improvement, expanded exports, higher profits, and increased sales in value-added high-end products. We therefore wrote revenues of ₩10,546 billion, a 7% increase over the previous year, and our net income rocketed to ₩2,005 billion, a 1,690% increase.

Increased Revenues from Overseas and Enhanced Global Management

Despite the fluctuating financial market overseas and continuous won appreciation and price drops, we realized a 24% increase to ₩7,842 billion in revenues from overseas, making up 74% of our total revenues. This growth rate was made possible by effective marketing activities and steady sales of the high-value-added products like our perfectly flat TVs and PC monitors, CD-ROMs, and air conditioners.

Successful Restructuring and Portfolio Reshuffling

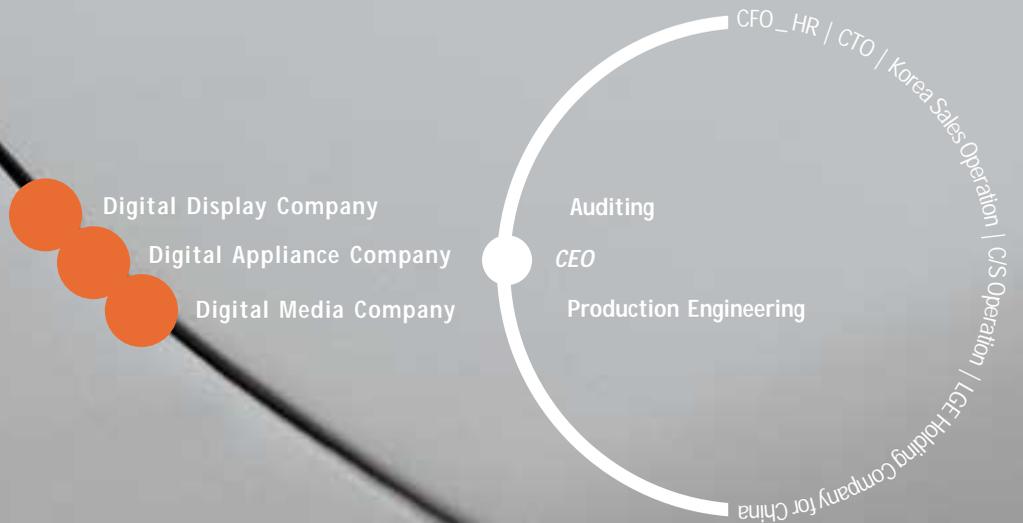
We sold company-held assets and stocks, especially unprofitable assets and sluggish stocks, wound up non-performing and insolvent businesses, and restructured the company into three separate companies. In the process we lowered our debt-to-equity ratio to 185%, giving the company sounder financial health. Meanwhile we normalized the operation of our U.S. subsidiary Zenith, a costly acquisition, which enhanced our strength in the North American market.

Development of Core Digital Technologies and Their Commercialization

We invested technological resources and capital in digital TVs and PDPs. We integrated several core ICs onto one chip and commercialized our North American-standard HD TVs, Korean-standard digital TVs, and 40" PDPs. Our brand-new electronic tubes, optical storage devices, and new-concept air conditioners gave us a competitive edge in those fields.



LG Electronics has strengthened the responsibility of the three companies in order to realize the objective of “digital management.” Under the leadership of the Vice Chairman & CEO, the Digital Display, Digital Appliance, and Digital Media Companies are making their own way towards gaining a digital edge. LGE also operates CFO, HR, the Korea Sales Operation covering domestic marketing, and the LGE Holding Company for China. All these companies are supported by the LG Electronics Institute of Technology and the LG Production Engineering Research Center. The CTO is in charge of R&D. LGE works hand in hand with its subsidiaries and affiliates to shape the Digital LG vision.



Letter to Our Shareholders

- We of LG Electronics are indebted to our customers and shareholders for the encouragement and unsparing support they have shown us.
- 1999 was the year the digital wind blew with hurricane force all over the world. It had been rising for several years, but few had forecast that it would sweep the world economy with such power. It was indeed a digital revolution, comparable to the industrial revolution. And it is still accelerating, overthrowing the vested order of the world. Many entrepreneurs sense what is coming and are surging into the digital revolution. Others are awed and some indisposed to face the new reality. As the old paradigm wanes and the new one waxes, all must constantly innovate, even if only to stand still.
- 1999 was a good year for us. For years we have spurred on innovation companywide and from top to bottom and fostered craftsmanship in digitalware. We declared to the world that 1999 was the Year of Digital LG. Our digital odyssey was launched and under full sail.
- The outcome of our digital management in 1999 encouraged us to stay with the Digital LG vision. Despite the unfavorable climate we took in revenues of ₩10,546 billion, a 7% increase, and our net income rocketed to ₩2,005 billion, a 1,690% increase.
- This growth rate means a lot to us because it is the payoff for our efforts to transform ourselves. Our R&D results were overwhelming in fiscal 1999. We developed core technologies for digital TVs and plasma display panels (PDPs), which are full of promise for further technological advancement. Our HD-1 chip, 60" PDP TV, 8X CD-RW, 8X DVD-ROM, 60" wide LCD monitor, and videophone are other technology-intensive inventions we rolled out in 1999.
- Our financial presence became much healthier. We concentrated on our choicest assets, disposing of our unprofitable assets and sluggish stocks and winding up non-performing and insolvent businesses. Thus we lowered our debt-to-equity ratio to 185%. Meanwhile we normalized the operation of our poorly performing U.S. subsidiary Zenith. Intensive competition-driven management of our other overseas subsidiaries gave them sounder managerial and financial structures. Our global strategy hit the bull's-eye in the emerging East Asian markets, including China, India, and Indonesia.
- Such efforts backed by our goodwill spirit of emulation brought us stronger competences on the whole, as was particularly conspicuous in our profits in fiscal 1999. The Digital LG vision seems gradually to be turning into reality.
- Digital LG aims at making our customers' lives more exciting and affluent and at putting us on the global forefront as a digital leader through proactive digital management. To achieve this aim, we are merging resources now into four core fields: Marketing, Technology, Design, and Networking. To strengthen our competences in these, we are infusing our minds with the three core values of Innovation, Openness, and Partnership. These four core competences and three core values represent a manifesto of non-stop transformation, of building more solid B2B, B2C, and employer-employee partnerships, and sharing more value with all on the basis of win-win reciprocity. They will be a powerful engine speeding us to our destination of being the digital leader in the world in the near future. With an ample reservoir of core competences and core values, our odyssey toward the new digital continent in the new millennium will continue, powered by the following three fundamental strategies.

Digital LG aims at making our customers' lives more exciting and affluent and at putting us on the global forefront as a digital leader through **proactive digital management.**

JOHN KOO | VICE CHAIRMAN & CEO



Digital Technology Leadership

- We persevere in R&D activity energized by the strategy we call Technology Leadership 2005 (TL2005), which pursues yet-to-be-invented core technologies in selected business fields. TL2005 is an important R&D mindset for us as we enter the global era of digital technology.
- For years now TL2005 has inspired diverse technologies that are ranked top-of-the-line around the world. Our 64" digital TV, 40" and 60" PDPs, fully-flat TV, and HD-1 chip are among the world-winning outcomes of TL2005. As are our 19" FLATRON color display tube (CDT), 22" wide LCD monitor, 48X CD-ROM drive, 8X CD-RW and DVD-ROM drive, and 3-way discharge air conditioner.
- Backed by the TL2005 mindset, we are trying to enter preemptively into larger digital markets. To this end we will focus more energy on digital TVs and PDPs this year. We will also upgrade the competitiveness of our electronic tubes, optical storage devices, and air conditioners, which are already of good repute in the global market. TL2005 today steers us toward the Internet, mobile communications, and other new-age products.

Globalization

- LG Electronics has 60 subsidiaries in 34 countries, covering marketing, logistics, and services. These overseas subsidiaries bring in up to 80% of total LGE revenues. Our products are now recognized as top-quality in several dozen countries.
- In 1999 our sluggish US subsidiary Zenith got back into the normal by overall innovation. We reinforced the Super A initiative, improved financial structure, and enhanced marketing activities in most of our overseas subsidiaries, which raised their competitive edge.
- At the same time we carried out multi-cultural activities to implant a good LG brand identity. Hosting sport events was one such activity. For instance, the LG Cup soccer games have become internationally known. The "LG Scholarship Quiz" for outstanding high school students we broadcast in Vietnam, Thailand, Kazakstan, and Indonesia have impressed our smiley image on many local viewers.
- Our cost-cutting and quality-upgrading movements will continue without a moment's pause this year. Dedicated LG people are trying to spin off brand-new and high-value varieties in the developing markets worldwide, with an eye especially on digital markets. Our efforts to make inroads into the high-walled North America and Europe markets will be intensified.
- In China, Turkey, Poland, and other up-and-coming countries we are steadily diversifying marketing through sports and cultural exchanges. To get closer to people around the world, good friendship is indeed a prerequisite, along with good quality products. Therefore, we try to build good friendship through the sighs and cheers of sporting events, through which we can also promote our corporate ethics.

For years we have spurred on innovation companywide and from top to bottom and fostered craftsmanship in digitalware. We declared to the world that 1999 was **the Year of Digital LG**. Our digital odyssey was launched and under full sail.

Super A and Six Sigma

- Super A and Six Sigma initiatives have been important vehicles of innovation. Super A integrates all knowledge-based innovative tasks into one framework, which includes R&D, cost reduction, quality improvement, knowledge management, customer service, and many other corporation-wide activities. Every year over 700 small and large tasks are carried on in the Super A mindset. Project members from different teams or business operations learn higher specialties while carrying out their projects. When they return to their places, they pass on the knowledge they have acquired.
- We also faithfully follow our Six Sigma initiative, a quality campaign similar in nature to our Super A initiative. It focuses more on the improvement of product quality. Besides this, it oversees R&D and backs up management. Usually Super A and Six Sigma are geared together synergistically. In accordance with the work task, different numbers of employees are needed to carry out one Six Sigma project. Our independent Six Sigma projects apart from Super A have now passed 500.
- Our Super A and Six Sigma initiatives have inspired managerial solutions for our offices and our manufacturing lines. Their ripple effects have grown greater year by year. We believe that these two initiatives will doubly assure our digital craftsmanship this year, too.
- A long stretch of time has passed since our founding in 1958. We still cling to the spirit of exploration and challenge with which we started. Now we are enriching that founding spirit with digital leadership to realize the Digital LG vision. We hope for the continuing encouragement of our shareholders, customers, and partners at home and abroad as we stride on into the digital era. Thank you.

Sincerely,

John Koo | Vice Chairman & CEO



1999 was a vintage year. For our employees, a good career year. We did not feel constrained by unfavorable domestic and overseas business circumstances but carried on efforts in an all-for-one spirit, achieving the best profits we ever had. This solidified our footing for becoming a digital leader.

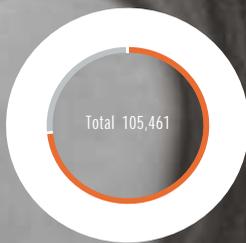
We added to our technological competence in digital TVs and PDPs and started to spin off multifunctional hybrid products. We commercialized North American-standard HD TVs, digital TVs for Korean audiences, and 40" PDPs. We put several ICs onto a single chip. We were prolific in our development of new technology and feature-rich products including 60" HD PDPs, 8X CD-RWs, 8X DVD-ROM drives, video phones, the drum-spinning Turbodrum Inverter Washing Machine, optical microwave ovens, and 19" color display tubes (CDTs).

Our efficient marketing activities pushed our overseas revenues 24% higher. Fully-flat monitors, fully-flat TVs, LCD monitors, PCs, CD-ROM drives, and other high-end products showed favorable tendencies overseas, with sales in the North American, European, and other advanced markets making a big jump. Our home appliances were ranked as the best in many countries. New air conditioners and combination refrigerators began shipping to all European countries.

Along with our technological R&D, we also improved our products from the design point of view to win many hearts. Last year we were honored with the grand prize at the 1st Korea Design Management Awards. Our DIOS refrigerator received the Presidential Award at the Superior Industrial Design Awards '99 in Korea, and five products including our Kimchi refrigerator received Good Design Awards from the Design Promotion Agency of Japan. For three consecutive years our 60" PDPs have brought us the Presidential Award at the Multimedia Technology Awards.

In 1999 we continued diverse global events centered on sports marketing. We are adding to our mass appeal in the world through sports sponsorships, for instance in soccer, the most popular sport in the world. We held LG Cup soccer games in Cairo, Morocco, and Poland. We sponsored the national soccer team of Australia, the Korea-China soccer game, and the India Cricket World Cup. Our hosting of the LG Scholarship Quiz in Vietnam, Indonesia, Kazakhstan, and Thailand and landscaping of Millennium Park in Jordan are other examples of our multicultural and regional approach to promoting a friendly brand identity. We of LG will continue these programs in order to repay our worldwide customers for the wonderful support they have given us.

LGE has been restructured into the Digital Display, Digital Appliance, and Digital Media Companies. Each company takes full managerial responsibility and exercises flexible decision-making on the basis of digital management. Our all-out Super A and Six Sigma initiatives realize cost reductions, quality upgrades, and performance innovations. The Enterprise Resource Planning (ERP) system has become a knowledge pool for all employees who have to cope with the sweeping e-commerce trends.

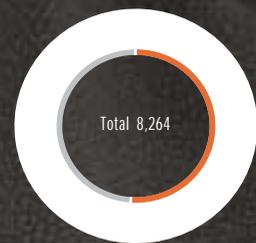


- Domestic_ 27,039 | 25.6%
- Overseas_ 78,422 | 74.4%

'99 SALES (Unit: 100 million won)

North America	2,023	30.7%
Latin America	319	4.8%
Asia, Oceania	2,574	39.1%
M.E, Africa	525	8.0%
Europe, CIS	1,148	17.4%
Total	6,589	100%

'99 OVERSEAS SALES (Unit: US\$ million)



- CAPEX_ 4,071 | 49.3%
- R & D_ 4,193 | 50.7%

'99 INVESTMENT (Unit: 100 million won)

Digital Display Company >

LGE's Digital Display Company conducts R&D and manufacturing in digital display products and their core components. It has 7,500 employees at its four domestic operations and 20 overseas subsidiaries. Besides its Display Device Research Lab., it has other research centers and a marketing network at home and abroad.



THE ONLY DIGITAL
TELEVISION WITH
SKY DIGITAL BUILT-IN

29" Completely Flat TV



60" PDP



64" High Definition Digital TV



'99 Results

The domestic revenues of the Digital Display Company in 1999 amounted to ₩519.8 billion, a 41.4% increase from the previous year, and the overseas revenues to ₩3,685 billion, a 6.9% increase. Our fully-flat monitors and TVs, LCD monitors, and other high-end products and smart market strategies brought us these overwhelming results in North America, Europe, and Australia. The Digital Display Company developed digital TVs for Korean audiences, wall-mounted PDPs which are the slimmest in the world, 22"-wide LCD monitors, and the 19" FLATRON CDT. Its 64" digital TVs were shipped to the United States for the first time.

Completely Flat Monitor, FLATRON



32" Wide CPT



Completely Flat CDT



Completely Flat CPT



R&D Calendar 1999 - 2000

- Jan. 1999 The first Korean-alphabet-subtitled TV commercialized
- Jul. 1999 North American-standard 64"W HDTV commercialized
- Sep. 1999 Korean-standard 64"W HDTV commercialized, and 40" PDP, 60" HD PDP, 15.1" LCD TV, and HD LCD projector developed
- Oct. 1999 North American-standard 56"W HDTV commercialized, and HD-1 chip and 19" FLATRON CDT developed
- Dec. 1999 European-standard DTV prototype receiver card developed
- Jan. 2000 22" wide LCD monitor developed

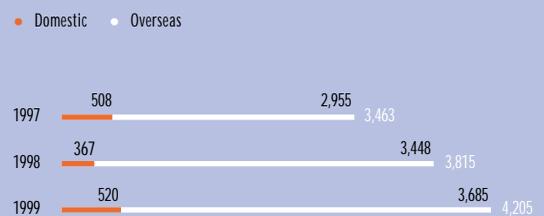
15.1" TFT-LCD Monitor



VISION

Becoming a total and premier provider of cutting-edge display products in the digital era is the vision of the Digital Display Company. The company concentrates investment in digital TVs, fully-flat TVs, fully-flat PC and LCD monitors, and wall-mounted digital TVs, aiming to become the global best in the field of digital display by 2005. Fostering its world-acclaimed fully-flat display devices and unsurpassed digital technology, the company seeks strategic alliances with the global leaders. Continuously introducing follow-up models in the world market, the company is strengthening its brand identity to establish an impressive global presence.

DISPLAY SALES (Unit: billion won)



Digital Appliance Company >

The Digital Appliance Company is in charge of developing and manufacturing feature-rich home appliances to resonate with the diversified needs of customers. It has 5,500 employees in three manufacturing plants in Korea, nine production subsidiaries and nine overseas sales depots, and 13 overseas branches, and the R&D institute. It has made customers in 160 countries through effective globalization and localization strategies.



Internet Intelllowave Oven



TurboDrum Washing Machine



Intello Washer



Gas Oven, Pro



Internet Side by Side Refrigerator, DIOS



'99 Results

The Digital Appliance Company in 1999 took in domestic revenues of ₩1,277 billion, a 18.7% increase from the previous year, and overseas revenues of ₩1,755 billion, a 9.7% increase. As the domestic economy was picking up again, demand for the large-sized and high-end products showed steady growth in Korea. Overseas, air conditioners and refrigerators had great appeal in the United States and Europe, while the recovering Asian market helped us increase our overseas revenues. Our brand identity and sales improved in the advanced countries. For instance, our air conditioners took the largest market share in the United States. With the development of our TurboDrum Inverter Washing Machine, 3-way discharge floor standing type air conditioner, and optical microwave oven, all newly released digital home appliances, we have plunged into the digital-home era.



Vacuum Cleaner

3-way Discharge Air Conditioner, WHISEN



R&D Calendar 1999 - 2000

- Jan. 1999 Mattress vacuum cleaner commercialized
- Jul. 1999 Sterilizing dish washer commercialized, Presidential Award in the Korea Industrial Design Awards '99 received for the DIOS refrigerator
- Aug. 1999 TurboDrum Inverter Washing Machine developed and Kimchi refrigerator commercialized
- Sep. 1999 Optical microwave oven exported
- Oct. 1999 Good Design Award received from the Japan Industrial Design Promotion Organization
- Nov. 1999 3-way discharge air conditioner developed, digital refrigerator DIOS commercialized
- Dec. 1999 The Australian Galaxy Award received for air conditioners washing machines, and refrigerators
- Feb. 2000 Nude microwave oven commercialized

VISION

The Digital Appliance Company has a vision of becoming the most admired global maker of easy-to-use home appliances. Washing machines, air conditioners, refrigerators, and many more of its products have taken the highest market share in 47 different countries as of 2000. The company uses diverse technologies to make its products high-performance, noise-free, low-cost, and energy-saving. It will employ DSP and inverter technologies and Internet networking in order to cope with changing preferences in the future.

HOME APPLIANCES SALES (Unit: billion won)



Digital Media Company >

The Digital Media Company conducts R&D and manufacturing in multifunctional and multimedia products and their core components. Its digitech leadership and management skills enable diversified multimedia solutions worldwide. It has a total of 5,300 employees in its three domestic business operations and multimedia laboratory.



ATMA-Free Mini-Cassette Player



USB PC Camera



Digital Audio CD Recorder



DVD Player



Videophone



'99 Results

In 1999 the Digital Media Company had sales of ₩595.4 billion in the domestic market, a 4.8% increase from the previous year, and ₩2,357 billion in overseas markets, a 40.0% increase. This considerable outcome was owing to expanded markets for high-value-added products, including PCs, CD-ROMs, CD-RWs, and DVD-ROM drives. The company has concentrated exceptional workmanship on its core business field, optical storage, and now has rolled out, one after the other, 8X CD-RWs, 8X DVD-ROM drives, and 48X CD-ROM drives. The MP3 players, videophones, and other digital products are stirring the pulse of the new generation.

Notebook PC



48X CD-ROM Drive



8X CD-RW Drive



8X DVD-ROM Drive



R&D Calendar 1999 - 2000



MP3 Player, MP Free

- Apr. 1999 4X CD-RW drive developed
- May 1999 MP3 player commercialized
- Jul. 1999 48X CD-ROM drive commercialized
- Aug. 1999 Internet karaoke Sing-a-Song machine developed
- Sep. 1999 Videophone developed
- Dec. 1999 8X CD-RW drive commercialized
- Feb. 2000 Exclusive stock-trading kiosk developed
- Mar. 2000 8X DVD-ROM drive commercialized

VISION

To be the digital multimedia leader of the world, the company is lifting its technological and managerial competence to a higher level. The company is technologically teaming up with the global leaders in diverse fields, including IBM, SONY, Dell, Apple, Compaq, and JBL. Establishing far-reaching partnerships through its BEST (Boundarylessness, Empowerment, Speed, Teamwork) initiatives, the company will introduce hybrid digital multimedia products preemptively.

MULTIMEDIA SALES (Unit: billion won)





DIGITAL TV

LGE's high-resolution digital TV is capable of displaying over two million pixels (1,920 x 1,080) in crisp detail. It could even count your pores. Its virtual surround sound quality is as fine as your CD. It receives all digital data broadcasting with clarity, regardless of whether it is from PC, satellite, cable, or the Internet. It even has its own powerful search engine.



MP3 PLAYER

With no computer files, tape, or CD, MP3 portable digital player enables storing and replaying music. An LCD remote control for all functions, 32Mb memory, built-in multimedia memory card slot, a maximum 15 hours of play. There's no tremor or interruption while you are jogging.



VIDEOPHONE

This new-concept digital videophone receives both image and sound through ordinary telephone lines. Its 4" color LCD is in a wide-screen format. It has ample built-in functionality for GUI display menus, fast two-way communication, outdoor surveillance, screen and phone-number saving, auto dialing, screen adjusting, auto answering, and hands-free operation.

The Digital Solutions You Are Looking For

An inch-thick TV on the wall, see-it-now talks with your loved ones whenever and wherever, downloading cooking recipes with a couple of clicks on the Internet.

Things are getting feature-rich and easier to handle.

We invite you all to the world of the faster and finer digital solutions you are looking for.



DIGITAL NETWORK REFRIGERATOR

Our digital refrigerator has a 15.1" LCD and a LAN port built in. Have you ever imagined talking face to face with your family through your refrigerator? Or doing Internet shopping through it? The LCD window not only displays the inside temperature but also reports on the validity dates of foods, their nutritional value, culinary possibilities, special delicacies, and such, as well as on staples which have run out and been ordered from your supermarket.



INTERNET MICROWAVE OVEN

Following the LCD touchscreen operating instructions, you download information through the built-in Internet modem which automatically sets the cooking mode for perfect results. This Internet microwave oven also connects with your grocery shop when need to place an order.



PDP

Ultra-thin flat-screen plasma display panels, which are getting lighter and larger, have made possible wall-mounted PDP TVs for home theaters and large-scale outdoor screens. They can be directly connected to video, audio, and DVD devices.

Fun Speedy Easy



FLATRON FULLY-FLAT PC MONITORS

With screens perfectly flat both inside and out, the world's first, these monitors are distortion-free and eyestrain-free and have ultra-high resolution. They even dramatically lower diffuse reflection by means of a six-layer W-ARAS coating. So users feel hardly any eye fatigue.

3-WAY DISCHARGE AIR CONDITIONER

Our one-body, all-in-one air conditioner sends out cool air from the front and two sides. Its turbo-jet cooling mode minimizes cooling time and allows even air distribution between upper and lower spaces by one-touch remote control. Its twin plasma air purifiers, inverter energy saving, and noise-free operation make the whole room pleasant and healthful.



Digital LG Vision >



LG-Digital Leader

While creating innovative digital products and services that make life more comfortable and enjoyable, we also intend to be a leader in digital management.



Innovation Openness Partnership



Marketing Technology Design Networking

Management Objectives

- Staying a step ahead in value creation for customers
- Providing maximum benefits to shareholders
- Giving pride and satisfaction to employees

Vision

- LG as a Digital Leader
- Making people's lives more exciting and comfortable
- Offering innovative digital products and the best services
- Realizing leadership in digital-based businesses

Core Values

- Innovation: Creating new and unique values
- Openness: Responding to the changing environment with an open mind and flexible behavior
- Partnership: Establishing cooperative relationships to ensure the best performance

Core Competences

- Marketing: The ability to clearly understand and analyze customer needs and then link them to business, continuously controlling the brand image
- Technology: The ability to develop unique product concepts with new proprietary technology ahead of others and then commercialize them
- Design: The ability to plan projects and business effectively to maximize results
- Networking: The ability to create win-win relationship opportunities based on one's strengths in specific sectors and make them into assets

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

1999 financial statements

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²¹ BALANCE SHEETS

²³ STATEMENTS OF INCOME

²⁴ STATEMENTS OF RETAINED EARNINGS APPROPRIATIONS

²⁵ STATEMENTS OF CASH FLOWS

²⁷ NOTES TO FINANCIAL STATEMENTS

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SAMIL ACCOUNTING CORPORATION

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

We have audited the accompanying non-consolidated balance sheet of LG Electronics Inc. (the "Company") as of December 31, 1999 and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LG Electronics Inc. as of December 31, 1999, and the results of its operations, the changes in its retained earnings and its cash flows for the year then ended, in conformity with financial accounting standards generally accepted in the Republic of Korea.

As discussed in Note 22 to the accompanying financial statements, during 1999 the Company entered into various transactions with affiliated companies such as LG Electronics U.S.A. Inc., including sales of ₩4,725,470 million and purchases of ₩1,049,335 million. As of December 31, 1999, related accounts receivable and payable approximate ₩372,491 million and ₩275,529 million, respectively.

As discussed in Note 7 to the accompanying financial statements, pursuant to a share transfer agreement dated May 20, 1999, the Company transferred 61,512,076 shares of LG Semicon Co., Ltd. to Hyundai Electronics Industries Co., Ltd. in exchange for ₩1,726,208 million and recognized a gain on disposal of investment of ₩1,102,930 million. The price is subject to adjustment based on certain factors.

As discussed in Note 7 to the accompanying financial statements, pursuant to a joint venture agreement with Koninklijke Philips Electronics N.V. ("Philips") dated July 24, 1999, the Company transferred certain of the Company's stock rights in LG. Philips LCD CO., Ltd. (formerly LG LCD Co., Ltd.) to Philips. As a result, the Company reduced its ownership of LG. Philips LCD Co., Ltd. to 50% and recognized a gain on disposal of investment of ₩1,179,939 million.

As discussed in Note 14 to the accompanying financial statements, Zenith Electronics Corporation ("Zenith"), a subsidiary, has experienced significant financial difficulties resulting from continuous losses. Zenith filed a pre-packaged plan of reorganization under Chapter 11 of the Bankruptcy Code of the United States of America on August 23, 1999, and the reorganization plan was approved by the court on November 5, 1999. Under the approved reorganization plan, all outstanding common stock of Zenith was cancelled and the holders of common stock received no distribution. The Company converted US\$ 200 million of US\$ 365 million of Zenith's obligations to the Company into common stock of Zenith which represents 100% of equity in the restructured Zenith. The remaining portion of Zenith's obligations was exchanged for senior secured notes issued by Zenith and an investment in an overseas subsidiary.

Without qualifying our opinion, we draw attention to Note 14 of the accompanying financial statements. The operations of the Company have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these significant uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. The standards, procedures and practices used to audit such financial statements are those generally accepted and applied in the Republic of Korea.

Seoul, Korea
February 2, 2000



BALANCE SHEETS (LGE Inc., Only)

For the year ended December 31, 1999

(In millions of Korean Won)

ASSETS

Current Assets :

Cash and cash equivalents (Note 5)	₩85,965
Short-term financial instruments (Note 3)	11,680
Trade accounts and notes receivable (Notes 4, 5 and 22)	480,718
Other accounts receivable (Notes 4 and 5)	172,728
Inventories (Note 6)	550,447
Prepaid expenses	66,264
Accrued income (Notes 4 and 5)	80,971
Advances (Note 4)	60,838
Other current assets (Note 4)	24,741
Total current assets	1,534,352
Property, plant and equipment, less accumulated depreciation (Note 8, 10 and 11)	2,726,249
Long-term financial instruments (Note 3)	25,610
Investments (Note 7)	4,119,959
Refundable deposits (Note 5)	228,432
Long-term trade accounts receivable (Note 4)	8,556
Long-term other accounts receivable (Note 4)	45,439
Long-term prepaid expenses	28,121
Deferred tax assets, net (Note 19)	238,289
Long-term loans (Note 4)	31,202
Intangible assets (Note 9)	106,109
Total assets	₩9,092,318

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

For the year ended December 31, 1999

(In millions of Korean Won)

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities :

Short-term borrowings (Note 10)	₩129,781
Current maturities of long-term debt (Note 10)	1,366,092
Trade accounts and notes payable (Notes 5 and 22)	981,343
Other accounts payable (Note 5)	486,765
Income taxes payable (Note 19)	547,582
Accrued expenses (Note 5)	196,406
Withholdings	40,288
Advances from customers	96,324
Dividends payable	127,431
Total current liabilities	3,972,012

Debentures, net of current maturities and discounts (premiums) on debentures (Note 11)	1,399,007
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Long-term debt, net of current maturities (Note 11)	397,983
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Long-term other accounts payable (Note 11)	5,205
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Accrued severance benefits, net (Note 13)*128,730	
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Other long-term liabilities	3,051
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Total liabilities	5,905,988
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Commitments and contingencies (Note 14)	
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Shareholders' Equity :

Capital stock (Note 15)	632,116
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Capital surplus :

Additional paid-in capital	493,508
Gain on merger (Note 16)	29,732
Revaluation surplus (Note 16)	339,676
Total capital surplus	862,916

Retained earnings (Note 17) :

Legal reserve	41,499
Other reserves	1,399,154
Unappropriated retained earnings carried forward	44
Total retained earnings	1,440,697

Capital adjustments (Note 18)	250,601
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Total shareholders' equity	3,186,330
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Total liabilities and shareholders' equity	₩9,092,318
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The accompanying notes are an integral part of these financial statements.

STATEMENTS OF INCOME (LGE, Inc. Only)

For the year ended December 31, 1999

	(In millions of Korean Won)
Sales (Note 22)	₩10,546,099
Cost of sales	8,356,103
Gross profit	2,189,996
Selling and administrative expenses	1,505,984
Operating income	684,012
Non-operating income :	
Interest income	87,553
Dividends income	27,278
Foreign exchange gains	228,425
Gain on disposal of property, plant and equipment	14,431
Gain on disposal of investments (Note 7)	2,399,222
Gain on valuation of investments (Note 7)	49,528
Gain on disposal of intangible assets (Note 7)	281,391
Royalty income	43,114
Refund of income taxes	18,480
Other	74,361
	3,223,783
Non-operating expenses :	
Interest expense	509,269
Foreign exchange losses	260,780
Loss from transfer of trade accounts and notes receivable	106,437
Loss from disposal of property, plant and equipment	63,500
Loss from disposal of investments	33,256
Loss from redemption of debentures	75,718
Equity in loss of affiliates, net	146,371
Donations	95,846
Other	28,713
	1,319,890
Ordinary income	2,587,905
Extraordinary gains	-
Extraordinary losses	-
Income before income tax expenses	2,587,905
Income tax expenses (Note 19)	582,884
Net income	₩2,005,021
Ordinary income and earnings per share (Note 20) (in Korean Won)	
Basic	₩18,494
Diluted	₩18,258

The accompanying notes are an integral part of these financial statements

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

For the year ended December 31, 1999

(In millions of Korean Won)

Unappropriated retained earnings before appropriations :	
Unappropriated retained earnings carried over from prior year	₩33
Additional provision of severance benefits (Note 13)	(11,907)
Cumulative effect of retroactive adoption of the revised accounting standards (Note 17)	(727,055)
Net income for the year	2,005,021
<hr/>	
Reversal of other reserve	
Reserve for technological development	11,290
	<hr/> 1,277,382
<hr/>	
Appropriations of retained earnings (Note 17) :	
Legal reserve	12,800
Reserve for business rationalization	200,000
Reserve for technological development	937,160
Cash dividends (Note 21)	127,378
	<hr/> 1,277,338
<hr/>	
Unappropriated retained earnings to be carried forward to subsequent year	₩44

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

STATEMENT OF CASH FLOWS (LGE_Incr_Only)

For the year ended December 31, 1999

(In millions of Korean Won)

Cash Flows From Operating Activities :	
Net income	₩2,005,021
Adjustments to reconcile net income to net cash provided by operating activities :	
Depreciation	370,763
Amortization of discounts and premiums on debentures	28,250
Provision for severance benefits	92,070
Bad debt expense	74,569
Gain on valuation of investments, net	(43,718)
Foreign currency translation gains, net	(24,089)
Gain on disposal of investments, net	(2,365,967)
Loss on disposal of property, plant and equipment, net	49,069
Loss on redemption of debentures	75,718
Equity in loss of affiliates, net	146,371
Gain on disposal of intangible assets	(281,392)
Others, net	2,336
Changes in assets and liabilities :	
Increase in trade accounts and notes receivable	(38,310)
Decrease in other accounts receivable	42,284
Increase in inventories	(107,553)
Increase in prepaid expenses	(4,042)
Decrease in advances	37,213
Increase in other current assets	(7,534)
Decrease in long-term prepaid expenses	2,158
Decrease in long-term trade accounts receivable	4,357
Decrease in deferred income tax assets	15,991
Increase in trade accounts and notes payable	242,387
Increase in other accounts payable	113,456
Increase in accrued expenses	47,153
Increase in advances from customers	17,841
Severance benefits transferred from affiliates	8,854
Increase in income taxes payable	533,953
Decrease in withholdings	(24,709)
Payment of severance benefits	(135,293)
Decrease in national pension fund	5,947
Net cash provided by operating activities	₩883,154

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

STATEMENT OF CASH FLOWS (LGE, Inc. Only)

For the year ended December 31, 1999

(In millions of Korean Won)

Cash Flows From Investing Activities :	
Decrease in short-term financial instruments	₩162,820
Proceeds from disposal of marketable securities	6,640
Proceeds from disposal of investments	3,124,663
Proceeds from disposal of property, plant and equipment	67,738
Proceeds from disposal of intangible assets	288,000
Decrease in other current assets	4,762
Decrease in long-term financial instruments	90,170
Increase in refundable deposits	(4,560)
Increase in long-term financial instruments	(40,467)
Increase in severance insurance deposits	(86,300)
Acquisition of marketable securities	(10,371)
Acquisition of investments	(2,216,799)
Acquisition of property, plant and equipment	(422,424)
Acquisition of intangible assets	(36,600)
Decrease in long-term loans	7,159
Others	1,297
Net cash provided by investing activities	935,728
Cash Flows From Financing Activities :	
Decrease in short-term borrowings	(377,167)
Increase in debentures	153,758
Increase in long-term debt	83,493
Payment of current maturities of long-term debt	(1,386,056)
Payment of debentures	(299,230)
Payment of long-term debt	(16,577)
Payment of dividends	(13,512)
Other	(5,988)
Net cash used in financing activities	(1,861,279)
DECREASE IN CASH AND CASH EQUIVALENTS	(42,397)
CASH AT BEGINNING OF THE YEAR (Note 24)	128,362
CASH AT END OF THE YEAR (Note 24)	₩85,965

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

1. The Company :

LG Electronics Inc. (the "Company") was incorporated in 1959 under the Commercial Code of the Republic of Korea to manufacture and sell electronic products. The Company is a member of the LG Group, which comprises affiliated companies under common management direction. In 1970, the Company offered its shares for public ownership. As of December 31, 1999, the Company has outstanding capital stock of ₩632,116 million, including non-voting preferred stock of ₩95,478 million (see Note 15). The Company's common shares are listed on the Korean stock exchange and its depositary receipts ("DRs") are listed on the London and Luxembourg stock exchanges.

2. Summary of Significant Accounting Policies :

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

Basis of Financial Statement Presentation -

The accompanying financial statements have been extracted from the Company's Korean language financial statements that were prepared using accounting principles, procedures and reporting practices generally accepted in the Republic of Korea. These standards vary from International Accounting Standards and the accounting principles generally accepted in the country of the reader. The financial statements have been translated from Korean into English, and have been formatted in a manner different from the presentation under Korean financial statement practices. Certain supplementary information included in the Korean language statutory financial statements but not required for a fair presentation of the Company's financial position, results of operations or cash flows is not presented in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Korea.

As permitted by the revised financial accounting standards generally accepted in the Republic of Korea, the Company has presented its financial statements for the year ended December 31, 1999 only.

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

Investments in Debt and Equity Securities -

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

Investments in marketable equity securities of non-controlled investees are carried at fair value. Temporary changes in fair value are accounted for in the capital adjustment account, a component of shareholders' equity. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustment account.

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

Investments in equity securities of companies over which the Company exerts significant control or influence (controlled investees) are recorded using the equity method of accounting. Differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are amortized over 5 years using the straight-line method. Under the equity method, the Company records changes in its proportionate ownership of the book value of the investee as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee.

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

Premiums and discounts on debt securities are amortized over the life of the debt using the effective interest method. Investments in debt securities which the Company has the intent and ability to hold to maturity are generally carried at cost, adjusted

for the amortization of discounts or premiums (amortized cost). Declines in the fair value of debt securities which are anticipated to be permanent are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the amortized cost of the investment.

Other investments in debt securities are carried at fair value. Temporary differences between fair value and amortized cost are accounted for in the capital adjustment account. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustment account.

Allowance for Doubtful Accounts -

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

Inventories -

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

Property, Plant and Equipment -

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

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

During 1999, Company changed its estimated useful lives for property, plant and equipment. As a result of this change, depreciation for the year ended December 31, 1999 is approximately ₩12,657 million less than that which would have been reported under the previous estimated useful lives.

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

Interest expense and other similar expenses incurred during the construction period of assets on funds borrowed to finance construction are capitalized. Capitalized financing cost for the year ended December 31, 1999 was approximately ₩11,982 million.

Lease Transactions -

Lease agreements that include a bargain purchase option, result in the transfer of ownership at the end of the lease term, have a term longer than 75 percent of the estimated economic life of the leased property, or have a present value of the minimum lease payments at the beginning of the lease term more than 90 percent of the fair value of the leased property are accounted for as capital leases. Leases that do not meet this 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 when incurred. Development costs directly relating to new technology on new products of which the estimated future benefits are probable are recognized as intangible assets. Amortization of development costs is computed using the straight-line method over five years from the commencement of commercial production or use of related products. Such costs are subject to continual analysis of recoverability. In the event that such amounts are estimated not to be recovering they are written-down or written-off. Pursuant to the provision of the revised financial accounting standards, all of deferred research cost of ₩425,582 million carried over from the previous year is amortized and deducted from beginning retained earnings.

Intangible Assets -

Intangible assets are stated at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives ranging from five to ten years.

Discounts (Premiums) on Debentures -

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

Treasury Debentures -

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

Accrued Severance Benefits -

Employees and directors with more than 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 represents the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

Pursuant to the revised Financial Accounting Standards generally accepted in the Republic of Korea effective January 1, 1999, underaccrued severance benefits of ₩11,907 million as of December 31, 1998 were deducted from retained earnings as of January 1, 1999.

The contributions to national pension fund made under the National Pension Plan and the severance insurance deposit are deducted from accrued severance benefits. Contributed amounts are refunded from the National Pension Plan and the insurance companies to employees on their retirement.

Income Taxes -

The Company recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between amounts reported for financial accounting and income tax purposes. Deferred tax assets and liabilities are computed on such temporary differences including tax credits by applying enacted statutory tax rates applicable to the years when such differences are expected to be reversed. Deferred tax assets are recognized to the extent that it is more likely than not that such deferred tax assets will be realized. The total income tax provision includes current tax expenses under applicable tax regulations and the change in the balance of deferred tax assets and liabilities.

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

Sale of Accounts and Notes Receivables -

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

Foreign Currency Translation -

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the basic rates in effect at the balance sheet date (US\$ 1 : ₩1,145.40), and resulting translation gains and losses are recognized currently. Foreign currency denominated convertible bonds are translated at the historical exchange rates prevailing as of the date of issuance.

Derivative Financial Instruments -

The Company utilizes several derivative financial instruments such as forward exchange, swap and option contracts to reduce its exposure resulting from fluctuations in foreign currency and interest rates. The instruments are valued at fair market value. For derivative financial instruments used to hedge risk arising from underlying transactions or commitments, gains or losses on valuation of the instruments are charged to current operations when incurred. For derivative financial instruments used to hedge potential risk on anticipated future transactions, gains or losses on valuation of the instruments are recorded as an adjustment to capital when incurred.

Significant Changes in Financial Accounting Standards in Korea -

The Company adopted the revised Financial Accounting Standards in the Republic of Korea effective January 1, 1999. Pursuant to the provision of the revised financial accounting standards, the Company recognized deferred income taxes, adopted the equity method of accounting for investments in equity securities of affiliated companies over which the Company can exercise significant influence, and charged research costs to expense. The cumulative effect on assets and liabilities arising in accordance with adoption of revised standards was added to or deducted from beginning retained earnings or capital adjustments pursuant to the revised accounting standards.

As a result of cumulative effects of retroactive adoption of the revised Financial Accounting Standards, retained earnings as of January 1, 1999 and net income for the year ended December 31, 1999 were decreased by ₩727,055 million and ₩77,198 million, respectively, and capital adjustments as of December 31, 1999 was increased by ₩208,159 million (see Note 17).

3. Restricted Financial Instruments :

As of December 31, 1999, short-term financial instruments of ₩5,923 million and long-term financial instruments of ₩6,846 million are deposited in connection with maintaining checking accounts, various short-term borrowings and long-term debt, and research and development projects funded by the government. The withdrawal of these financial instruments is restricted (see Notes 10 and 11).

In addition, long-term financial instruments of ₩16,882 million as of December 31, 1999 represent deposits made under group severance insurance plans. The withdrawal of such deposits is restricted to the actual payment of severance benefits (see Note 13).

4. Receivables :

Receivables, including trade accounts and notes receivable, as of December 31, 1999 comprise the following :

	Millions of Won			
	Costs	Allowance for doubtful accounts	Discounts for present value	Carrying value
Trade accounts and notes receivable	₩521,656	₩38,259	₩2,679	₩480,718
Other accounts receivable	175,702	2,974	-	172,728
Accrued income	81,789	818	-	80,971
Advances	62,011	1,173	-	60,838
Other current assets	24,800	59	-	24,741
Long-term other accounts receivable	60,174	602	14,133	45,439
Long-term loans	31,517	315	-	31,202
Long-term trade accounts receivable	8,642	86	-	8,556
	<u>₩966,291</u>	<u>₩44,286</u>	<u>₩16,812</u>	<u>₩905,193</u>

Maturities of certain trade accounts and notes receivable from customers which suffer financial difficulties and are in process of corporate reorganization under the court are rescheduled and the receivables are discounted to record present value. Future annual maturities of such receivables outstanding as of December 31, 1999 are as follows :

For the year ending December 31,	Millions of Won		
	Amount to be collected	Present value (*)	Discount
2000	₩3,206	₩2,973	₩233
2001	2,359	2,220	139
2002	2,512	2,125	387
2003	2,913	2,207	706
2004	2,029	1,479	550
2005 and thereafter	2,000	1,336	664
	<u>₩15,019</u>	<u>₩12,340</u>	<u>₩2,679</u>

Future annual maturities of notes receivable from Hyundai Electronics Industries Co., Ltd. outstanding as of December 31, 1999, in relation to the Company's share transfer of LG Semicon Co., Ltd., are as follows :

For the year ending December 31,	Millions of Won		
	Amount to be collected	Present value (*)	Discount
2002	₩60,174	₩46,041	₩14,133

(*) Weighted average interest rate of long-term debt of the Company for the year ended December 31, 1999 (11%) is used to calculate discounted present value.

5. Assets and Liabilities Denominated in Foreign Currencies :

As of December 31, 1999, monetary assets and liabilities denominated in foreign currencies, other than those disclosed in Notes 10 and 11, are as follows :

	Foreign currencies (In Millions)		Won Equivalent (Millions of Won)
Cash and cash equivalents	US\$	39	₩45,004
	¥	287	3,220
	ESP	180	1,247
	AUD	2	1,473
	GBP	2	3,157
	ITL	1,891	1,123
	Others		13,951
			69,175
Trade accounts receivable	US\$	198	227,067
	DEM	10	6,066
	¥	71	799
	HKD	40	5,853
	Others		7,057
			246,842
Accrued income	US\$	29	33,017
	Others		47
			33,064
Other accounts receivable	US\$	3	2,893
	ITL	436	259
	FFR	7	1,261
	Others		48
			4,461
Refundable deposits	¥	26	294
	USD	2	1,799
			2,093
Trade accounts payable	US\$	342	391,569
	¥	8,975	100,682
	DEM	2	1,183
	ITL	1,076	639
	Others		14
			494,087
Other accounts payable	US\$	67	77,103
	DEM	7	3,855
	FFR	44	7,714
	ESP	167	1,153
	¥	199	2,235
	Others		6,112
			98,172
Accrued expenses	US\$	11	12,695
	DEM	2	1,069
	Others		143
			₩13,907

6. Inventories :

Inventories as of December 31, 1999 comprise the following :

	Millions of Won
Merchandise	₩15,582
Finished products	251,799
Work in process	85,983
Raw materials	122,099
Parts and supplies	74,984
	₩550,447

At December 31, 1999, inventories are insured against fire and other casualty losses up to approximately ₩501,787 million.

7. Investments :

Investments in subsidiaries and affiliates and other investments as of December 31, 1999 are as follows :

Investments in subsidiaries and affiliates -

	Percentage of Ownership (%) as of December 31, 1999	Acquisition Cost	Net Asset Value	Millions of Won Carrying Value
Domestic Companies				
- LG Construction Co., Ltd.	8.56	₩35,148	₩70,244	₩70,244
- LG Micron Ltd. (*3)	25.00	5,000	35,375	35,375
- LG Department Store Co., Ltd. (*3)	49.13	66,012	44,179	44,179
- LG Industrial Systems Co., Ltd. (*3)	32.51	252,725	150,028	150,028
- LG International Corp.	2.94	20,253	18,074	18,074
- LG Sports Ltd. (*3)	33.00	1,896	1,715	1,715
- LG Mart Co., Ltd. (*3)	45.00	248,422	275,863	275,863
- LG Internet Inc. (*3)	78.38	29,988	8,170	8,170
- LG Precision Co., Ltd.	49.23	24,592	72,571	72,571
- LG Information & Communications Co., Ltd.	27.10	352,013	413,402	413,402
- LG Investments Security Inc. (*3)	7.41	233,833	194,359	194,359
- LG Capital Co., Ltd. (*3)	6.17	18,482	29,085	29,085
- LG Telecom, Ltd.	3.77	41,705	18,239	18,239
- LG Hitachi Ltd.	98.24	12,150	18,487	18,487
- LG-Caltex Oil Corp.	3.07	50,004	95,314	95,314
- LG-EDS Systems Inc. (*3)	10.00	360	4,605	4,605
- LG Philips LCD Co., Ltd.	50.00	726,169	692,782	692,782
- LG IBM PC Co., Ltd. (*3)	49.00	11,907	8,433	8,433
- Kukdong City Gas Inc. (*3)	4.56	17,088	12,823	12,823
- Dacom Corporation	25.95	746,669	787,312	787,312
Overseas Companies				
- Goldstar Electronics Tailand Co., Ltd. (G.S.T.) (*2)	49.00	36	36	36
- LG Electronics Alabama, Inc. (LGEAL)	100.00	63,939	73,709	73,709
- LG Electronics Almaty Kazak Co., Ltd. (LGEAK) (*3)	100.00	3,746	3,965	3,965
- LG Electronics Antwerp Logistics N.V. (LGEAL) (*3)	100.00	967	115	115
- LG Electronics Australia PTY, Ltd. (LGEAP) (*1)	100.00	1,558	-	-
- Arcelik-LG Klima Sanayi ve Ticaret A.S. (LGEAT) (*2)	50.00	9,764	9,764	9,764
- LG Electronics da Amazonia Ltda. (LGEAZ)	100.00	34,663	15,941	15,941
- Beijing LG Electronics Components Co., Ltd. (LGEBJ) (*3)	40.00	2,025	2,248	2,248
- LG Electronics China Co., Ltd. (LGECH) (*3)	100.00	37,614	38,146	38,146
- LG Electronics Canada, Inc. (LGECL) (*3)	100.00	13,780	11,032	11,032
- LG Collins Electronics Manila Inc. (LGECLM) (*3)	92.23	20,302	9,226	9,226
- Taizhou LG-Chunlan Home Appliances Co., Ltd. (LGECLT)	50.00	22,953	29,388	29,388
- LG Electronics Deutschland GMBH (LGEDG) (*3)	100.00	26,938	686	686
- PT LG Electronics Display Devices Indonesia (LGEDI) (*3)	100.00	79,543	115,692	115,692
- LG Electronics Design Tech, Ltd. (LGEDT) (*2)	100.00	1,002	1,002	1,002
- LG Electronics Egypt S.A.E (LGEEG) (*3)	51.00	1,577	3,109	3,109
- LG Electronics Espana S.A. (LGEES) (*3)	100.00	3,374	1,292	1,292
- LG Electronics Gulf FZE (LGEGL) (*3)	100.00	2,489	2,966	2,966
- LG Electronics HK Limited (LGEHK) (*3)	100.00	4,316	246	246
- LG Hotline CPT Ltd. (LGEHL) (*1)	50.00	10,561	-	-
- LG Electronics Huizhou Inc. (LGEHZ) (*3)	45.00	1,277	2,704	2,704
- LG Electronics India PVT Ltd. (LGEIL)	100.00	32,076	42,426	42,426
- PT LG Electronics Indonesia (LGEIN) (*3)	100.00	29,431	9,850	9,850
- LG Electronics Italy S.P.A. (LGEIS) (*1)	100.00	3,106	-	-
- LG Electronics Japan Inc. (LGEJP) (*1)	100.00	12,978	-	-
- LG Electronics Mlawa SP.Zo.O. (LGEML) (*2)	100.00	7,066	7,066	7,066
- LG Electronics Middle East Co., Ltd. (LGEML) (*2)	100.00	462	462	462
- LG-MECA Electronics Haiphong, Inc. (LGEML) (*2)	70.00	1,690	1,690	1,690
- LG Electronics Magyar Kft. (LGEML) (*3)	100.00	5,575	5,136	5,136
- LG Electronics Mexico S.A.de C.V. (LGEML)	98.48	1,936	8,764	8,764
- LG MITR Electronics Co., Ltd. (LGEML) (*3)	87.74	15,925	3,531	3,531
- LG Electronics North of England Ltd. (LGENE) (*3)	100.00	11,229	10,555	10,555
- Nanjing LG-Tontru Color Display System Co., Ltd. (LGENE) (*3)	70.00	14,571	6,861	6,861
- LG Electronics Polska SP.Zo.O. (LGEPL) (*3)	100.00	4,117	3,798	3,798
- Nanjing LG Panda Appliances Co., Ltd. (LGEPL) (*3)	40.00	3,737	3,980	3,980
- LG Electronics Peru S.A. (LGEPR) (*1)	100.00	1,879	-	-
- LG Electronics Panama S.A. (LGEPS) (*3)	100.00	2,333	3,571	3,571

	Percentage of Ownership (%) as of December 31, 1999	Millions of Won		
		Acquisition Cost	Net Asset Value	Carrying Value
- LG Electronics Qinhuangdao Inc. (LGEQH) (*3)	80.00	3,284	3,392	3,392
- LG Electronics Research Center of America, Inc. (LGERCA) (*2)	100.00	899	899	899
- LG Electronics Russia Inc. (LGERI) (*2)	95.00	391	391	391
- LG Electronics S.A. Pty Ltd. (LGESA) (*3)	100.00	3,382	3,722	3,722
- LG Electronics Service Europe Netherland B.V. (LGESE) (*2)	100.00	3,978	3,978	3,978
- Shuguang LG Electronics Co., Ltd. (LGESG)	40.35	56,511	75,682	75,682
- Shanghai LG Electronics Co., Ltd. (LGESH) (*3)	50.00	3,021	3,571	3,571
- LG Electronics DE Saopaulo Ltd. (LGESP)	100.00	28,481	14,628	14,628
- LG SEL Electronics Vietnam Ltd. (LGESV) (*3)	55.00	1,711	4,092	4,092
- LG Electronics Sweden AB (LGESW) (*2)	100.00	2,319	2,319	2,319
- LG Electronics Shenyang Inc. (LGESY) (*3)	50.00	5,795	3,684	3,684
- LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	70.00	42,948	49,953	49,953
- LG Electronics Thailand Co., Ltd. (LGETH) (*3)	49.00	3,407	4,444	4,444
- LG Electronics Taiwan Co., Ltd. (LGETW) (*2)	100.00	4,281	4,281	4,281
- LG Electronics U.K. Ltd. (LGEUK)	100.00	10,486	1,359	1,359
- LG Electronics Ukraine Co., Ltd. (LGEUR) (*2)	100.00	1,041	1,041	1,041
- LG Electronics U.S.A., Inc. (LGEUS) (*1)	100.00	15,673	-	-
- LG Electronics Wales Ltd. (LGEWA)	100.00	101,812	77,249	77,249
- LG Soft India PVT, LTD (LGS) (*2)	88.00	2,920	2,920	2,920
- Zenith Electronics Corporation (Zenith) (*1)	100.00	236,860	-	-
Investments in subsidiaries and affiliates total		<u>₩3,914,151</u>	<u>₩3,637,622</u>	<u>₩3,637,622</u>

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

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

(*3) The equity method of accounting is applied based on most recent unaudited financial statements of subsidiaries and affiliates.

Other investments -

	Percentage of Ownership (%) as of December 31, 1999	Millions of Won		
		Acquisition Cost	Market Value	Carrying Value
Marketable equity securities				
Hyundai Electronics Industries Co., Ltd.	0.44	₩28,221	₩52,634	₩52,634
P.D.I.	0.39	336	1,258	1,258
Korea stock market stabilization fund	2.36	23,235	22,806	22,806
Hanaro Telecom Inc.	2.50	117,428	117,900	117,900
		<u>169,220</u>	<u>194,598</u>	<u>194,598</u>
Non-marketable equity securities				
Domestic Companies				
Media Valley Inc.	1.81	300	310	300
Nara Mold & Die Co., Ltd.	19.90	597	1,220	597
Sunhan Tech Co., Ltd.	19.90	199	199	199
Castec Korea Co., Ltd.	5.00	150	150	150
Lotis Co., Ltd.	14.00	1,900	1,900	1,900
LG OTIS Elevator Co., Ltd.	19.90	89,550	89,550	89,550
Other	-	208	370	208
Overseas Companies				
TAISTAR	11.85	760	995	760
GEMFIRE	4.41	1,835	191	1,835
Mainstreet Networks (formerly, eT Communications)	5.45	1,468	-	1,468
iTV Corporation	13.08	1,957	-	1,957
PocketScience	4.42	473	-	473
		<u>99,397</u>	<u>94,885</u>	<u>99,397</u>
Debt securities				
Bonds issued by government		58,015	45,668	45,668
Senior secured note issued by Zenith		147,519	142,674	142,674
		<u>205,534</u>	<u>188,342</u>	<u>188,342</u>
Other investments total		474,151	477,825	482,337
Total		<u>₩4,388,302</u>	<u>₩4,115,447</u>	<u>₩4,119,959</u>

Reconciliation of acquisition cost of investments in subsidiaries and affiliates accounted for using the equity method to their carrying value is as follows :

				Millions of Won
	Capital adjustment	Retained earnings	Net income	Total
Acquisition Cost				₩3,914,151
Adjustment :				
Capital surplus and capital adjustments	₩224,623	₩ -	₩ -	224,623
Prior years' net loss	-	(155,930)	-	(155,930)
Current year's net income	-	-	153,316	153,316
Elimination of unrealized profit	-	(204,569)	(280,892)	(485,461)
Dividends income	-	(13,077)	-	(13,077)
Carrying Value				₩3,637,622

At December 31, 1999, except for the Korea stock market stabilization fund, of which the differences between the market value and the acquisition cost are charged to current operations, investments in marketable equity securities, of which the differences between the market value and the acquisition cost are accounted for as capital adjustments, are as follows :

	Millions of Won		
	Acquisition Cost	Market Value	Capital Adjustment
P.D.I	₩336	₩1,258	₩922
Hyundai Electronics Industries Co., Ltd.	28,221	52,634	24,413
Hanaro Telecom Inc.	117,428	117,900	472
	₩145,985	₩171,792	₩25,807

Pursuant to a share transfer agreement dated May 20, 1999, the Company transferred 61,512,076 shares of LG Semicon Co., Ltd. to Hyundai Electronics Industries Co., Ltd. in exchange for ₩1,726,208 million (present value ₩1,596,704 million) and recognized a gain on disposal of investment of ₩1,102,930 million. The price is subject to adjustment based on certain factors.

Pursuant to a joint venture agreement with Koninklijke Philips Electronics N.V. ("Philips") dated July 24, 1999, the Company transferred certain of the Company's stock rights in LG. Philips LCD Co., Ltd. (formerly, LG LCD Co., Ltd.) to Philips. As a result, the Company reduced its ownership of LG. Philips LCD Co., Ltd. to 50% and recognized a gain on disposal of investment of ₩1,179,939 million.

In 1999, the Company transferred its own patents in relation to the Thin Film Transistor Liquid Crystal Display ("TFT-LCD") to LG. Philips LCD Co., Ltd. in exchange for ₩288,000 million and recognized a gain on disposal of intangible assets amounting to ₩281,391 million. According to the equity method of accounting, unrealized profit of approximately ₩253,252 million, net of realized profit, arising from the sales of the patents by the Company to LG. Philips LCD Co., Ltd., an equity-method investee, is fully eliminated and charged to investment in LG. Philips LCD Co., Ltd.

Senior secured note of ₩142,674 million (US\$ 125 million) issued by Zenith outstanding at December 31, 1999, was converted from the Company's receivables from Zenith according to the reorganization plan of Zenith approved by the court in the United States of America on November 5, 1999 (see Note 14). The note's terms and conditions are as follows :

Interest : LIBOR+6.5% on a quarterly basis

Maturity of principal : November 1, 2009

According to financial accounting standards generally accepted in Korea, the unrealized gain on valuation of investment in Dacom Corporation, an equity-method investee, of approximately ₩40,644 million previously accounted for as capital adjustment was credited to operations in 1999.

8. Property, Plant and Equipment :

Property, plant and equipment as of December 31, 1999 comprise the following :

	Millions of Won
Buildings	₩1,000,223
Structures	94,673
Machinery and equipment	985,193
Tools	697,789
Furniture and fixtures	405,810
Vehicles	24,777
	3,208,465
Accumulated depreciation	(1,270,871)
	1,937,594
Land	702,810
Construction in progress	77,973
Machinery in transit	7,872
	₩2,726,249

As of December 31, 1999, the value of the Company's land, as determined by the local government in Korea for property tax assessment purpose, approximates ₩581,759 million.

As of December 31, 1999, property, plant and equipment, other than land and certain construction in progress, are insured against fire and other casualty losses up to approximately ₩4,009,987 million.

A substantial portion of property, plant and equipment as of December 31, 1999 is pledged as collateral for various loans from banks, including Korea Development Bank, up to a maximum Won equivalent amount of approximately ₩583,009 million (see Notes 10 and 11).

9. Intangible Assets :

Intangible assets as of December 31, 1999 comprise the following :

	Millions of Won
Development costs	₩82,938
Industrial property rights	15,979
Other	7,192
	<u>₩106,109</u>

Details of research and development costs incurred for the year ended December 31, 1999 are as follows :

	Millions of Won
Capitalized	₩74,271
Expensed	179,697
	<u>₩253,968</u>

10. Short-Term Borrowings :

Short-term borrowings as of December 31, 1999 comprise the following :

	Annual Interest Rates (%) as of December 31, 1999	In Millions
Bank overdrafts	13.0	<u>₩16,957</u>
Won currency loans :		
General term loans	7.0 - 12.2	81,500
Loans from insurance companies	8.1	20,000
		<u>101,500</u>
Foreign currency loans	3.2	11,324
		US\$ 1
		¥ 897
		<u>₩129,781</u>

See Notes 3 and 8 for collateral arrangements for these borrowings. Repayment of certain borrowings has been guaranteed by affiliated companies of the LG Group (see Note 14).

Current maturities of long-term debt as of December 31, 1999 comprise the following :

	Millions of Won
Debentures	₩1,154,450
Discount on debentures	(6,158)
Long-term debt	217,800
	<u>₩1,366,092</u>

11. Long-Term Debt :

Long-term debt as of December 31, 1999 comprises the following :

	Annual Interest Rate (%) at December 31, 1999	In Millions
Debentures		
Guaranteed, payable through 2001	11.0 - 25.0	₩787,100
Non-guaranteed, payable through 2004	8.1 - 21.4	311,000
General, payable through 2002	8.0 - 12.0	1,320,000
Floating rate notes in foreign currency, payable through 2000 (*1)	Libor + 0.25 ~ 0.40	83,350
		[HK\$ 550]
		[US\$ 2]
		<u>2,501,450</u>
Convertible Bonds (*2)		
Foreign currency, issued in 1991	3.25	40
		(US\$ -)
Foreign currency, issued in 1996	1.25	33,096
		(US\$ 40)

	Annual Interest Rate (%) at December 31, 1999	In Millions
Won currency, issued in 1998	1.00	100,000
		133,136
<hr/>		
Exchangeable Bonds (*3)		
Foreign currency, issued in 1997	0.25	66,623
		(US\$ 75)
		2,701,209
	Less : treasury debentures	(117,171)
	current maturities	(1,154,450)
	discount on debentures	(38,170)
	premium on debentures	7,589
		<u>₩1,399,007</u>
<hr/>		
Won currency loans		
Korea Development Bank	5.5 - 10.1	₩91,266
Kookmin Bank	5.0 - 11.8	4,439
Korea Technology Banking Corporation	6.5 - 8.5	6,104
Housing and Commercial Bank	3.0 - 9.5	853
Hana Bank	7.0	920
Hanvit Bank	8.5	30,000
		<u>133,582</u>
<hr/>		
Foreign currency loans		
Korea First Bank	Libor + 0.625	10,205
Korea Development Bank	8.9	12,022
Korea Development Bank	Libor + 0.5	45,816
Hanvit Bank	Libor + 0.4	66,386
Chohung Bank	Libor + 0.4	96,848
Korea Exchange Bank	Libor + 0.4	171,810
Kookmin Bank	Libor + 1.25	1,987
Export-Import Bank of Korea	Libor + 0.625	4,503
Citi Bank	Libor + 0.9	13,678
Banque Paribas	Libor + 0.7	9,384
Bank of Tokyo-Mitsubishi	Libor + 0.8	1,626
Societe General	Libor + 0.6	21,561
Sumitomo Bank	Libor + 0.65	14,903
Bank One	Libor + 2.5	11,472
		<u>482,201</u>
		[US\$ 415]
		[¥ 646]
	Less : current maturities	<u>(217,800)</u>
		<u>₩397,983</u>

In relation to guaranteed debentures, the Company pays guarantee fees of 0.1% ~ 0.5% per annum.

Treasury debentures of ₩117,171 million held by the Company as of December 31, 1999 are Won currency convertible bonds and a portion of exchangeable bonds.

(*1) In 1985 and 1995, the Company issued foreign currency denominated floating rate notes aggregating US\$ 2 million and Hong Kong \$550 million, which are due on April 25, 2000 and May 25, 2000, respectively. Early redemption may be called for at the option of the noteholders or the Company under the terms of issuance. LG Chemical Ltd., an affiliated company, has guaranteed repayment of the notes issued in 1985.

(*2) In 1991, the Company issued foreign currency denominated convertible bonds aggregating US\$ 70 million, bearing interest at 3.25% per annum. The bonds are convertible into non-voting preferred stock through November 2006, unless previously redeemed, at a specified conversion price, subject to adjustment based on the occurrence of certain events as provided for in the offering agreement. The adjusted conversion price as of December 31, 1999 is ₩16,343 per share. The fixed rate of exchange applicable to the exercise of the conversion rights is ₩726.50 per US\$ 1.00. The bonds will mature on December 31, 2006 at par value, unless previously converted or redeemed. Any bondholder may redeem all or some of the bonds held on June 24, 1999 at 144.926% of the principal amount of such bonds, together with interest accrued to the date of redemption.

In 1996, the Company issued foreign currency denominated convertible bonds aggregating US\$ 40 million, bearing interest at 1.25% per annum. The bonds are convertible into common stock through October 2006, unless previously redeemed, at a specified conversion price, subject to adjustment based on the occurrence of certain events as provided for in the offering agreement. The adjusted conversion price as of December 31, 1999 is ₩22,174 per share. The fixed rate of exchange applicable to the exercise of the conversion rights is ₩827.4 per US\$ 1.00. The bonds will mature on November 26, 2006 at par value, unless previously converted or redeemed. Any bondholder may redeem all or some of the bonds held on November 26, 2001 at 133.20% of the

principal amount of such bonds, together with interest accrued to the date of redemption.

In 1998, the Company issued Won currency convertible bonds aggregating ₩100,000 million, bearing interest at 1.0% per annum. The bonds are convertible into common stock through November 2001, unless previously redeemed, at a specified conversion price, subject to adjustment based on the occurrence of certain events as provided for in the offering agreement. The adjusted conversion price as of December 31, 1999 is ₩20,555 per share. The bonds will mature on December 31, 2001 at 112.5% of the principal amount, unless previously converted or redeemed.

(*3) In 1997, the Company issued foreign currency denominated exchangeable bonds totaling US\$ 75 million bearing interest at 0.25% per annum. The bonds are exchangeable into common stock of Hyundai Electronics Industries Co., Ltd. ("Hyundai Electronics," formerly "LG Semicon Co., Ltd.") through November 2007, unless previously redeemed. Each bond can be exchanged for 250 shares of Hyundai Electronics common stock with a par value of ₩5,000. The exchange price was initially determined to be ₩35,430 per share based on a fixed exchange rate for U.S. dollars of US\$1.00 = ₩888.30. The terms and conditions of the exchangeable bonds are as follows :

- Basic exchange price for each share of Hyundai Electronics common stock : US\$ 39.88 (₩35,430 / ₩888.30)
- Payment of interest : At the end of each year
- Final redemption :

Unless previously redeemed, purchased or exchanged, the bonds will be redeemed on December 31, 2007 at their principal amount, plus accrued interest.

- Redemption at the option of the Company :

The Company may redeem any or all of the bonds at their principal amount, plus accrued interest. However, no such redemption can be made before July 9, 2002, unless the closing price (converted into U.S. Dollars at the prevailing exchange rate) for each of the 30 consecutive trading days, the last of which occurs not more than 30 days prior to the date upon which the notice of redemption is published, has been at least 135% of the exchange price in effect on each such trading day converted into U.S. Dollars at a fixed exchange rate of US\$1.00: ₩888.30.

- Redemption at the option of the bondholders :

The bondholders may require the Company to redeem any or all (in multiples of US\$ 10,000) of the bonds held by such holders on July 8, 2002 at 133.67% of the principal amount of such bonds, plus accrued interest.

- Exchange by bondholder

Each bond is exchangeable for a pro rata share of the exchange property until November 30, 2007. The exchange property initially comprised 1,880,397 common shares of Hyundai Electronics, calculated by dividing the aggregate principal amount (converted into Won at a fixed exchange rate of US\$1.00 : ₩888.30) by the exchange price, but is subject to change as a result of any adjustment to the exchange price or an offer made for the common shares.

On July 1996, relating to construction of Bundang research center, the Company entered into a land purchase agreement with Korea Land Corporation under which the Company has acquired certain land and is obligated to pay the contracted amount on an installment basis through 2001. As of December 31, 1999, the Company has outstanding long-term other accounts payable for the agreement amounting to ₩5,205 million.

See Notes 3 and 8 for the related collateral arrangements for the Company's long-term debt. In addition, the repayment of a portion of long-term debt is guaranteed by affiliated companies of the LG Group (see Note 14).

The maturities of long-term debt outstanding as of December 31, 1999 are as follows :

For the year ending December 31,	Millions of Won			
	Debentures and Convertible bonds (*)	Long-term debt	Long-term other accounts payable	Total
2001	₩1,217,000	₩199,097	₩5,205	₩1,421,302
2002	100,000	158,187	-	258,187
2003	-	22,631	-	22,631
2004	30,000	10,977	-	40,977
2005 and thereafter	82,588	7,091	-	89,679
	₩1,429,588	₩397,983	₩5,205	₩1,832,776

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

12. Leases :

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

As of December 31, 1999, future lease payments under operating lease agreements are as follows :

For the year ending December 31,	Millions of Won
2000	₩45,759
2001	23,842
2002	3,018
2003	140
	₩72,759

13. Accrued Severance Benefits :

Accrued severance benefits as of December 31, 1999 are as follows :

	Millions of Won
Beginning balance	₩456,071
Severance payments	(135,293)
Transfer-in from affiliated companies	8,854
Provisions	99,300
Additional provisions (Note 2)	11,907
Conversion to severance insurance deposit	(5,997)
	434,842
Severance insurance deposits	(265,835)
Contribution to National Pension Fund	(40,277)
	<u>₩128,730</u>

The severance benefits are funded approximately 65% at December 31, 1999 through group severance insurance plans and employees severance insurance plans with Kyobo Life Insurance Co, Ltd. and other life insurance companies. The amounts funded under group severance insurance plans are recorded as long-term financial instruments and the amounts funded under employees severance insurance plans (severance insurance deposits) are presented as deduction from accrued severance benefits (Note 3).

14. Commitments and Contingencies :

At December 31, 1999, the Company provided 34 notes and 13 checks to financial institutions as collateral in relation to various borrowings and guarantees of indebtedness. In addition, the Company has received guarantees approximating ₩874,078 million from various banks for the repayment of certain debentures of the Company.

At December 31, 1999, the Company has entered into bank overdraft facility agreements with various banks amounting to ₩336,200 million. At December 31, 1999, the outstanding balance of domestic trade notes receivable and export trade accounts receivable sold at discount to various financial institutions with recourse is ₩2,279,388 million. At December 31, 1999, the Company was a party to various technical assistance agreements with various foreign companies for the manufacture of certain product lines. At December 31, 1999, the Company was contingently liable for guarantees approximating ₩1,492,126 million (including equivalent US\$ 757 million) on indebtedness of its subsidiaries and affiliates as follows :

	Millions of Won
Domestic companies	
LG Telecom, Ltd.	₩114,540
LG Precision Co., Ltd.	5,727
Other	26,011
	<u>146,278</u>
Overseas companies	
LG Electronics Wales Ltd.	264,759
PT LG Electronics Display Device Indonesia	127,630
LG Electronics Alabama Inc.	166,083
LG Electronics U.S.A., Inc.	116,831
LG Electronics North of England Ltd.	80,873
Shuguang LG Electronics Inc.	74,577
Other	515,095
	<u>1,345,848</u>
Total	<u>₩1,492,126</u>

In order to reduce the impact of changes in exchange rates on future cash flows, the Company enters into foreign currency forward contracts. As of December 31, 1999, the Company has outstanding forward contracts for selling US Dollars amounting to US\$ 130 million (contract rates : ₩1,134.1 : US\$ 1~₩1,187.6 : US\$ 1, contract due dates : January through November 2000) and an unrealized gain of ₩1,490 million was credited to operations for the year ended December 31, 1999.

In order to reduce the impact of changes in interest rates, the Company enters into interest rate swap contracts and an unrealized gain of ₩171 million was recorded as a capital adjustment. A summary of the terms of outstanding interest rate swap contracts at December 31, 1999 is as follows (see Note 18) :

	Amount (In millions)	Buying rate (%) (*)	Selling rate (%)	Contract due date
Korea Exchange Bank	US\$ 50	5.45%	6M LIBOR	2001.6.5
Korea Exchange Bank	US\$ 40	5.9%	6M LIBOR	2000.8.24
Bankers Trust Company	US\$ 40	5.9%	6M LIBOR	2000.8.24
Citi Bank	US\$ 20	5.91%	6M LIBOR	2000.8.24

(*) If 6 month LIBOR is over 6.25%, the rate deducting 0.34 or 0.35% point from 6 month LIBOR would be applied.

In order to reduce the impact of changes in exchange rates on future cash flows, the Company enters into foreign currency interest rate swap contracts to convert long-term debt denominated in US Dollars to Hong Kong Dollars. An unrealized loss of ₩3,051 million was charged to operations for the year ended December 31, 1999. A summary of the terms of outstanding currency interest rate swap contracts at December 31, 1999 is as follows :

	Amount (In millions)	Exchange rate	Buying rate	Selling rate	Contract due date
Citi Bank	US\$40.0	HK\$7.765 : US\$1	5.35%	7%	2001.8.30
Deutsche Bank	US\$40.0	HK\$7.765 : US\$1	5.35%	7%	2001.8.30
CSFB	US\$45.5	HK\$7.765 : US\$1	5.35%	7%	2001.8.30

In order to reduce the impact of changes in exchange rates on future cash flows, the Company enters into foreign currency option contracts. An unrealized gain of ₩1,111 million was credited to operations for the year ended December 31, 1999. A summary of the terms of outstanding currency option contracts at December 31, 1999 is as follows :

	Option Type	Amount (In millions)	Exercising price	Contract due date
Citi Bank	Put	US\$ 21.5	₩1,145.00	2000.3.31
	Call	US\$ 43.0	1,145.00	2000.3.31
Citi Bank	Put	US\$ 50.0	1,150.00	2000.5.16
	Call	US\$ 50.0	1,182.50	2000.5.16

As a result of above derivatives contracts, a gain of ₩28,825 million and a loss of ₩61,720 million were realized for the year ended December 31, 1999.

The Company is named as the defendant or the plaintiff in various legal actions arising from the normal course of business. The aggregate amounts of claims as the defendant brought against and the plaintiff brought by the Company are approximately ₩21,271 million in 5 cases and ₩14,226 million in 9 cases, respectively, as of December 31, 1999. The Company believes that the outcome of these matters is uncertain but, in any event, they would not result in a material ultimate losses on the Company's financial position or operations. Accordingly, no provision for potential losses arising from these claims is reflected in the accompanying financial statements.

In connection with the Asian financial crisis which began in 1997, the Korean economy as well as other economies in the Asia Pacific region experienced economic contractions, a reduction in the availability of credit, increased interest rates, increased inflation, negative fluctuations in currency exchange rates, increased numbers of bankruptcies, increased unemployment and labor unrest. Such conditions had a significant adverse effect on the operations of the Company and other companies in Korea and in the Asia Pacific region. In addition, the Company has investments in, and receivables from affiliates in Thailand, Indonesia and other Asia Pacific countries. The Company also has outstanding guarantees on the debt obligations of these affiliates. These affiliates have been affected, and may continue to be affected by the unstable economic situation in the Asia Pacific region.

Recently, economic conditions in the Republic of Korea have improved as evidenced by an increased trade surplus, increases in foreign exchange reserves, record levels of foreign investment and economic growth, lower inflation and interest rates and stabilized foreign exchange rates. Notwithstanding the current recovery, significant uncertainties still exist related to the economy in Korea and in the Asia Pacific region. The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

Zenith Electronics Corporation ("Zenith"), a subsidiary, has experienced significant financial difficulties resulting from continuous losses. Zenith filed a pre-packaged plan of reorganization under Chapter 11 of the Bankruptcy Code of the United States of America on August 23, 1999, and the reorganization plan was approved by the court on November 5, 1999. Under the approved reorganization plan, all outstanding common stock of Zenith was cancelled and the holders of common stock received no distribution and the Company converted US\$ 200 million of US\$ 365 million of Zenith's obligations to the Company into common stock of Zenith which represents 100% of equity in the restructured Zenith. The remaining portion of Zenith's obligations was exchanged for senior secured notes issued by Zenith and an investment in an overseas subsidiary.

15. Capital Stock :

As of December 31, 1999, capital stock is as follows :

	Number of issuance (shares)	Par value	Millions of Won
Common	107,327,666	₩5,000	₩536,638
Preferred	19,095,547	5,000	95,478
	126,423,213		₩632,116

As of December 31, 1999, the number of shares authorized are 500,000,000 shares.

As of December 31, 1999, 19,095,547 shares of non-voting preferred stock are issued and outstanding. The preferred shareholders have no voting rights and are entitled to non-participating and non-cumulative preferred dividends at a rate of one percentage point over those for common stock. This preferred dividend rate is not applicable to stock dividends.

16. Capital Surplus :

In cases where the net assets of the combined enterprises exceed the consideration paid, the Company records the excess amount as a gain on merger.

The Company revalued a substantial portion of its property, plant and equipment, effective January 1, 1981 and 1993 and October 1, 1998, in accordance with the Korean Asset Revaluation Law and obtained relevant governmental approval. The revaluation increment of ₩339,676 million, net of tax, transfer to capital stock and offset against deferred foreign currency translation losses, is credited to revaluation surplus.

17. Retained Earnings :

Retained earnings as of December 31, 1999 are as follows :

	Millions of Won
Legal reserve (*1)	₩41,499
Other reserves	
Reserve for business rationalization (*2)	326,180
Reserve for improvement of financial structure (*3)	84,458
Reserve for technological development (*4)	974,516
Reserve for export loss (*4)	14,000
	1,399,154
Unappropriated retained earnings carried forward to subsequent year	44
	₩1,440,697

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

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

(*3) In accordance with the provisions of the Financial Control Regulation for publicly listed companies, the Company is required to appropriate, as a reserve for improvement of financial structure, a portion of retained earnings equal to a minimum of 10% of its annual income plus at least 50% of the net gain from the disposal of property, plant and equipment after deducting related taxes, until equity equals 30% of total assets. This reserve is not available for dividends, but may be transferred to capital stock through an appropriate resolution by the Company's board of directors or used to reduce accumulated deficit, if any, through an appropriate resolution by the Company's shareholders.

(*4) Pursuant to the Corporate Income Tax Law of Korea, the Company is allowed to appropriate retained earnings as a reserve for technological development and export loss. These reserves are not available for dividends until used for the specified purposes or reversed.

Cumulative effects of retroactive adoption of the revised Financial Accounting Standards on retained earnings as of January 1, 1999 are as follows :

	Millions of Won
Equity method of accounting	₩ (482,093)
Amortization of deferred research cost	(425,582)
Loss on valuation of Korea stock market stabilization fund	(13,500)
Discounted present value of receivables	(3,264)
Deferred tax assets	254,281
Loss on valuation of marketable securities	(6,536)
Loss from sale of trade accounts and notes receivable	(34,735)
Other	(15,626)
	₩ (727,055)

18. Capital Adjustments :

As of December 31, 1999, capital adjustments are as follows :

	Millions of Won
Gain on valuation of investment securities (Note 7)	₩250,430
Gain on valuation of derivative financial instruments (Note 14)	171
	₩250,601

19. Income Taxes :

Income tax expense for the year ended December 31, 1999 comprise the following :

	Millions of Won
Current income taxes	₩566,892
Deferred income taxes	15,992
	<u>₩582,884</u>

The statutory income tax rate applicable to the Company, including resident tax surcharges, is approximately 30.8%. The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company :

Millions of Won	
Income before taxes	₩2,587,905
Statutory tax rate	30.8%
Expected taxes at statutory rate	797,075
Permanent differences	(134,777)
Tax exemption and tax credits	(79,414)
Actual taxes	<u>₩582,884</u>
Effective tax rate	<u>22.5%</u>

Components of deferred taxes as of December 31, 1999 are as follows :

	Millions of Won			
	Beginning balance	Increases	Decreases	Ending balance
Deferred tax assets				
Deferred foreign exchange loss, net	₩52,607	₩ -	₩ (30,196)	₩22,411
Losses from sales of receivables	-	33,130	-	33,130
The equity method of accounting	148,485	39,293	(12,120)	175,658
Bad debt expenses	8,409	16,663	(390)	24,682
Other	39,268	23,224	(33,857)	28,635
	<u>248,769</u>	<u>112,310</u>	<u>(76,563)</u>	<u>284,516</u>
Tax credits carried-forward	33,479	-	(33,479)	-
Deferred tax assets	<u>282,248</u>	<u>112,310</u>	<u>(110,042)</u>	<u>284,516</u>
Deferred tax liabilities				
Amortization of intangible assets	-	(18,299)	-	(18,299)
Gain on valuation of investments	4,158	(12,519)	(2,736)	(11,097)
Custom duty drawback	(9,906)	(8,198)	9,906	(8,198)
Other	(22,219)	(6,765)	20,351	(8,633)
Deferred tax liabilities	<u>(27,967)</u>	<u>(45,781)</u>	<u>27,521</u>	<u>(46,227)</u>
Net deferred tax assets	<u>₩254,281</u>	<u>₩66,529</u>	<u>₩(82,521)</u>	<u>₩238,289</u>

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

20. Earnings Per Share :

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the year. 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 year.

Basic earnings per share and ordinary income per share for the year ended December 31, 1999 are calculated as follows :

Millions of Won (except for EPS data)	
Basic earnings per share and ordinary income per share	
Net income as reported on the statement of income	₩2,005,021
Less : Preferred stock dividends	(20,050)
Net income allocated to common stock	<u>1,984,971</u>
Weighted average number of common shares outstanding	107,327,666
Basic earnings per share and ordinary income per share (*)	<u>₩18,494</u>

(*) Because there are no extraordinary gains or losses, basic ordinary income per share is the same as basic earnings per share.

Diluted earnings per share is computed by dividing diluted net income, which is adjusted to add back the after-tax amount of interest expenses

on any convertible debt, by the weighted average number of common shares and diluted securities outstanding during the year. Diluted ordinary income per share is computed by dividing diluted ordinary income allocated to common stock, which is diluted net income allocated to common stock as adjusted by extraordinary gains or losses, net of related income taxes, by the weighted average number of common shares and diluted securities outstanding during the year, assuming conversion into common shares at January 1, 1999.

Diluted earnings per share and ordinary income per share for the year ended December 31, 1999 are calculated as follows :

	Millions of Won (except for EPS data)
Net income allocated to common stock	₩1,984,971
Add : Interest expenses on convertible bonds, net of tax	1,906
	<u>1,986,877</u>
Weighted average number of common shares and diluted securities outstanding	108,820,224
Diluted earnings per share and ordinary income per share	<u>₩18,258</u>

The diluted securities outstanding for the year ended December 31, 1999 are as follows :

- Diluted security : Foreign currency denominated convertible bonds, issued in 1996
- Issue price : ₩33,096 million (US\$ 40 million)
- Conversion period : December 26, 1996 through October 26, 2006
- Number of common stocks to be issued : 1,492,558 shares
- Conversion price : ₩22,174 per share

21. Dividends :

Unappropriated retained earnings available for dividends for 1999 are as follows :

	Millions of Won
Unappropriated retained earnings before appropriations	₩1,266,092
Reversal of voluntary reserves	11,290
Appropriations of legal reserve and reserve for business rationalization	(212,800)
	<u>1,064,582</u>
Appropriations of voluntary reserves	(937,160)
Unappropriated retained earnings available for dividends after appropriations	127,422
Dividends	<u>₩127,378</u>

Details of dividends for the year ended December 31, 1999 are as follows :

Dividends		Common shares	Preferred shares
Number of shares		107,327,666	19,095,547
Par value		₩5,000	₩5,000
Dividend ratio		20%	21%
Total dividends		<u>₩107,327,666,000</u>	<u>₩20,050,324,350</u>
Dividend Payout Ratio			
Total dividends to be paid out (A)		₩127,377,990,350	
Net income (B)		2,005,021,086,932	
Dividend payout ratio ((A)/(B))		6.35%	
Dividend Yield Ratio			
		Common shares	Preferred shares
Dividend per share (A)		₩1,000	₩1,050
Market price as of December 31, 1999 (B)		₩47,000	₩25,060
Dividend Yield Ratio ((A)/(B))		2.13%	4.19%

22. Transactions with Related Parties :

Significant transactions entered into in the ordinary course of business with related parties for the year ended December 31, 1999 and the related account balances outstanding at December 31, 1999 are summarized as follows.

	Millions of Won			
	Sales	Purchases	Receivables	Payables
LG Electronics U.S.A., Inc.	₩696,998	₩12,777	₩13,993	₩12,754
LG Electronics Alabama, Inc.	317,061	8,415	6,491	8,794
LG Goldstar France S.A.R.L.	221,287	10,500	1,131	10,239
PT LG Electronics Display Devices Indonesia	215,896	41,193	16,259	286
Zenith Electronics Corporation	75,994	6,153	143,490	6,153
Other	3,198,234	970,297	191,127	237,303
	<u>₩4,725,470</u>	<u>₩1,049,335</u>	<u>₩372,491</u>	<u>₩275,529</u>

23. Segment Information :

The Company has organized three reportable business divisions : Display division, Home Appliances division and Multimedia division. Additionally, the Company has a centralized supporting division to provide general and administrative, marketing and sales and research and development services to each business division.

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

Display division : TV, CPT/CDT, Monitor, DY, FBT, Electron gun, Magnetron and PDP

Home Appliances division : Refrigerator, Washing machine, Air conditioner, Microwave oven and Vacuum cleaner

Multimedia division a VCR, PC, Computer, CD-ROM and Audio

Financial Data by Business Division (Millions of Won)

	Total	Business Division			Supporting Division
		Multimedia	Home Appliances	Display	
. Sales					
External Sales	₩10,546,099	₩2,952,759	₩3,032,259	₩4,205,273	₩355,808
Inter-division Sales	1,459,978	43,754	994,172	377,902	44,150
	12,006,077	2,996,513	4,026,431	4,583,175	399,958
. Ordinary Income (Loss)	684,012	216,419	525,231	522,974	(580,612)
. Fixed Assets					
Tangible and Intangible assets	2,832,358	415,288	796,847	766,147	854,076
Depreciation	370,763	58,081	82,535	152,963	77,184

Financial data by Geographic Area (Million of Won)

	Total	North Central & South							
		Domestic	America	America	Europe	Central Asia	Asia	Pacific	Others
Sales	₩12,006,077	₩4,163,891	₩2,407,551	₩376,425	₩1,364,540	₩423,478	₩2,917,293	₩149,002	₩203,897

24. Supplemental Cash Flow Information :

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

Pursuant to the provision of the revised Financial Accounting Standards, the Company amended the beginning balance of the cash and cash equivalents on the statement of cash flows as of January 1, 1999. As a result of retroactive adoption of the revised standards, the beginning balance of cash and cash equivalents on the statement of cash flows as of January 1, 1999 was decreased by ₩131,153 million.

Significant transactions not affecting cash flows for the year ended December 31, 1999 are as follows :

	Millions of Won
Transfer to property, plant and equipment from construction in progress	₩35,735
Transfer to machinery and equipment from machinery in transit	79,602
Additional provision of severance benefits	11,907
Reclassify current maturities of debenture	1,154,450
Reclassify current maturities of long-term debt	217,800
Retroactive adoption of the revised standards on prior year's research cost	425,582
Retroactive adoption of the revised standards on deferred income tax	254,280
Retroactive adoption of the revised standards on sales of receivables	34,734
Retroactive adoption of the revised standards on the equity method of accounting	251,797
Transfer to investments from receivables from Zenith	433,119

25. Subsequent Events :

On January 1, 2000, LG information Communications Co., Ltd., an affiliate, transferred its domestic sales division of its mobile phone business. The purchase price and payment terms are presently being negotiated.

EUROPE

- LGGEWA LG Electronics Wales Ltd. (Monitor, CPT/CDT)
- LGEMA LG Electronics Miawa Sp.Z.O.O. (TV)
- LGGENE LG Electronics North of England Ltd. (MWO)
- LGGEUK LG Electronics U.K. Ltd.
- LGGEFS LG Electronics France S.A.R.L
- LGGEDG LG Electronics Deutschland GmbH.
- LGGEIS LG Electronics Italia S.P.A.
- LGEMK LG Electronics Magyar Kft.
- LGGEPL LG Electronics Polska Sp Z.O.O.
- LGGEES LG Electronics Espana S.A.
- LGGEAL LG Electronics Antwerp Logistics N.V.
- LGGESE LG Electronics Services Europe B.V.
- LGGEDT LG Electronics Design-Tech Ltd.
- LGESW LG Electronics Sweden AB

CIS

- LGGEAK LG Electronics Almaty Kazak Ltd. (TV)
- LGGERI LG Electronics Russia Inc.
- LGGEUR LG Electronics Ukraine Inc.

MIDDLE EAST & AFRICA

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

CHINA

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





ASIA

- LGEDI P.T. LG Electronics Display Devices Indonesia (VCR, CPT/CDT, Monitor, DF)
- VGI Video Display Glass Indonesia Product (Funnel)
- LGEIN P.T. LG Electronics Indonesia (TV, REF)
- LGECM LG Collins Electronics Manila Inc. (TV, Audio, A/C, W/M, VCP)
- LGESV LG SEL Electronics Vietnam Inc. (TV)
- LGETH LG Electronics Thailand Co., Ltd. (W/M)
- LGEMT LG Mitr Electronics Co., Ltd. (TV, Video)
- LGEMH LG - MECA Electronics Haiphong Inc. (A/C, W/M)
- LGEAP LG Electronics Australia Pty., Ltd.
- LGEML LG Electronics Malaysia sdn.Bhd.

INDIA

- LGEHL LG Electronics Hotline CPT Ltd. (CPT)
- LGEIL LG Electronics India (CTV, MWO, REF, W/M, A/C)
- LCSI LG Soft India Private., Ltd.

JAPAN

- LGEJP LG Electronics Japan, Inc.

NORTH AMERICA

- LGEAI LG Electronics Alabama, Inc. (Magnetic Tape)
- LGEMX LG Electronics Mexicali S. A. DE C.V. (TV, Monitor)
- LGGEUS LG Electronics U.S.A., Inc
- LGECI LG Electronics Canada, Inc.
- LGEMS LG Electronics Mexico S.A. DE C.V.
- LGERS LG Electronics Reynosa Ltd.
- LGEMM LG Electronics Mexico Appliance A.S. DE C.V.

LATIN AMERICA

- LGESP LG Electronics de Sao Paulo Ltd. (Monitor)
- LGGEAZ LG Electronics da Amazonia Ltda. (TV, VCR, MWO)
- LGEPS LG Electronics Panama S.A.
- LGEPRL LG Electronics Peru S.A.
- LGECB LG Electronics Colombia Ltda.
- LGGEAR LG Electronics Argentina Bs. As.

VICE CHAIRMAN & CEO



John Koo

PRESIDENT



Yong Ak Ro
LGE Holding Company for China



Chang Soo Kim
LG Electronics Institute of Technology



Kun Hi Yu
LG Production Engineering Research Center



Byung Chul Jung
Chief Financial Officer



Seung Pyeong Koo
Head of Digital Display Company



Woo Hyun Paik
Chief Technology Officer

SENIOR EXECUTIVE VICE PRESIDENT



Ssang Su Kim
Head of Digital Appliance Company



Hee Gook Lee
Corporate R & D



Nam Kyun Woo
Head of Digital Media Company



EXECUTIVE VICE PRESIDENT

-

Sung Ho Kang
 Kwang Soo Jeong
 Jin Bang Son
 Ki Song Cho
 Sang Kap Park
 Jin Soo Huh
 Ju Ik Song
 Kyeong Ji Lee
 Chul Ho Kim
 Kwang Ro Kim
 One Suck Sung
 Dal Ung Kim
 Mun Hwa Park
 Myeong Kyu Ahn
 Young Kee Kim

SENIOR VICE PRESIDENT

-

Young Gil Kim
 Young Soo Kim
 Young Yong Park
 Jong Hee Lim
 Il Hoon Hwang
 Young Pyo Bae
 Sok Eun Kim
 Tae Hong Pyeong
 Young Ha Kim
 Sung Goo Gang
 Hong Jin Park
 Bok Yong Park
 Ja Yong Koo
 Shin Ik Kang
 Kew Chul Chee
 O Sik Kong
 Young Soo Koo
 Hyo Sang Bang
 Chan Yong Park
 Woon Kwang Hwang
 Jong Duk Choi
 Man Bok Choi
 Jeong Heui Park
 Hee Jo Ha
 Myung Soo Huh
 Man Jin Han
 Jeong Il Son
 Young Su Kweon
 Kwang Woo Lee

Standing

-

Bon Moo Koo
 John Koo
 Byung Chul Jung

Non-Standing

-

Chang Soo Huh
 Ki Rak Sohn
 Yu Sig Kang

Outside Directors

-

Yong Chin Kim
 Byung Nak Song
 Jae Hyung Lee

Date of Establishment:	October 1, 1958 (As a private company) February 17, 1959 (As an incorporated company)
Corporate Office:	LG Twin Towers, 20, Yoido-dong, Yungdungpo-gu, Seoul 150-721, Korea Tel: (02) 3777-1114
Paid-in Capital:	632,116 million won
Common Stock:	Issued and Outstanding, 107,327,666
Preferred Stock:	Issued and Outstanding, 19,095,547
Independent Public Accountants:	Samil Accounting Corporation
Overseas Network:	60 subsidiaries
Number of Employees:	23,150 (Domestic, including FSE) + 25,375 (Overseas, employees of Zenith excluded)
Shareholders' Meeting:	The annual shareholders' meeting is held within 3 months following the end of the fiscal year at the company's corporate office located at 20, Yoido-dong, Youngdungpo-gu, Seoul, Korea
Listing:	The company's stock is listed on the Korea Stock Exchange in Seoul, Korea The company's CBs and EBs are listed in Luxembourg & London Stock Exchanges
Annual Report:	Complimentary copies of this annual report may be obtained upon written request addressed to: Brand Communication Team, LG Electronics Inc. Tel: (02)3777-3633, Fax: (02)3777-5331 Internet: http://www.lge.com

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- 1958 › Founded as GoldStar
 - 1959 › Developed and produced Korea's first transistor radio
 - 1962 › Exported South Korea's first consumer products (radios)
 - 1965 › Developed South Korea's first refrigerator
 - 1966 › Developed South Korea's first television
 - 1969 › Developed South Korea's first washing machine, air conditioner, and elevator
 - 1975 › Established South Korea's first private R&D facility (GoldStar Central Research Laboratory)
 - 1978 › Established first overseas sales subsidiary in the USA (GoldStar Electronics International)
 - › Became South Korea's first electronics maker to surpass US\$100 million in exports
 - 1980 › Established first European sales subsidiary in Germany (GoldStar Deutschland)
 - 1982 › Established South Korea's first overseas TV plant in Huntsville, Alabama, USA (GoldStar America)
 - › Developed South Korea's first microcomputer and video camera
 - 1983 › Developed South Korea's first and the world's second 8mm camcorder
 - 1986 › Established first European VCR production plant in Germany (GoldStar Europe)
 - 1987 › Floated a US\$30 million convertible Euro bond issue
 - 1989 › Established joint ventures in the Philippines, Thailand, and the UK
 - 1990 › Established joint venture in Egypt, Italy, and Indonesia
 - › Established first overseas design center in Ireland (GoldStar Design Technology)
 - 1991 › Floated a US\$70 million convertible Euro Bond issue
 - › Purchased of 5 percent equity stake in Zenith Electronics of America
 - 1992 › Completed corporatwide restructuring
 - 1993 › Broke ground for a TFT-LCD plant in South Korea
 - 1994 › Developed FMV, VOD, and multimedia PCs
 - › Acquired Zenith Electronics of America
 - 1996 › Declaration of LEAP2005, the corporate's new vision
 - 1997 › Launched "LG" brand in the world market replacing the former "GoldStar" label
 - › Developed the world's first IC set for digital TVs
 - 1998 › Reinforced business restructuring activities
 - 1999 › Declaration of Digital LG vision



LG Electronics Inc.

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