



 **LG Corp.**
annual report 2004

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Financial Highlights

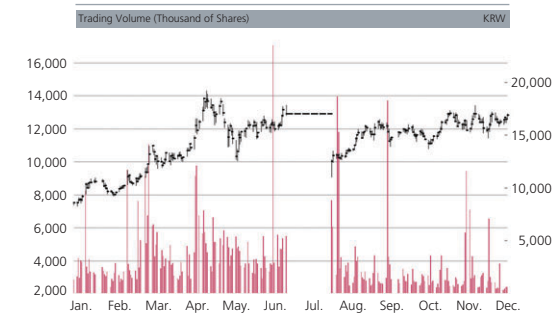
[Unit: KRW one million]

	2003	2004
Total Assets	6,151,196	4,251,613
Current Assets	326,877	146,019
Fixed Assets	5,824,319	4,105,594
Total Liabilities	1,892,690	879,502
Current Liabilities	881,427	303,299
Long-term Liabilities	1,011,263	576,203
Total Shareholders' Equity	4,258,506	3,372,111
Capital Stock	1,352,860	879,359
Capital Surplus	1,975,647	1,604,977
Retained Earnings	1,357,870	1,857,098
Capital Adjustments	△427,871	△969,323
Operating Revenue	377,436	760,963
Operating Expense	178,773	54,410
Operating Income	198,633	706,553
Non-operating Income	107,999	117,120
Non-operating Expenses	291,800	176,889
Income before Income Taxes	14,862	676,784
Income Tax Expense	29,795	71,237
Net Income	△14,933	575,547

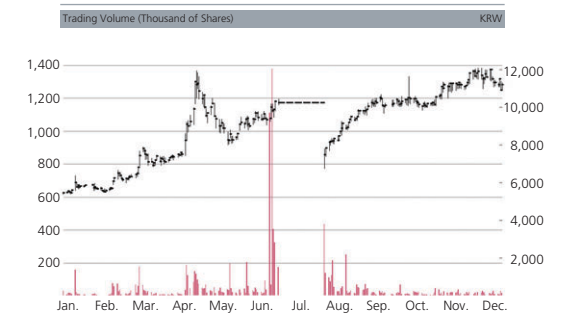
[Unit: KRW, %, times]

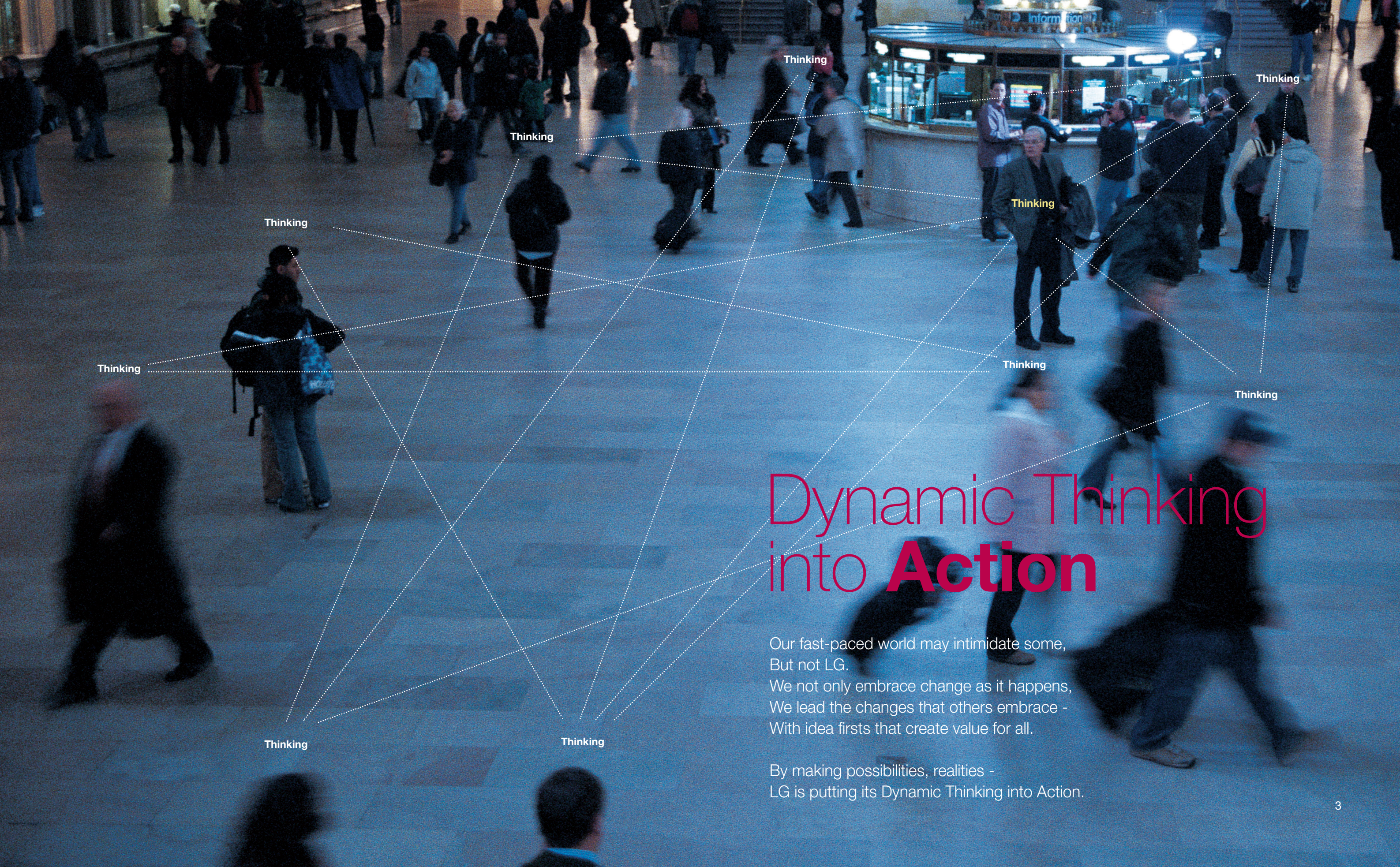
Net Debt-to-Equity Ratio		28.02	13.24
Return On Equity (ROE)		△0.36	15.09
Book-value Per Share		19,572	22,554
Price Book-value Ratio (PBR)	Highest	0.58	0.85
	Lowest	0.30	0.37
Earnings Per Share (EPS)		△76	2,672
Price Earnings Ratio (PER)	Highest	-	7.19
	Lowest	-	3.11
Stock Price	C/S Highest	11,300	19,200
	C/S Lowest	5,950	8,300
	P/S Highest	6,400	12,100
	P/S Lowest	4,259	5,400
	C/S YE	8,290	16,900
	P/S YE	5,390	11,200
Number of Shares Issued	Common Stock	265,472,509	172,557,131
	Preferred Stock	5,099,503	3,314,677

Common Stock



Preferred Stock





Dynamic Thinking into **Action**

Our fast-paced world may intimidate some,
But not LG.
We not only embrace change as it happens,
We lead the changes that others embrace -
With idea firsts that create value for all.

By making possibilities, realities -
LG is putting its Dynamic Thinking into Action.



Confidently putting our
Dynamic Thinking into Action makes
LG Number One

To our esteemed Shareholders, Clients and Employees,

To begin, we at LG would like to extend our sincere appreciation for your continued support and faith over the past year.

The year 2004 was witness to the exclusion of GS from LG. Now with a firmer foundation, our goal is to become the world leader in our core business areas of electronics and chemicals.

The transition to a holding company in 2003 allowed each subsidiary to concentrate on enhancing its respective core competency. It also paved the way for greater transparency, a more professional and responsible management structure, and a recognition system based on merit.

Our handsome year-on-year net income for fiscal year 2004 was KRW 5,756 billion, a number we attribute to the bold transformations undertaken throughout the year. And in light of both internal and external challenges, including slumps in domestic demand and runaway oil prices, this financial gain is even more impressive.

Over the past year, LG enjoyed strong growth in mobile handset and digital TV exports, profit expansion in the chemicals business, and notable improvements in the telecommunications business unit.

Sound performances by our subsidiaries and the implementation of new standards of corporate governance significantly raised investor confidence, which is reflected in the 104% jump in our share price in 2004.

Reinforcing our investment portfolio

Our activities are guided by a firm conviction that exploring new opportunities and nurturing new businesses on an ongoing basis sets the foundation for sustainable growth and long-term success.

Supporting our subsidiaries to optimize performances

All companies under the LG umbrella are fully supported to provide clients and customers with the valuable product and service differentiation they have come to rely on--even in the most challenging of environments. We also seek ways to maximize synergy between subsidiaries. Heightening global competitiveness is another element important to our overall strategy, which is why we actively support BRICs countries and other strategic overseas market expansion.

Raising LG brand value

All promotions support the LG brand image as a trendsetting company with superior quality products. LG differentiates itself on the basis of product and service excellence, thus ensuring optimum customer satisfaction, enhancing the brand power of LG and heightening LG product demand.

Commitment to transparent management

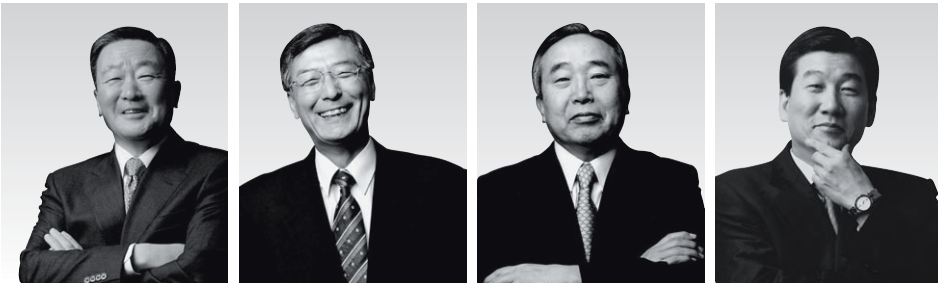
LG Corp. is committed to meeting the highest standards in corporate ethics to realize transparent management. The company is well aware that respect and trust from shareholders is integral to our long-term success.

Once again, we thank all of you for your unwavering trust in our organization and ask for your continued guidance. We renew our pledge to maximize both customer satisfaction and shareholder value as we march forward.

Thank you.

Koo, Bon Moo
Chairman and Chief Executive Officer

Board of Directors



Koo, Bon Moo

Chairman of the Board

Education Cleveland University, USA | M.A. Business
 Current Chairman and CEO, LG Corp.
 2001 Chairman and CEO, LGCI
 1995 Chairman and CEO, LG Electronics / LG Chem
 1981 Vice President, LG Electronics

Kang, Yu Sig

Director

Education Seoul National University | B.S. Business
 Current Vice Chairman and CEO, LG Corp.
 1999 Chief, LG Restructuring Headquarters
 1987 Vice President, LG Electronics
 1972 Joined LG Chem

Sung, Jae Kap (Retired as of Mar. 18, 2005)

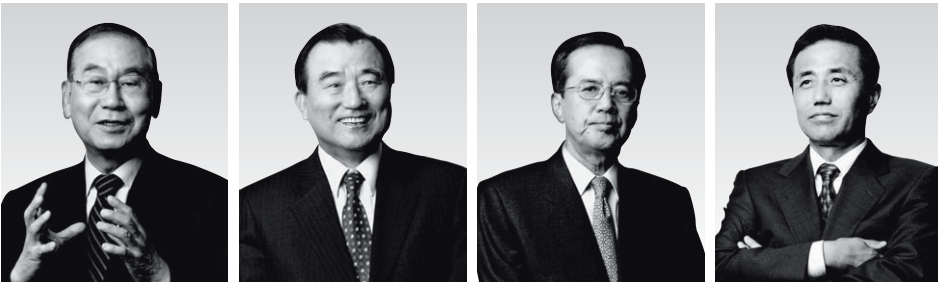
Director

Education Pusan National University | B.E. Chemical Engineering
 Current Chairman, LG Petrochemical
 1996 Vice Chairman and CEO, LG Chem
 1978 Vice President, LG Chem
 1963 Joined LG Chem

Jung, David Dohyun (Elected as of Mar. 18, 2005)

Director

Education Seoul National University | B.S. Business
 Current Executive Vice President and CFO, LG Corp.
 2003 Vice President, LG Corp.
 2000 Vice President, LG Restructuring Headquarters
 1983 Joined LG Group Headquarters Office



Kim, Jin Hyun

Director

Education Seoul National University | B.A. Sociology
 Current Chairman of the Board, World Peace Forum
 1999 CEO, Munhwa Daily
 1995 President, University of Seoul
 1990 Minister of Science & Technology (13th)

Kim, Yong Chin

Director

Education Seoul National University
 M.A. German Language & Literature
 Current Advisor, Ahn Kwon & Co.
 1996 Minister, Science & Technology (17th)
 1995 Governor, Bank Supervisory Service (16th)
 1994 Vice Minister of Finance (38th)

Koo, Ja Jung

Director

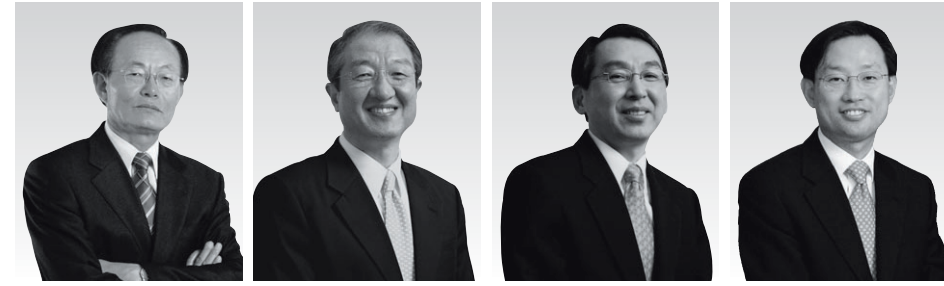
Education Dongguk University | B.S. Trade
 Current Outside Director, LG Corp.
 1999 Chairman / Advisor, Hana Securities
 1996 Governor, Boram Bank
 1991 Auditor, Boram Bank

Shin, Young Soo

Director

Education Northwestern University, USA
 Ph.D. Industrial Engineering and Management Sciences
 Current Professor, Yonsei University School of Business
 2003 Chief Librarian, Yonsei University Central Library
 1999 Chairman, Korean Production & Operation Management Society
 1983 Chairman, Academy Council of Korea Operations Research and Management Science Society

Executive Officers



Shin, Yong Sam

Executive Vice President
 Head of Corporate Auditing Office

Lee, Michael Byungnam

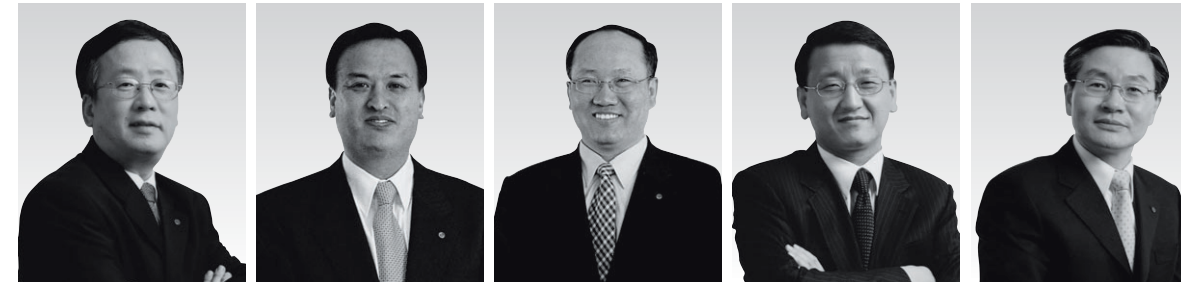
Executive Vice President
 Head of Human Resources

Jung, Il Jae

Executive Vice President
 Head of Management Administration
 (Telecommunications and Services) &
 Brand Management

Kim, Sang-Hun

Executive Vice President
 Head of General Counsel



Park, Seog Won

Vice President
 Head of Management
 Administration (Electronics)

Yin, Yu-Seong

Vice President
 Head of Chairman's Office

Han, Myeung Ho

Vice President
 Head of Management
 Administration (Chemicals)

Lee, Jong-Sang

Vice President
 General Counsel / Member of Korean Bar

Lee, Hyuk-Ju

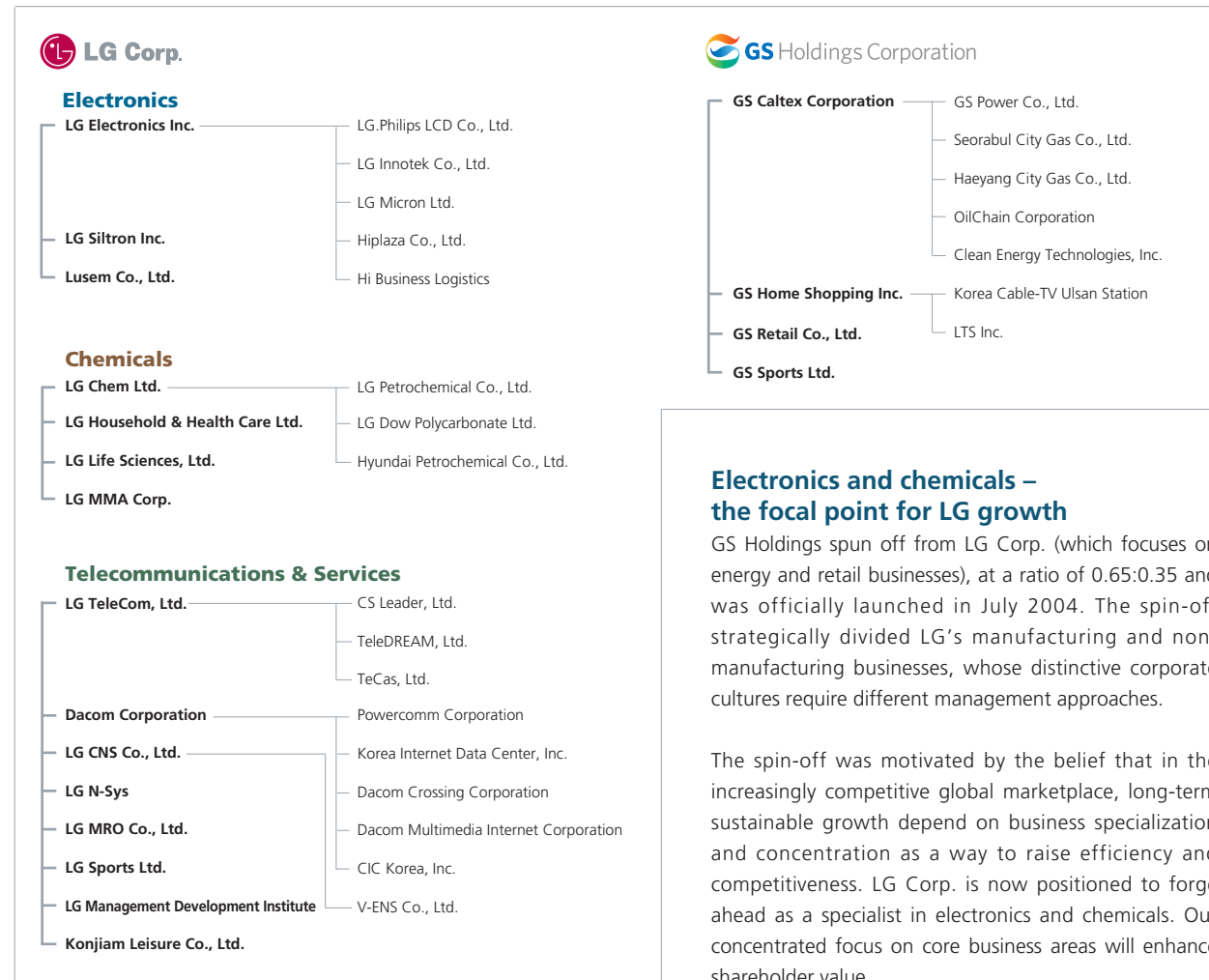
Vice President
 Finance & Accounting Team

Five Forces - Greater Thinking Power - No Limits

Our five core strengths will ensure value creation, synergy and global leadership.

The year 2005 marks the 10th anniversary of the LG brand. It is the year that LG embraces change and creativity, and becomes an even stronger trendsetter with higher brand recognition than ever before. Armed with our five core forces: Competitive Innovation, Digital Convergence, Global Leadership, Brand Power, and Human Resources, we're putting our Dynamic Thinking into Action.

Subsidiaries of LG Corp. and GS Holdings after spin-off (As of December 2004)



Electronics and chemicals – the focal point for LG growth

GS Holdings spun off from LG Corp. (which focuses on energy and retail businesses), at a ratio of 0.65:0.35 and was officially launched in July 2004. The spin-off strategically divided LG's manufacturing and non-manufacturing businesses, whose distinctive corporate cultures require different management approaches.

The spin-off was motivated by the belief that in the increasingly competitive global marketplace, long-term sustainable growth depend on business specialization and concentration as a way to raise efficiency and competitiveness. LG Corp. is now positioned to forge ahead as a specialist in electronics and chemicals. Our concentrated focus on core business areas will enhance shareholder value.

Post-restructuring objectives and expected benefits

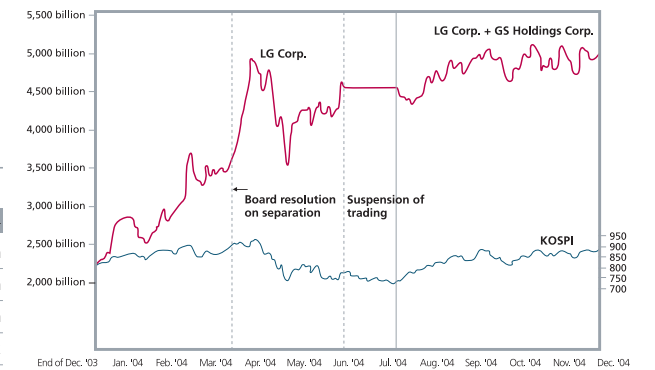
- Grow into a globally competitive holding company with a business portfolio concentrated on core competencies.
- Fortify each division's competitiveness by establishing a systematic framework to facilitate decision-making suited to each business area and enhance management efficiency.
- Foster each business through concentrated specialization and maximize synergies.
- Enhance investment returns and strengthen potential with maximized investments in core businesses.
- Disperse management risk by reinforcing core business area capabilities and expertise.
- Maximize shareholder value by increasing transparency and investor confidence.

Major successes of restructuring

The spin-off has proven successful in strengthening core business competencies and maximizing shareholder value. Market capitalization of the pre-split LG Corp. stood at KRW 2,228 billion at the end of December 2003. At year-end 2004, LG Corp.'s market cap was recorded at KRW 2,953 billion and GS Holdings stood at KRW 2,105 billion for a combined total of KRW 5,059 billion, a 127% increase.

Market capitalization comparison before and after LG-GS spin-off

	Before spin-off announcement		Suspension of trading	Re-listing	
	December 30, 2003	April 12, 2004	June 28, 2004	August 5, 2004	December 30, 2004
LG Corp.	2,228 billion	3,945 billion	4,565 billion	2,195 billion	2,953 billion
GS Holdings	-	-	-	2,337 billion	2,105 billion
Total	2,228 billion	3,945 billion	4,565 billion	4,532 billion	5,059 billion
KOSPI	810.71	918.86	770.95	743.35	895.92



A fresh start for LG

In the wake of the spin-off and transition to a holding structure, LG Corp.'s business scope now encompasses eight subsidiaries engaged in the electronics business including LG Electronics, LG.Philips LCD, LG Innotek, and LG Micron; seven subsidiaries in the chemicals business including LG Chem, LG Petrochemical, LG Household & Health Care, and LG Life Sciences; and 17 subsidiaries involved in the telecommunications & services business including LG TeleCom and Dacom. LG Corp. is on the way to a new future as a global leader focused on electronics and chemicals.

Ensuring global competitiveness,
growth, and efficiency
Restructuring will lead us boldly into the future.
At LG, we are making changes that matter.



Advent of the ubiquitous era

"Ubiquity" and "convergence" are two prevalent buzzwords in today's IT industry. IT ubiquity is being called the fourth revolution, the next major social transformation following the agricultural, industrial, and information revolutions.

The ubiquitous era is expected to bring about significant change to our society. Its arrival will be heralded by the existence of wireless mobile devices that support audio and visual broadcasts, the internet, remote control, and video telephony.

The concept of convergence will be essential to achieving this IT ubiquitous world. Convergence unifies and blends media, information, and technology. Through this innovative new industrial trend, IT industries will have the capabilities to reach markets en masse.

For LG, convergence implies further strength and future growth. The power of convergence has already been realized to a great extent in the synergy effects garnered from connecting our electronics, chemicals, and information & telecommunications businesses. As such, we stand ready to apply our superior technological strengths in equipment, telecommunications, broadcasting, and multimedia to emerge as a forerunner in the IT ubiquitous era.

On the road to digital convergence

Convergence involves applications, networks, and services. A good example of application convergence is the mobile phone, which has established itself as a necessity for day-to-day living. Cell phones will become more essential as their multimedia capabilities improve, supporting increasingly more functions. At present, many handsets have built-in digital cameras and MP3 players, and the market has already witnessed the launch of a model that integrates PDA functions. A DMB phone, capable of receiving Digital Multimedia Broadcasting (DMB), will be released within the year.

The MP3 player is another portable device that demonstrates the concept of convergence. Not only do these devices support audio, some models are capable of video functions, and cameras and broadcasting capabilities will likely soon be integrated into MP3 players as well. To lead the convergence trend, LG focuses its interest on ultra-compact, high-density system ICs, which factor greatly in equipment convergence by combining multiple functions in a small space.

We are also well positioned to front network convergence, which is an environment where network access is available any time and any place via portable devices. Our Onephone, which offers wireless capability outside the home and wired capability inside, and an upcoming product line focused on content sharing between devices, are just a few of the ways LG is preparing for network convergence. Soon mobile phone users will be able to view multimedia content through handsets or connect devices to digital TVs for larger screen viewing. It will also be possible to view TV content on portable devices. LG will continue developing convergence devices that are compatible with different services and can be seamlessly connected to wired and wireless networks.

Service convergence refers to the integration of broadcasting and telecommunications. This phenomenon is expected to proceed rapidly, and LG is prepared to capitalize on its movement. Work is underway to link telecommunications with TV networks and allow Internet content viewing via TV. We are also preparing for the convergence of the home network with broadcasting and the PC with broadcasting, along with other network connectedness. In addition, we are in the process of developing an all-in-one AV device, a set-top box that combines DVD and HDD recorder functions with integrated wired and wireless networks.

The convergence era demands a new and advanced business model. To meet this prerequisite we're pushing ahead with in-house development of products and services, while pursuing cooperative relationships with network, service, and contents companies.

Leading the era of digital convergence
We will create a new world that advances
people and society.

**At LG, we are pioneering ways to achieve
complete unity between technology and
humanity.**

LG on the world stage

LG has become a household name in China--the newest, most prominent regional market for global companies, as well as in India, Russia, and Brazil. Our growth as a global brand is a necessary part of staying competitive, and brand value is a key determinant of corporate success in today's world. Futurist John Naisbitt stated that the future of the Korean economy will depend on how many top global brands Korea can cultivate.

Top three brand aspirations

LG aspires to be one of the world's top three brands in the fields of electronics and chemicals. LG Electronics aims to join the top five in the electronics and information & telecommunications market by expanding its mobile handset and display operations. Specifically, LG Electronics' goal is to reach 30,000 billion won in sales in 2005 and rank third in the world by 2010. Meanwhile, LG.Philips LCD aspires to claim the No.1 spot in the global LCD market by dominating the high-end LCD industry and the LCD TV application segment, the most important segment in the LCD market. One of LG Chem's target objectives for 2005 is raising sales in its overseas businesses by 50%, and leading the polarizer market by 2006 and the rechargeable batteries market by 2008.

LG's market leading products

Company	Product
LG Electronics Inc.	Air Conditioner, Optical Storage, DVD player, CDMA Mobile Phone, Vacuum Cleaner, Home Theater Aspiring leader in 2005 PDP Module and W-CDMA markets
LG Chem Ltd.	High Gloss Sheet, Transparent ABS, Flame Retardant ABS, Bannerflex, Heat Flooring XL-PE, Weatherable Acrylate Styrene Acrylonitrile Aspiring leader in Polarizer market in 2006 and Rechargeable Battery market in 2008
LG Innotek Co., Ltd.	Motor, Tuner
LG Micron Ltd.	Shadow Mask

Ascending to a higher plane in management transparency

We view the spin-off as an opportunity to take our management system to a higher level and maximize the potential of our valuable human resources. Our blueprint for long-term growth entails collaboration with prominent companies throughout the world. In fact, we have already set up numerous joint ventures with world leading companies. Such endeavors have contributed to increasing transparency, facilitating overseas expansion, developing new technologies, and boosting productivity.

Major joint ventures between LG and overseas companies

Year established	Business	Ownership structure
Jul. 2004	Lusem Co., Ltd.	LG Corp. (64.8%), Oki Electric Industry Co., Ltd. (35.2%)
Jul. 2001	LG.Philips Displays Holding B.V.	LG Electronics Inc. (50%), Philips Electronics N.V. (50%)
May 2001	CIC Korea, Inc.	Dacom Corporation (48.8%), Trans Cosmos, Inc. (48.4%), Others (2.8%)
May 2001	Dacom Crossing Corporation	Dacom Corporation (51%), Asia Netcom. (49%)
Sep. 1999	LG.Philips LCD Co., Ltd.	LG Electronics Inc. (44.6%), Philips Electronics N.V. (44.6%), Others (10.8%)
Oct. 1998	LG Dow Polycarbonate Ltd.	LG Chem Ltd. (50%), The Dow Chemical Company (50%)
Oct. 1998	LG TeleCom, Ltd.	LG Corp. (37.4%), BT Group PLC (15.6%)
Mar. 1991	LG MMA Corp.	LG Corp. (50%), Sumitomo Chemical Co., Ltd. (25%), Nippon Shokubai Co., Ltd. (25%)
Sep. 1986	LG Hitachi Ltd.	LG Corp. (49%), Hitachi, Ltd. (51%)

Entering the top level on the global stage in electronics, chemicals and telecommunications We will fortify our reputation as one of the world's best companies.

At LG, we are establishing a blueprint for long-term growth.



About LG Corp.

Brand Power

Brand power – a crucial asset for global enterprise

According to Interbrand, the leading international brand consulting agency, brand value represents 38% of shareholder value for global companies. This figure is higher than the percentage of tangible assets at 36%, and the percentage of intangible assets at 26%, thus clearly demonstrating the value of strong brand power.

An enduring brand from a decade of work

Currently the No. 2 brand in Korea, LG has become a familiar presence in all industries ranging from electronics and chemicals, to household goods, to telecommunications and information technology (IT). Along the path to corporate success, LG has also helped develop Korea's backbone industries and contributed to fostering the prosperity of society as a whole.

As a global corporate citizen, LG intends to win the trust and respect of the world. In Russia, LG has quickly established itself as a household name. Over in the US, LG is recognized as a forerunner in next-generation W-CDMA technology. For India and China, LG is a company dedicated to advancing local economies and improving the standard of living. In short, across the world, LG is a name that people not only recognize and trust, but also it is considered a local brand beloved by local people.

Brand marketing for the future

Following the transition to a holding company structure, LG Corp. has stepped up efforts to enhance its brand value by managing brand equity through developing brand awareness, heightening brand value, preventing brand defamation and allowing brand use. Brand royalty agreements have been concluded with all companies using the LG name. These agreements explicitly define brand ownership and increase brand management responsibility and efficiency. To keep LG focused on its commitment to bolstering brand power, a new team has been organized to manage the LG brand. Strategy planning is underway to cultivate LG into a premier global brand.

LG brand royalty scheme

In order to achieve brand marketing objectives, companies wishing to use the LG name are required to pay royalty fees. Fees are based on a certain percentage of revenues agreed upon by LG Corp. and the brand user. LG Corp. uses the royalty fees for brand strengthening promotional activities that include setting brand strategy and advertising its corporate image, as well as for various other publicity events. The Company is also in charge of higher-level brand management that subsidiaries can not handle on their own.



Cultivating LG as a premier global brand
We will continue to win the trust and respect of
the world.

**At LG, we are building up our brand equity to
bring our shareholders the apex of value.**

BRAND
POWER

A world-class company depends on world-class talent

Fortune magazine named General Electric as the world's most respected company five years in a row based on the company's renowned human resources management. At Microsoft, it's rumored that Bill Gates once flew in a prospective employee using his personal helicopter in fear of losing such a valuable company asset. According to Jim Collins, the author of *Good to Great*, companies that make the transition from good to great understand the value of their human resources. The best companies have demonstrated that brainware may be the key to success over hardware and software. The ideas created by brainpower are often the starting point for new products and services, making it a vital part of cultivating world-best global human resources.

A "First Class LG" needs exceptional people

In August of 2004, some 50 LG executives, including LG Corp. Chairman Koo, Bon Moo, gathered for the Global CEO Conference where it was reaffirmed that the key to LG's "First Class LG" vision lies in finding and retaining talent. LG recruits the world's finest minds with a special focus on the fields of technology and engineering. A strong R&D workforce is essential to LG's business success.

Human resources management at LG

- All employees and officers are considered potential recruiters.
- All salary, nationality, and formality issues are inessential to mid-management hiring for specialized core technology divisions.
- The global internship program gives highly qualified foreigners opportunities to work for LG companies in Korea and abroad.
- Skilled technology experts are nurtured as future CTOs and CEOs through advanced education opportunities.

Seeking strong innovative and competitive spirits

LG will hire 6,200 new college graduates in 2005. More than 90% of the positions will be filled by graduates with backgrounds in science or engineering. Our major subsidiaries (including LG Electronics, LG Chem, LG.Philips LCD, LG CNS) will conduct 30 recruiting tours in North America, Europe, Japan, China, India, and Russia. The tours will be conducted in hopes of securing 600 professionals with advanced degrees in science and engineering. On the home front we will pursue campus recruiting, and collaborate with academia and our current employees to assist in the recruiting of talented and motivated people.



Nurturing strong innovative individuals to lead the company
We will produce the world's best products with the world's best brainware.

At LG, we are growing first-class people with exceptional thinking power.

Subsidiaries

Thinking First

Thinking with a Higher Temperature

Thinking Outside the Box

Dynamic Thinking into **Action**

Thinking First
Thinking Outside the Box
Thinking with a Higher Temperature



Thinking **First**

Numerous actors have seen the spotlight, but none as often as the one and only Charlie Chaplin. Many hit rock bands come and go, but the Beatles will always remain leaders of the pack. Today, the heliocentric theory is common knowledge. However, 450 years ago, it was only Copernicus who believed that the earth rotated.

LG is a leading, globally-recognized brand in the electronics industry. Its secret to success lies in the belief that LG does not make electronic goods, they create Thinking Firsts.



With the power to Think First, there are no limits to the technological heights that LG can reach, and our stellar lineup of products attests to this fact.

2004 Performances

LG Electronics Inc. (LGE) posted its highest-ever revenue of KRW 24,659 billion in 2004, a 22% increase over 2003. With domestic sales at KRW 5,086 billion, exports dominated approximately 80% of total sales at KRW 19,537 billion. Operating income hit a new high of KRW 1,250 billion and operating income reached KRW 1,860 billion. Net income recorded KRW 1,546 billion.

The company's fastest growing business unit was in mobile telecommunications, which enjoyed a 57% increase in sales to KRW 9,233 billion. With accumulated growth of over 45% for the past five years, sales of mobile handsets in 2004 surged 61% year-on-year to reach KRW 8,351 billion. LGE also recorded the highest percentage of growth among global handset manufacturers. In 4Q 2004, the company ranked 4th in the global mobile handset market and led the 3G handset market.

The Digital Display and Media Company grew 7% from 2003 to KRW 9,033 billion, led by digital TV, PDP, and optical storage sales. The Digital Appliance Company saw a sales increase of 10% to KRW 6,216 billion, propelled by its sales in high-end household appliances. Notably, LGE maintained its lead in the air conditioner (WHISEN) and washing machine (TROMM) markets for the fifth consecutive year.

For LGE's subsidiary, LG.Philips LCD, the year 2004 was also a year of growth. Revenue swelled 34% to KRW 8,080 billion and operating income jumped 51% to KRW 1,641 billion. Net income for the year rose 62% to KRW 1,655 billion. And marking yet another milestone for the company, LG.Philips LCD shares were listed simultaneously on both the Korea and U.S. stock exchange last year, a first for any Korean company. IPO proceeds of some KRW 1,200 billion contributed to the company's financial standing. Strengthened by the application of international accounting standards, advanced corporate governance, and heightened transparency, LG.Philips LCD is fortifying its core competencies to realize sustainable growth and maximize shareholder value.

LG.Philips LCD further solidified its Thin Film Transistor-liquid Crystal Display (TFT-LCD) panels business with the launch of its P6 (sixth-generation fab) production plant in August 2004, the biggest facility of its kind in the world. Backed by the largest amount of capital for a single project in the industry to date, construction for the Paju Display Cluster (seventh-generation fab), which began in March 2004, is ongoing.

LG.Philips LCD has also tightened its grip on the Chinese market. Local production of LCD modules began in 2003, and a second plant commenced production in 2004. Just after two years in China, LG.Philips LCD has seen its total output top 10 million units, a clear indication that the company boasts superior manufacturing technology capabilities.

From a technology perspective, LG.Philips LCD is a global forerunner. TFT-LCD technology for TV applications distinguishes this product line from competing products. The company was also the first to develop the Cu bus line and apply it to mass production. LG.Philips LCD's superior R&D activities have led to the implementation of advanced processes and new components like the multi Driver-IC, Prism and Light Guide Panel, and have enabled cost savings and enhanced product quality. The company's introduction of the 20.1" AM OLED display, based on single plate low temperature polysilicon (LTPS) technology, is testament to its dedication to future-generation product research.

Successful operation of its P6 plant has facilitated production of a full line-up of large-size products. And this, along with establishing a customer base that includes the world's major TV manufacturers, will push LG.Philips LCD to the top of the LCD industry. In terms of monitor and notebook PC LCDs, the company is using its respected standing in the high-end product market to maximize profits.

[Mobile Handsets]

- Entered the 3G market earlier than competitors by providing 3G W-CDMA mobile phones to Hutchison 3G.
- Employed slim designs and multimedia technologies to secure leadership in the 3G mobile phones product market.
- Developed the world's first terrestrial DMB-receiving mobile phone in response to new fusion trends between telecommunications and broadcasting.
- Built DMB line-ups including satellite DMB phones and their terminals.
- Developed and launched portable PDA phones with built-in mega-pixel cameras and wireless LAN.
- Developed and launched new technology-enhanced phone firsts including the MP3 phone, 2M camera phone, and the fingerprint activated phone in Korea.
- Launched the first VOD available EV-DO phones and EDGE phones in North America.
- Launched the first World Phone (CDMA+GSM) in China.

[DTV]

- Focused on core technology sectors such as display modules, ASIC and software.
- "Enhanced VSB", the next generation DTV transmission mode, was adopted as the Advanced Television Systems Committee (ATSC) Digital TV Standard in the U.S.
- Acquired the world's first certificate of Digital Cable Ready and secured a favorable market position to make inroads into North America's cable TV market.
- Commercialized world's first premium 71" PDP TV and 55" LCD TV products.
- Developed ground-wave and satellite DMB Chipsets and took initiatives in the DTV mobile receptor market in order to trigger future DTV market growth.

[PDP]

- Adopted new manufacturing processes and have been continuously promoting productivity innovation activities since the construction of world-class facilities for the third phase production line launched in April 2004.
- Developed and launched the world's first 42" VGA PDP with a contrast ratio of 10,000:1 and brightness of 1,500 cd/m² in early 2005.
- Developed and launched the world's first 42" PDP, applying HD Single Scanning technology.
- Launched production of the world's largest-size 71" Full HD PDP in November 2004, thus establishing a product line ranging from 42" to 71".

[New Business]

- Developed the world's largest 20.1" AM OLED-an active matrix organic light emitting diode display.
- Significantly expanded the home network and telematics product lines.
- Strengthened R&D in futuristic new energy technologies including fuel cells.

[Optical Storage]

- Led global market share in all product groups.
- Developed the high-speed DVD \pm RW Drive and slim-type Super Multi Drive applicable for all DVD sizes.

From utilizing R&D as the cornerstone for ceaseless growth To becoming a Global Top Five in the electronics and information & telecommunications sectors

Management Strategies for 2005

In 2005, LG Electronics (LGE) will challenge itself to become a Global Top Five in the electronics and information & telecommunications industry. To achieve this goal, the company will focus on major businesses—including mobile handsets and displays—to build a foundation for rapid growth. LGE will also enhance profitability in the digital appliance business and actively pursue new businesses (as an extension of its existing businesses) in order to secure a position as a Global Top Three company in the electronics and information & telecommunications industries by 2010.

In preparation for the advent of the era of convergence, LGE will develop premium terminals where multimedia, united media and telecommunications, and other differentiated functions are applied. Upon this development, the company hopes to establish itself in the Global Top Three of the mobile handsets industry by 2006. With the increasing popularity of digital TVs, the company is looking to secure market initiatives in the display industry based on its competitiveness in Digital TV chips and PDP/LCD modules. It is also set on nursing digital media to lead the digital convergence era, and on enhancing digital appliance profitability to create a ready cash cow. In following with these activities, the company will reinforce its core businesses and develop advanced technologies in all sectors to establish global competitiveness in price and product quality.

With regard to new and future business sectors, LGE will develop new products and cooperative business ties based on digital technologies accumulated over years of experience. Making full use of its core Digital Multimedia Broadcasting (DMB) technology, it plans to lead the next generation of mobile TVs and actively expand business by focusing on key technologies and patents for next generation displays such as OLED. Furthermore, the company will strengthen R&D in ubiquitous networking, telematics and mobile devices for proactive, advantageous market positioning.

Continuous investment in R&D will strengthen our core competencies and provide a cornerstone for growth on the path to becoming part of the Global Top Three in the electronics and information & telecommunications industry. By securing qualified R&D human resources both in Korea and abroad, the company will fortify its global R&D network. In particular, KRW 1,800 billion will be invested in 2005 in order to further develop standard technologies and core patents and enhance the software and design sectors.

LG.Philips LCD has designated 2005 as the year it will lead the international LCD market in quality and quantity. In order to rise as a true leader in the LCD industry, the company plans to fulfill four key objectives.

- First, implement cost innovation strategies in order to maximize customer value, expand LCD market share, and be more responsible to shareholders; and continue to make investments in order to actively prepare for the future.
- Secondly, in order to top the global TV market, the company will expand its market share by strengthening marketing activities, taking the lead in product standardization, and securing customers.
- Thirdly, the company will secure lasting profits by developing product bases. Extending global, top-line product selection and enhancing the company's market-leading products will further strengthen its predominant market position. At the same time, the company will strive to develop a system that will top its competitors in the low-end product sector.
- Lastly, the company will continue to sharpen its position as a market leader through the successful establishment of its Paju Display Cluster (the P7 fabrication plant). Cooperative preparation with all involved sectors will soon have production facilities up and running.

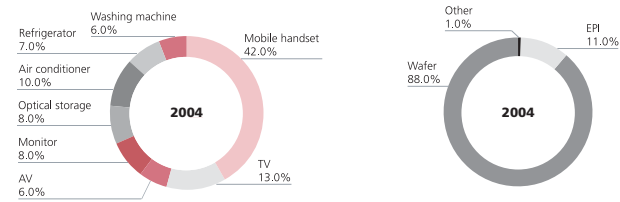
With all LG.Philips LCD executives and employees performing to the absolute best of their ability, the road to global leadership will be further hastened.



Subsidiaries

[Unit: KRW one million]

	LG Electronics Inc. Mobile Communications, Digital Appliance, Digital Display, and Digital Media		LG Siltron Inc. Semiconductors and electronic materials		Lusem Co., Ltd. Drive IC	
	2003	2004	2003	2004	2003	2004
Current Assets	3,772,717	4,110,643	137,317	101,865	-	4,416
Fixed Assets	7,504,709	9,123,598	493,688	517,895	-	13,301
Total Assets	11,277,426	13,234,241	628,005	619,760	-	17,717
Current Liabilities	5,090,799	4,958,823	284,586	195,202	-	3,727
Long-term Liabilities	2,682,025	3,259,251	102,487	155,036	-	14
Total Liabilities	7,772,824	8,218,074	387,073	350,238	-	3,741
Capital Stock	783,961	783,961	33,512	33,512	-	10,800
Capital Surplus	1,891,986	1,907,543	28,265	28,265	-	3,748
Retained Earnings	766,097	2,063,632	179,430	208,556	-	△572
Capital Adjustments	62,558	261,031	△275	△812	-	-
Total Shareholders' Equity	3,504,602	5,016,167	240,932	269,521	-	13,976
Sales	20,176,910	24,659,317	314,256	393,246	-	0
Operating income	1,062,193	1,249,734	15,375	29,624	-	△1,041
Income before Income Taxes	836,800	1,860,126	2,436	33,514	-	△823
Net Income	662,824	1,545,954	2,121	29,127	-	△572
Equity-method gain to LG Corp.	△22,108	306,400	△514	10,779	-	△371
LG Corp.'s Shares	36.1%	36.1%	51.0%	51.0%	-	64.8%
CAPEX	829,920	1,273,622	103,096	126,486	-	12,961
R&D Expenses	1,024,068	1,131,043	20,311	10,575	-	-



Sub-subsidiaries

[Unit: KRW one million]

	LG.Philips LCD Co., Ltd. Liquid Crystal Display panels		LG Innotek Co., Ltd. Electronic components		LG Micron Ltd. Electronic components		Hiplaza Co., Ltd. Wholesale and retail electric home appliances		Hi Business Logistics Freight transportation service	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Current Assets	1,918,329	2,638,616	260,298	205,334	145,683	189,690	132,677	102,008	4,500	29,101
Fixed Assets	4,295,753	6,960,077	277,966	206,659	400,562	496,340	173,791	186,364	-	4,032
Total Assets	6,214,082	9,598,693	538,264	411,993	546,245	686,030	306,468	288,372	4,500	33,133
Current Liabilities	2,044,005	1,900,765	267,426	178,915	262,847	185,925	117,807	122,583	4	25,817
Long-term Liabilities	1,276,045	1,925,286	78,445	26,372	48,023	164,748	109,626	56,895	-	1,205
Total Liabilities	3,320,050	3,826,051	345,871	205,287	310,870	350,673	227,433	179,478	4	27,022
Capital Stock	1,450,000	1,626,579	43,104	43,104	29,000	37,500	7,200	37,200	100	100
Capital Surplus	-	1,012,271	56,243	56,243	45,357	87,413	62,895	62,458	4,400	4,400
Retained Earnings	1,436,229	3,091,674	91,556	112,243	162,062	214,050	8,940	9,236	△4	1,611
Capital Adjustments	7,803	42,118	1,492	△4,885	△1,044	△3,606	-	-	-	-
Total Shareholders' Equity	2,894,032	5,772,642	192,394	206,705	235,375	335,358	79,035	108,894	4,496	6,111
Sales	6,031,261	8,079,891	676,642	800,593	492,482	682,574	989,884	666,450	-	149,902
Operating Income	1,086,517	1,640,708	11,182	8,238	43,997	68,261	7,917	4,787	△4	2,323
Income before Income Taxes	1,009,731	1,683,067	14,238	18,184	29,679	62,478	3,027	678	△4	2,306
Net Income	1,019,100	1,655,445	14,587	20,688	27,101	57,788	2,152	296	△4	1,614



Thinking Outside the Box

The 1968 Olympics in Mexico City introduced high jumper Dick Fosbury and his new, gold-medal-winning style of high jump, the Fosbury Flop, to the world. Instead of the traditional forward-facing straddle style widely used during that time, Fosbury reversed his jumping method to create the backward style high jump of today.

Fosbury, a long-time mediocre high jumper, used his mind, not his body, to revolutionize the method of high jumping. He approached jumping by Thinking Outside the Box and went on to accomplish what others never thought he could.

At LG, we stand as one of the top chemical companies in the industry because, like Fosbury, we Think Outside the Box to create products that others never thought possible.



With an open approach toward our chemicals business, applying different thinking according to what the situation demands, LG stands securely as a world-leading comprehensive chemicals company.

2004 Performances

Riding the petrochemical up-cycle, LG Chem delivered impressive results for 2004. The company increased sales 28% year-on-year to KRW 9,000 billion, and raised net income by 48% to KRW 540 billion on a consolidated basis.

The industrial materials business unit was affected by a frail domestic economy and fierce competition. Nonetheless, it upheld its domestic market lead for key company products such as flooring. As the company's growth engine, the information & electronic materials business unit manufacturing PVC, ABS, batteries, and polarizers bolstered its global presence by launching a holding company in China, opening battery and polarizer plants in Nanjing, and establishing a U.S. manufacturing subsidiary--LG HI-MACS.

LG Life Sciences also fulfilled its promise to garner further business. It recorded a 20% growth in revenue in 2004 which can be attributed to bold investments, reinforced marketing capabilities, and stable profitability. Major R&D developments include a hepatitis B vaccine developed in cooperation with Anadys of the U.S.; a human growth hormone targeted for the U.S. market; candidate materials for diabetes and arthritis treatments in anticipation of demands from an aging society; and slow release Interferon-alpha for the treatment of Hepatitis B & C. Upon approval by the U.S. Food and Drug Administration, sales of Factive have steadily risen since licensed U.S. distributor Oscient Pharmaceuticals began distributing it in the U.S. market in September 2004. Currently under consideration is which distributors will be used in Turkey, Russia and Taiwan for providing the quinolone antibiotic to those countries.

The LG Household & Health Care, highly sensitive to the Korean economic environment, produced less than stellar results for 2004 largely due to slow domestic consumption. The company's share of the household goods market continued to shrink amid the driving costs of competition. Even so, it remains the domestic leader for such core products as toothpaste. Although the cosmetics business unit fell further behind the competition, it will revitalize business by enhancing brand competitiveness and revamping its distribution network.

From being the leader in chemicals To making significant inroads in the information and electronics materials sector

Management Strategies for 2005

With a 2005 sales goal of KRW 10,000 billion, LG Chem is investing heavily in promising beneficial and advantageous products and information & electronic materials. In the petrochemical sector, LG Chem will vertically integrate its production processes to strengthen competitiveness. In addition, the role of Chief Technology Officer (CTO) will be enhanced to strengthen R&D, and the company's large-to medium-size batteries and display components businesses will build a foundation for five- to ten-years growth. HR development will revolve around these strategies and goals.

For 2005, LG Chem hopes to secure over half of its expected sales—USD 4.5 million—in overseas operations. Key strategies for overseas sales include localizing markets in China, the United States and Europe, and diversifying exports to the newly emerging markets of India, Russia and Brazil.

In China, the company's most important region, a number of strategies have been set: establish a holding company to manage all business operations in China; set up a base for raw materials in key business areas such as PVC and ABS; and diversify the company's business scope by entering into the electronic components and industrial materials industries.

Following the construction of a scagliola production facility in the United States, LG Chem will concentrate on making inroads into the U.S. industrial materials market and exporting special functioning petrochemical products such as ABS · EP and rechargeable batteries. In another strategic move, LG Chem plans to expand European market activities to increase market share, which has traditionally been smaller than that of China or the U.S. In an effort to localize business in Europe, the company plans to combine the Frankfurt subsidiary and European scagliola sales office into one comprehensive European sales company and establish a subsidiary in Turkey. The company also hopes to enter the information and electronic material market with rechargeable batteries and PDP filters. And in Russia, where the company set up a subsidiary last year, LG Chem aims to achieve sales of USD 100 million for 2006. Further business localization plans in Russia include discussions for a window and door materials manufacturing subsidiary. In India and Brazil, the company is looking into business opportunities for rechargeable batteries to coincide with the market entry of LG's global mobile phone business.

The basic purpose of LG Life Sciences is to discover new drugs for advancing research and development in medicine. The last stages of drug development are promoted in cooperation with prominent pharmaceutical companies. Meanwhile, the fine chemistry sector, not directly related to medicine, will be restructured with more focus being placed on assisting the medical and pharmaceutical sector to enhance business efficiency.

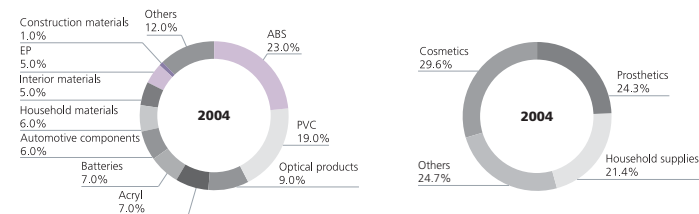
LG Household & Health Care plans to concentrate on rapid market response in 2005. Its cosmetics business is determined to challenge the industry's top ranking companies for market share, and the household business will strengthen its premium brands to enhance its position as the No. 1 household products company.



Subsidiaries

[Unit: KRW one million]

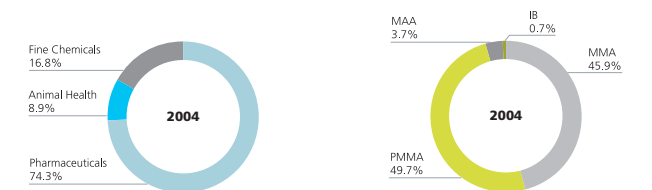
	LG Chem Ltd.		LG Household & Health Care Ltd.	
	Chemicals and polymers, industrial materials, and information & electronic materials		Cosmetics and household products	
	2003	2004	2003	2004
Current Assets	1,108,879	1,656,706	242,332	193,737
Fixed Assets	3,652,869	4,022,822	401,294	407,403
Total Assets	4,761,748	5,679,529	643,626	601,140
Current Liabilities	1,459,030	1,779,045	298,643	252,544
Long-term Liabilities	1,488,115	1,705,342	58,375	55,241
Total Liabilities	2,947,145	3,484,387	357,018	307,785
Capital Stock	365,432	365,432	88,590	88,590
Capital Surplus	739,089	739,652	97,343	97,346
Retained Earnings	663,393	1,071,707	101,928	111,928
Capital Adjustments	46,689	18,351	△1,253	△4,508
Total Shareholders' Equity	1,814,603	2,195,141	286,608	293,356
Sales	5,672,466	7,127,411	1,057,120	952,586
Operating income	473,658	522,918	69,397	54,426
Income before Income Taxes	482,820	719,712	67,196	52,181
Net Income	362,108	536,420	48,260	36,641
Equity-method gain to LG Corp.	32,295	90,048	784	601
LG Corp.'s Shares	34.0%	34.0%	34.0%	34.0%
CAPEX	484,330	368,631	28,700	41,319
R&D Expenses	127,525	160,676	24,402	22,961



Subsidiaries

[Unit: KRW one million]

	LG Life Sciences, Ltd.		LG MMA Corp.	
	Pharmaceuticals and agrochemicals		Basic organic compounds materials	
	2003	2004	2003	2004
Current Assets	107,388	172,197	62,392	82,207
Fixed Assets	233,279	224,274	155,655	161,452
Total Assets	340,667	396,471	218,047	243,659
Current Liabilities	36,068	135,477	38,799	63,778
Long-term Liabilities	130,438	15,481	65,054	37,888
Total Liabilities	166,506	150,958	103,853	101,666
Capital Stock	71,066	84,066	24,000	24,000
Capital Surplus	105,414	147,046	29,041	29,041
Retained Earnings	△2,319	7,755	61,153	88,952
Capital Adjustments	-	6,646	-	-
Total Shareholders' Equity	174,161	245,513	114,194	141,993
Sales	179,037	213,636	192,878	223,545
Operating income	14,582	30,617	40,912	54,320
Income before Income Taxes	△830	5,168	37,196	53,792
Net Income	3,011	10,073	27,600	39,799
Equity-method gain to LG Corp.	-	△15,637	11,598	19,200
LG Corp.'s Shares	30.5%	30.4%	50.0%	50.0%
CAPEX	19,621	17,632	41,021	21,598
R&D Expenses	49,436	46,579	332	771



Sub-subsidiaries

[Unit: KRW one million]

	LG Petrochemical Co., Ltd.		LG Dow Polycarbonate Ltd.		Hyundai Petrochemical Co., Ltd.	
	Basic petrochemical materials and chemical products		Synthetic resin and other plastic materials		Petrochemical products	
	2003	2004	2003	2004	2003	2004
Current Assets	306,493	454,646	36,081	55,381	494,057	952,438
Fixed Assets	427,485	523,981	205,202	185,347	2,518,255	2,453,945
Total Assets	733,978	978,627	241,283	240,728	3,012,312	3,406,383
Current Liabilities	118,177	254,966	64,819	46,171	751,176	714,916
Long-term Liabilities	53,586	21,762	141,875	103,991	441,616	497,649
Total Liabilities	171,763	276,728	206,694	150,162	1,192,792	1,212,565
Capital Stock	226,000	226,000	105,482	140,516	373,257	373,257
Capital Surplus	165,550	165,570	-	-	804,290	804,290
Retained Earnings	170,817	310,674	△70,420	△49,299	642,039	1,016,271
Capital Adjustments	△151	△345	△472	△651	△64	-
Total Shareholders' Equity	562,216	701,899	34,590	90,566	1,819,521	2,193,818
Sales	1,252,191	1,793,346	164,960	240,643	2,381,107	3,000,284
Operating Income	146,890	288,510	△9,843	31,994	312,946	601,805
Income before Income Taxes	144,486	277,590	△22,166	21,121	190,120	525,899
Net Income	106,026	207,644	△22,166	21,121	541,029	374,233



Thinking with a **Higher Temperature**

Just as an oven gives off heat, so too, do thoughts. And we know that the higher the oven temperature, the more heat our bodies feel. Similarly, the higher the temperature of thought, the warmer our hearts feel.

When it comes to customer satisfaction in telecommunications and services, LG is Thinking with a Higher Temperature to ensure the very best for its customers.

With the importance we place on providing superior services, LG is constantly pursuing ways to make ourselves better in the eyes of our customers.

2004 Performances

LG TeleCom benefited from the Mobile Number Portability (MNP) scheme in 2004 by securing 1.24 million new subscribers. Consequently, the total number of subscribers climbed to 6.07 million, exceeding the company's target of 6 million. Average Revenue per User (ARPU) rose 13% for a 32% increase in total revenue.

LG TeleCom was the first mobile carrier in Korea to offer a differentiated cost savings plan to customers under its CCVP (Customer Champion Value Proposition) initiative. Under the plan, rates vary depending on a user's contribution to the company's overall profits. The company was also the first in Korea to roll out MP3 phones in conjunction with services such as Bank-ON and Music-ON in order to rein-in marketing expenses. Enhancing cost savings and boosting efficiency are operation fundamentals at LG TeleCom.

Dacom's 7% sales growth in 2004 and swing to surplus is attributed to heightened competitiveness in the telephony and Internet sectors. Rigorous restructuring, disposal of idle assets and cost reductions have all helped to put the company on firmer footing. Dacom also secured new sources for growth by obtaining a local call license and acting on new-found opportunities (e.g., BcN). In addition, all of Dacom's subsidiaries, with the exception of Dacom Multimedia Internet, improved their sales and profitability in 2004.

Last year's restructuring of Dacom focused on bolstering liquidity and strengthening the company's financial health. It also aimed at reinforcing telephony, Internet, and e-businesses, exploring new growth engines, cultivating a vibrant corporate culture, and enhancing the operation of Korea's three telcos' networks. Major R&D advances were applied to Internet applications and information security and solutions, which helped boost revenue and retain customers. Customer satisfaction was increased with further developments in CTI (Computer Telephony Integration) and services, along with implementation of the VoIP platform and a comprehensive network control system.

LG CNS has not only secured the number one position in the market, it has also achieved surplus, a first for any company in the IT industry. LG CNS is devoted to building IT infrastructure and providing IT solutions for clients in both the public and private sectors. Expertise and know-how has been accumulated through various large-scale public projects including implementation of the Seoul Transportation Card System, the Korea Tax Point Service System, and the Korea National Railroad KTX System; along with a project for the Educational Broadcasting System (EBS). As an LG subsidiary, LG CNS also supports IT infrastructure for all LG companies. The company has established itself in the financial sector with project work for the Shinhan Financial Group Next-Generation System and the Industrial Bank of Korea Business Process Re-engineering (BPR) System.

LG CNS continues to explore ways to innovate and evolve services to keep abreast of the times. We promote active and open communication on all levels and aspire to maintain transparent management.

From telecommunications to services Customer satisfaction is key.

Management Strategies for 2005

In 2005, LG TeleCom will strive to increase the number of its service subscribers by enhancing telephone call quality through network optimizing, developing multi-optional payment systems, and providing more customer-centric terminals. It also plans to secure leadership in the wired and wireless telecommunication/media convergence businesses--considered major markets of the future--and increase investments in and relations with other industry businesses to provide comprehensive services such as Bank-ON and Music-ON.

Furthermore, the company is prepared to provide ground-wave and satellite Digital Multimedia Broadcasting (DMB) services from this year. A Mobile Number Portability (MNP) scheme, which gives customers the freedom to use any service company of their choice without changing phone numbers, has LG TeleCom focused on maintaining its existing customers. In preparation, the company will concentrate on market stabilization through clean marketing, service differentiation, network optimizing, and phone call quality enhancement.

Dacom's 2005 plans focus on profit creation and cost innovation, in particular, a 2% cost cut. It also hopes to further corporate reform and enhance its financial standing by decreasing borrowings and repaying loans earlier than expected. Furthermore, Dacom and Powercomm will secure further market competitiveness through joint promotion of the Triple Play Service (TPS), a source of anticipated future growth.

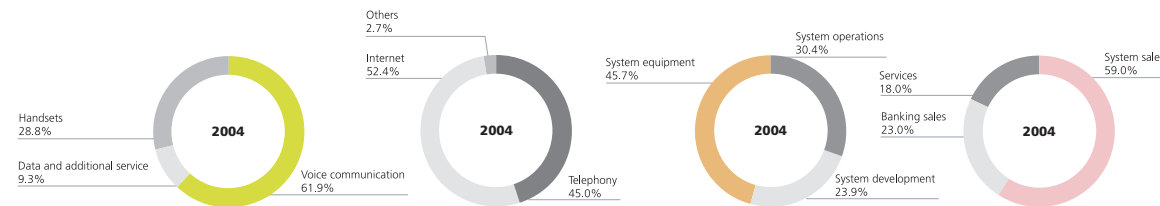
LG CNS's success in the three key business functions of profitability, performance, and new business creation, will make it a future leading company. Following the major role LG CNS played in actualizing Seoul's new traffic card system, future projects which incorporate the company's new technologies are expected. It will also maintain profits from its business-to-business services in order to remain the number one company in the public services sector. Furthermore, the success of its existing service businesses will enable the company to secure more captive customers. LG CNS is also actively seeking opportunities in the rising IT service market, which includes the mobile Internet and the converged media/telecommunication sectors. The establishment of a large-scale data center providing stable IT outsourcing services in Seoul is one of many active investments the company has made in its service infrastructure.



Subsidiaries

[Unit: KRW one million]

	LG TeleCom, Ltd. Mobile telecommunications service		Dacom Corporation Telephone and broadband telecommunications service		LG CNS Co., Ltd. Total information technology service		LG N-Sys Office and accounting system and solutions service	
	2003	2004	2003	2004	2003	2004	2003	2004
Current Assets	753,028	820,468	252,521	365,052	317,686	243,359	90,875	55,469
Fixed Assets	2,604,991	2,586,525	2,213,467	1,903,371	193,281	185,937	18,463	20,711
Total Assets	3,358,019	3,406,993	2,465,988	2,268,423	510,967	432,466	109,338	76,180
Current Liabilities	1,187,874	1,257,920	921,268	865,714	361,842	208,043	73,582	41,048
Long-term Liabilities	1,214,159	1,164,015	858,111	606,639	3,710	39,837	6,695	6,638
Total Liabilities	2,402,033	2,421,935	1,779,379	1,472,353	365,552	247,880	80,277	47,686
Capital Stock	1,386,392	1,386,392	185,222	252,136	19,356	19,356	5,000	5,000
Capital Surplus	11,579	11,579	731,834	507,355	18,375	18,375	4,842	4,842
Retained Earnings	△422,677	△400,039	△228,988	38,643	106,884	148,567	19,219	18,652
Capital Adjustments	△19,308	△12,874	△1,459	△2,064	800	△1,712	-	-
Total Shareholders' Equity	955,986	985,058	686,609	796,070	145,415	184,586	29,061	28,494
Sales	2,227,492	3,209,430	1,002,074	1,068,487	1,295,312	1,462,083	285,996	290,466
Operating income	211,152	131,148	45,327	139,180	31,885	71,580	12,622	14,196
Income before Income Taxes	112,064	32,203	△238,016	38,805	52,417	65,276	11,893	12,238
Net Income	78,781	22,638	△245,361	38,805	38,100	47,489	9,273	9,433
Equity-method gain to LG Corp.	41,824	5,325	△73,721	17,660	18,108	19,666	7,898	10,275
LG Corp.'s Shares	37.4%	37.4%	30.1%	39.8%	63.3%	65.8%	100.0%	100.0%
CAPEX	449,200	337,000	97,225	76,473	-	12,861	3,150	1,910
R&D Expenses	24,824	39,353	810	609	14,276	13,288	6,630	7,570



Sub-subsidiaries

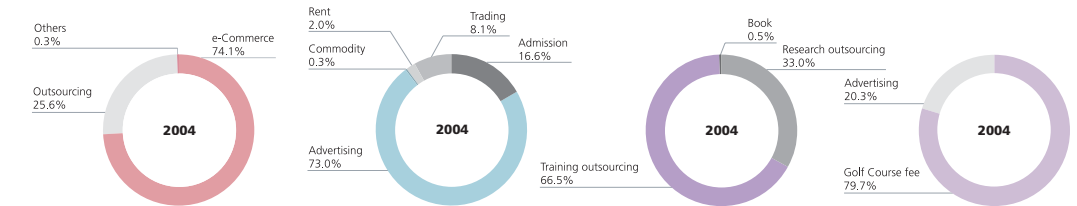
[Unit: KRW one million]

	CS Leader, Ltd. Telemarketing services		TeleDREAM, Ltd. Telemarketing services		TeCas, Ltd. Telemarketing services		V-ENS Co., Ltd. Total automotive development and consulting services	
	2003	2004	2003	2004	2003	2004	2003	2004
Current Assets	3,773	4,340	1,321	1,640	1,434	1,509	-	5,218
Fixed Assets	3,150	327	295	285	-	-	-	3,529
Total Assets	6,923	4,667	1,616	1,925	1,434	1,509	-	8,747
Current Liabilities	2,115	2,746	942	1,079	668	768	-	3,858
Long-term Liabilities	1,372	826	307	584	315	487	-	-
Total Liabilities	3,487	3,572	1,249	1,663	984	1,255	-	3,858
Capital Stock	974	400	200	200	200	200	-	1,800
Capital Surplus	2,310	2,310	-	-	-	-	-	45
Retained Earnings	152	1,111	167	62	250	54	-	3,045
Capital Adjustments	-	△2,726	-	-	-	-	-	-
Total Shareholders' Equity	3,436	1,095	367	262	450	254	-	4,890
Sales	25,622	33,205	12,465	18,509	9,362	11,521	-	31,131
Operating Income	633	1,131	△33	3	0	2	-	4,674
Income before Income Taxes	649	1,368	31	55	28	65	-	4,347
Net Income	471	959	26	46	23	54	-	3,045

Subsidiaries

[Unit: KRW one million]

	LG MRO Co., Ltd. B2B purchasing agent; Total real estate management and leasing		LG Sports Ltd. Professional sports management		LG Management Development Institute Business and management consulting, Corporate training		Konjiam Leisure Co., Ltd. Golf course operations	
	2003	2004	2003	2004	2003	2004	2003	2004
Current Assets	155,882	208,218	6,140	2,334	10,440	11,282	21,687	14,113
Fixed Assets	77,182	85,376	19,575	10,836	40,112	42,152	121,042	123,581
Total Assets	233,064	293,594	25,715	13,170	50,552	53,434	142,729	137,694
Current Liabilities	144,679	158,392	20,144	10,725	4,401	6,487	6,154	1,697
Long-term Liabilities	55,854	85,395	766	751	39,784	40,087	117,565	117,232
Total Liabilities	200,533	243,787	20,910	11,476	44,185	46,574	123,719	118,929
Capital Stock	4,000	4,000	6,000	3,000	6,000	6,000	1,000	1,000
Capital Surplus	3,474	3,474	0	0	-	-	18,089	18,089
Retained Earnings	124,090	42,333	△1,195	△1,306	367	860	△79	△323
Capital Adjustments	△99,033	-	-	-	-	-	-	-
Total Shareholders' Equity	32,531	49,807	4,805	1,694	6,367	6,860	19,010	18,766
Sales	330,735	501,282	38,887	28,281	41,974	35,431	12,726	12,609
Operating income	35,923	40,855	64	524	104	565	△639	△1,203
Income before Income Taxes	57,201	38,676	△82	△111	462	868	542	△244
Net Income	38,065	27,275	△82	△111	278	493	542	△244
Equity-method gain to LG Corp.	23,760	25,343	△205	228	-	400	542	△243
LG Corp.'s Shares	100.0%	100.0%	50.0%	100.0%	100.0%	100.0%	37.4%	100.0%
CAPEX	7,200	4,885	-	-	-	-	2,284	5,530
R&D Expenses	-	-	-	-	-	-	-	-



Sub-subsidiaries

[Unit: KRW one million]

	Powercomm Corporation Optical fiber network telecommunications service		Korea Internet Data Center, Inc. Internet data center		Dacom Crossing Corporation Electric telecommunication line and facility leasing		Dacom Multimedia Internet Corporation Value-added telecommunications services and software		CIC Korea, Inc. Telemarketing services	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Current Assets	177,392	172,074	18,367	28,499	7,455	6,417	7,558	6,277	13,033	20,826
Fixed Assets	1,231,144	1,199,488	103,176	156,961	53,991	51,837	7,167	5,645	9,958	8,423
Total Assets	1,408,536	1,371,562	121,543	185,460	61,446	58,254	14,725	11,922	22,991	29,249
Current Liabilities	366,706	226,217	43,244	38,623	7,090	6,604	3,188	3,058	3,608	6,970
Long-term Liabilities	213,350	244,748	13,788	76,194	28,618	28,689	621	454	603	503
Total Liabilities	580,056	470,965	57,032	114,817	35,708	35,293	3,809	3,512	4,111	7,573
Capital Stock	750,000	750,000	50,000	50,000	33,241	33,241	4,742	4,742	3,885	3,885
Capital Surplus	-	-	244	244	-	-	3,712	3,712	10,683	10,683
Retained Earnings	79,934	150,662	14,267	20,399	△7,341	△10,118	2,700	194	4,312	7,108
Capital Adjustments	△1,454	△65	-	-	△162	△162	△238	△238	-	-
Total Shareholders' Equity	828,480	900,597	64,511	70,643	25,738	22,961	10,916	8,410	18,880	21,676
Sales	526,824	571,229	66,470	72,900	7,751	8,328	24,192	17,363	30,764	45,367
Operating Income	131,614	130,028	7,580	14,625	△2,662	△3,107	62	△1,943	1,279	4,327
Income before Income Taxes	36,000	87,878	4,775	8,763	△2,354	△2,777	2,700	△2,506	1,550	4,594
Net Income	30,640	73,728	3,216	6,132	△2,354	△2,777	2,700	△2,506	1,099	3,379

Management's Discussion & Analysis

December 31, 2004 and 2003

Management's Discussion & Analysis | Non-consolidated Financial Statements

Management's Discussion & Analysis

This Management's Discussion & Analysis has been prepared based on the non-consolidated financial statements of LG Corp.

Business Objectives of LG Corp.

The business activities of management are focused on achieving the objective of LG Corp. as a holding company and they include:

- Maximizing the business performance of subsidiaries through efficient investment, business monitoring as well as business support, thereby enhancing the corporate value of LG
 - Developing and executing an integrated strategy that will guide the future of LG
 - Transferring best practices to subsidiaries and encouraging the attainment of the highest business performance by monitoring and supporting management
 - Enhancing the efficiency of business management by removing subsidiaries' burden of investment and risks associated with investment which are obstacles to the growth of subsidiaries, thus facilitating a climate in which they can concentrate on their proprietary business
 - Elevating efficiency in the use of resources by acting as a coordinator in strategic objectives and investment activities across subsidiaries and improving business performance by seeking ways to create synergy among business groups

Management Structure of the Holding Company

LG Corp. has developed a management structure to systematically carry out its functions and roles as a holding company.

- Principle

Based on the overriding goal of becoming the "No. 1 LG," the basic principle of the management system is to concentrate on areas that can create value and seek maximum corporate value by giving different objectives to individual management activities. "No. 1 LG" does not simply refer to quantitative enhancement but also the establishment of a sophisticated portfolio to forge value creation. To attain this objective, all management activities should be closely related and managed in a consistent manner so that current and future short-term and long-term business and human resources are managed effectively through a structure that ensures timely response to key issues.
- Key Roles of a Holding Company Management Structure
 - Business Management
 - 1) In terms of portfolio management, discuss key management issues related to future-oriented new businesses and the core business of subsidiaries, and make strategic decisions in relation to marginal business.
 - 2) Challenge the individual business strategy of subsidiaries from a mid- to long-term strategic perspective.
 - 3) Ensure subsidiaries to conduct their individual businesses at their discretion, but continuously monitor and assess potential risk, business performance, competition and attainment of strategic challenges.
 - Human Resources

Focus on securing, fostering and managing future manager-level human resources for subsidiaries, and manage a compensation system that is performance-based.
 - Brand

Develop and manage a brand strategy applicable across LG.

Spin-off for a Renewed Launch

- Purpose of Spin-off

As of July 1, 2004, LG Corp.'s subsidiaries (where its core competency lies) were separated from the energy and distribution-based service business to maintain the advantages of a holding company structure. At the same time, concentrating investments by business sector enhances corporate value thereby maximizing shareholder interest. The following effects are expected to result from the spin-off.

 - Strengthened competitiveness of individual business sectors and heightened sophistication of business through concentration on specific businesses and the vitalization of core competencies.
 - Enhanced corporate value and a fair assessment of corporate value in the market, and heightened sophistication of business structure based on core businesses using the "select and focus" strategy.
 - Maximized shareholder value through the decentralization of management risks.
 - Improved transparency of corporate governance.
- Spin-off Method

Investments in oil, distribution, and home shopping as well as part of the leasing business have been spun off and incorporated under the newly established GS Holdings Corp. ("GS Holdings"). Shareholders of the spun-off companies become shareholders in the newly established company in proportion to their shareholding as of the spin-off date. The existing company from which subsidiaries have been spun off survives following the spin-off, and the newly established company re-listed on the Korea Stock Exchange.

Management's Discussion & Analysis

Assets and liabilities have been transferred to the newly established GS Holdings based on the list of assets and liabilities for transfer in the spin-off plan approved by the extraordinary shareholders at a meeting held on May 28, 2004 by LG Corp. LG Corp. and the newly established GS Holdings are collectively responsible for the liabilities of the company from before the spin-off.

Classification	Company	Business Unit
Existing	LG Corp.	Investments and leasing business other than those spun-off to the newly established company
New	GS Holdings Corp.	Investments in LG-Caltex Oil Corp., LG Mart Co., Ltd., LG Home Shopping Inc., GS Sports Ltd. and leasing business in Kangnam Tower

The spin-off ratio of capital stock was determined at LG Corp. 65% and GS Holdings 35% in consideration of the net asset value of the spun-off company, etc.

Classification	Before Spin-off	After Spin-off	
		LG Corp.	GS Holdings Corp.
Capital Stock (KRW one million)	1,352,860	879,359	473,501
Common Stock (1 Share)	265,472,509	172,557,131	92,915,378
Preferred Stock (1 Share)	5,099,503	3,314,677	1,784,826
Spin-off Ratio		65%	35%

As of the spin-off date July 1, 2004, LG Corp. shares held by shareholders were absorbed at 0.65 share per 1 share, and 0.35 shares of the newly established GS Holdings were newly assigned.

(Example)

	Before Spin-off	After Spin-off	
		LG Corp.	GS Holdings Corp.
No. of Shares	100 shares	65 shares	35 shares

Analysis of 2004 Business Performance

Operating Revenue & Expenses

LG Corp.'s major sources of operating revenue in 2004 are as follows:

- Gain on valuation using the equity-method for the operating performance of subsidiaries and dividends received
- Rental income
- Dividend income from investment securities of non-subsidiaries

[Unit : KRW one million]

Items	2003	2004	Change %
Operating revenue	377,436	760,963	101.6%
Gain on valuation using the equity-method	338,817	712,501	110.3%
Rental income	35,245	31,282	-11.2%
Dividend income	3,374	16,725	395.7%
Others	0	455	-
Operating expense	178,773	54,410	-69.6%
Loss on valuation using the equity-method	146,176	19,789	-86.5%
General administrative expenses	32,597	34,621	6.2%

With the spin-off of GS Holdings as of July 1, 2004, operating revenues of LG-Caltex Oil Corp. (currently GS Caltex Corporation), LG Home Shopping Inc. (currently GS Home Shopping Inc.), LG Mart (currently GS Retail Co., Ltd.), GS Sports Ltd. ("GS Sports") and rent from Kangnam Tower were reflected in the 1H 2004 business performance but excluded from the 2H performance. Having said that, given that a simple comparison of the performances in 2003 and 2004 could be logically misleading, the key 2003 and 2004 figures from gains on valuation using the equity-method based on the company structure as of the end of 2004 have been separately prepared for your reference (see next page).

- 1) Gain/Loss on Valuation Using the Equity-method

Operating revenue in 2004 increased 101.6% compared with 2003. The increase is largely attributable to subsidiaries' gain on valuation using the equity-method which went up considerably. The table below is a calculation of the gain/loss on valuation using the equity-method for each company subject to valuation using the equity-method. According to a comparison of the 2003 and 2004 figures based on the subsidiary structure as of the end of 2004 excluding the performance of companies spun off as GS subsidiaries, LG Corp. posted KRW 33,720 million in 2003 and KRW 489,674 million in 2004.

Management's Discussion & Analysis

Company	Net Income		Ownership		Gain/Loss on Valuation Using the Equity-method				Amortization of (Negative) Goodwill	
	2003	2004	2003	2004	2003	2004	Change %	2004 Composition	2003	2004
LG Electronics Inc.	662,824	1,545,954	32.1	32.1	-22,108	306,400	Surplus	44.2	-206,273	-203,390
LG Siltron Inc.	2,121	29,127	51.0	51.0	-514	10,779	Surplus	1.6	-3,058	-4,075
Lusem Co., Ltd.	-	-572	-	64.8	-	-371	-	-0.1	-	-
Electronics Total	664,945	1,574,508	-	-	-22,622	316,808	Surplus	45.7	-209,332	-207,466
LG Chem Ltd.	362,108	536,420	30.0	30.0	32,295	90,048	178.8	13.0	-54,045	-64,854
LG Household & Health Care Ltd.	48,260	36,641	30.0	30.0	784	601	-23.3	0.1	-8,643	-10,371
LG Life Sciences, Ltd.	-	10,073	30.0	30.0	-	-15,637	-	-2.3	-	-18,857
LG MMA Corp.	27,600	39,799	50.0	50.0	11,598	19,200	65.5	2.8	-0	-
LG Dow Polycarbonate Ltd.	-22,166	-	50.0	-	-6,540	-	-	-	-	-
Chemicals Total	415,801	622,933	-	-	38,136	94,212	147.0	13.6	-62,688	-94,083
LG TeleCom, Ltd.	78,781	22,638	37.4	37.4	41,824	5,324	-87.3	0.8	-11,008	-11,040
Dacom Corporation	-245,361	38,803	30.1	39.8	-73,721	17,661	Surplus	2.5	-68	4,371
LG CNS Co., Ltd.	38,100	47,489	63.3	65.8	18,108	19,666	8.6	2.8	-4,999	-7,224
LG N-Sys	9,272	9,433	100.0	100.0	7,898	10,275	30.1	1.5	-	-
LG MRO Co., Ltd.	38,065	27,275	100.0	100.0	23,760	25,344	6.7	3.7	-	-
LG Sports Ltd.	-82	-111	50.0	100.0	-205	228	Surplus	0.0	92	101
LG Management Development Institute	-	493	100.0	100.0	-	400	-	0.1	-	-386
Konjiam Leisure Co., Ltd.	542	-244	100.0	100.0	542	-244	Deficit	-0.0	-	-
Telecommunications and Services Total	-80,683	145,777	-	-	18,205	78,655	332.0	11.4	-15,983	-14,178
LG Total	1,000,063	2,343,218	-	-	33,720	489,674	1,352.2	70.7	-288,003	-315,726
LG-Caltex Oil Corp.	385,653	385,023	49.8	50.0	146,445	196,362	34.1	28.3	9,475	5,609
LG Home Shopping Inc.	19,656	9,949	30.0	30.0	-10,577	-3,537	66.6	-0.5	-15,823	-9,494
LG Mart Co., Ltd.	64,062	11,113	65.8	65.8	40,215	7,807	-80.6	1.1	1,971	501
GS Sports Ltd.	-	-	-	100.0	-	9	-	0.0	-	9
GS Total	469,371	416,085	-	-	176,083	200,641	13.9	29.0	-4,376	-3,375
LG Industrial Systems Co., Ltd.	-55,018	-	2.9	2.9	-31,809	-	-	-	-1,476	-
LG Hitachi Ltd.	2,890	1,698	49.0	49.2	1,686	444	-73.7	0.1	-	-
Owens Corning Korea	-2,240	6,250	29.2	29.2	-703	1,725	Surplus	0.2	-	-
Owens Corning Korea (preferred stock)	-2,240	6,250	100.0	100.0	1,100	228	-79.3	0.0	-	-
Hankuk Electric Glass Co., Ltd.	58,136	27,231	20.0	-	12,564	-	-	-	936	-
Others Total	3,768	35,179	-	-	-17,162	2,397	Surplus	0.3	-540	-
Total	1,473,202	2,794,482	-	-	192,641	692,712	259.59	100.00	-292,919	-319,102

Net income for six-month period from January 1, 2004 to June 30, 2004

When considering each company's gain/loss on valuation using the equity-method, one should pay close attention to the amortization of the difference from investment withdrawal (reversal). It is the actual amount which includes the net income of each company recognized proportionally to the shareholding ratio of LG Corp., deducted by the amortization of the difference from investment withdrawal (reversal) and various adjustment figures, which is then calculated as the gain on valuation using the equity-method. The amortization or reversal of most of the difference from investment withdrawal will be completed within the next 38 months.

The following paragraph offers an analysis of the gain/loss on valuation using the equity-method for each of the major business sectors.

In the electronics business, the gain/loss on valuation using the equity-method shifted from KRW 22,622 million in losses in 2003 to KRW 316,808 million in gains in 2004. This is primarily attributable to the large increase in the net income of LG Electronics Inc. ("LG Electronics"). LG Electronics overcame sluggish domestic demand in 2004 through an increase in exports and went on to post its highest sales ever at KRW 24,659.3 billion (Exports: KRW 19,573.1 billion; Domestic: KRW 5,862 billion) in 2004 a 22.2% increase over 2003, and the highest ever operating income at KRW 1,249.7 billion (5.1% profit margin). The company posted KRW 1,854.6 billion in ordinary profit (7.5% profit margin) and KRW 1,526.2 billion in net income (6.2% profit margin). In particular, annual operating profit grew 7.7% compared with the previous year thanks to the profitability increase in the mobile handset business, and ordinary income and net income rose 121.6% and 130.3%, respectively, due to the increase in gains on valuation using the equity-method.

In the chemical business, the gains on valuation using the equity-method went up by 147.0% from KRW 38,136 million in 2003 to KRW 94,212 million in 2004. The improved performance of the chemical business is primarily attributable to the 178.8% increase in gain on valuation using the equity-method for LG Chem Ltd. ("LG Chem"). Despite sluggish consumption due to lack of domestic demand in 2004, LG Chem managed to contribute KRW 90,048 million in gains on valuation using the equity-method which is a 178.8% increase from the previous year by achieving net income of KRW 536,420 million. The increase was driven by the improvement in operating income of the chemical and polymer business which account for 56% of total exports, the increase in gains on equity-method from LG Petrochemical Co., Ltd. thanks to the rise in the price of petrochemical products led by high oil prices, strong demand in China, and the increase in exports.

The telecommunications and services business also contributed with a loss/gain on valuation using the equity-method which rose by 332.1% compared to 2003. The increase is in large part attributed to Dacom Corporation ("Dacom")'s shift to a surplus in 2004, contributing KRW 17,661 million in gain on valuation using the equity-method. The company, which had posted losses until 2003, recorded KRW 73,721 million in loss on valuation using the equity-method in 2003.

Dacom posted KRW 38,803 million in net income in 2004, turning from a deficit in 2003 to a surplus. Sales and operating income stood at KRW 1,068.5 billion (up 7%) and KRW 139.2 billion (up 207%), respectively. Sales, operating income and net income all posted record high figures since the company's founding.

Management's Discussion & Analysis

2) Rental Income

The leasing business serves as the most stable source of income for LG Corp. due to the fact it has the lowest variability in income amount.

Until 1H 2004, rental income came from both LG Twin Tower and Kangnam Tower, but Kangnam Tower was excluded from rental income starting in the 2H as GS Holdings became the owner of the building following the spin-off.

Category	Income in 2004	Remarks
LG Twin Tower	KRW 20,740 million	
Kangnam Tower	KRW 10,542 million	1H revenue, transferred to GS Holdings Corp. due to spin-off
Total	KRW 31,282 million	

■ Non-operating Income and Expense

Item	[Unit: KRW one million]		
	2003	2004	Change %
Non-operating Income	107,999	117,121	8.4%
Interest Income	6,147	22,934	273.1%
Gain on Foreign Currency Transaction	514	0	-100.0%
Gain on Derivatives Transaction	0	675	-
Gain on Valuation of Derivatives	3,861	0	-100.0%
Gain on Disposition of Available-for-Sale Securities	3,007	196	-93.5%
Reversal of Negative Goodwill	94,418	93,138	-1.4%
Miscellaneous Income	52	178	242.3%
Non-operating Expense	291,799	176,890	-39.4%
Interest Expense	87,882	55,114	-37.3%
Loss on Foreign Currency Transactions	6	0	-100.0%
Loss on Derivatives Transaction	0	1,848	-
Loss on Valuation of Derivatives	17,571	0	-100.0%
Loss on Disposition of Investment Securities Using the Equity-Method	70,713	17,604	-75.1%
Loss on Disposition of Available-for-Sale Securities	0	8,549	-
Loss on Conversion of Available-for-Sale Securities	0	16	-
Loss on Impairment of Available-for-Sale Securities	114,057	84,296	-26.1%
Donations	1	25	2400.0%
Loss on Correction of Errors from the Previous Term	0	8,764	-
Additional Payment of Income Taxes	1,567	674	-57.0%
Miscellaneous Losses	2	0	-100.0%

There was no significant change in non-operating income and expense in 2004 other than the fact that non-operating expense decreased by 39.4% compared with 2003, contributing to the increase in profit. Thanks to the fall in the absolute amount of borrowings, interest expense went down 37.3% or KRW 32,768 million, and loss on disposition of investment stocks using the equity-method and loss on impairment of available-for-sale securities dropped significantly.

The next section discusses the key items in non-operating income and expense in 2004.

- Negative Goodwill

The reversal of negative goodwill accounts for the largest portion of non-operating income. Negative goodwill is the amount generated from the merger of LG Chem Investment, Ltd. ("LGCI"), of which KRW 93,138 million was recognized as profit in 2004. KRW 595,501 million is currently appropriated in the balance sheet as the ending balance in 2004, with 98 months of the amortization period remaining. Negative goodwill is an income which does not entail cash flow.

- Loss on Impairment of Available-for-Sale Securities

In 2004, a total of KRW 84,296 million in loss on impairment of available-for-sale securities was recognized. The amount related to corporate bonds of LG Card Co., Ltd. ("LG Card") is explained in the paragraph below.

Starting with the liquidity support to normalize the business of LG Card on Jan. 6, 2004, the Company bought non-guaranteed bonds of LG Card worth KRW 300,000 million (interest rate 8.41%, 1 year), and 20% of the total amount, or KRW 60,000 million, was recognized as loss on impairment of available-for-sale securities. As of July 1, 2004, the Company conducted a spin-off, transferring corporate bonds worth KRW 110,500 million (book value of KRW 88,400 million) of LG Card to the newly established GS Holdings, which resulted in owning debentures worth KRW 189,500 million (book value KRW 129,500 million) in acquisition value. Afterwards, an additional KRW 14,448 million in loss on impairment of available-for-sale securities was recognized, bringing the total loss on impairment of available-for-sale securities to KRW 74,448 million. Because it is not possible to transfer losses to the newly established company, LG Corp. recognized all losses on impairment of available-for-sale securities. Therefore, LG Corp. holds corporate bonds of LG Card worth a total of KRW 189,500 million, with a book value of KRW 137,152 million.

	[Unit: KRW one million]		
	Before Spin-off	After Spin-off	
		LG Corp.	GS Holdings Corp.
Acquisition Value	300,000	189,500	110,500
Total Impairment	74,448	52,348	22,100
Book Value	-	137,152	88,400

Management's Discussion & Analysis

Dividends Received

Dividends received in 2004 totaled KRW 251,748 million, up 31.9% from 2003. Among dividends received in 2004, the dividends of three subsidiaries that have become non-LG companies due to the spin-off have also been recognized. Excluding the businesses that have been spun off, dividends received in the electronics business were the highest in proportion, and the increase in dividends received by the services business was also remarkable, though insignificant in terms of absolute amount. Dividends in the chemicals business also increased remarkably.

The amount of dividends received is expected to fluctuate every year since dividends are coupled with the business performance of the subsidiary and investing company. LG Corp. has been exerting its utmost efforts to enhance the competitiveness of its subsidiaries in order to minimize the fluctuation in the performance of subsidiaries due to external factors such as unstable exchange rates and challenging economic environments.

[Unit: KRW one million, %]

Category	Company	2003		2004		Change%	Remarks
		Amount	Composition	Amount	Composition		
Electronics	LG Electronics Inc.	50,341	26.4	62,927	25.0	25.0	-
	LG Siltron Inc.	965	0.5	-	-	-100.0	-
	LG Electronics Investment, Ltd.	332	0.2	-	-	-100.0	-
	Sub-total	51,638	27.1	62,927	25.0	21.9	-
Chemicals	LG Chem Ltd.	28,993	15.2	38,371	15.2	32.3	-
	LG Household & Health Care Ltd.	7,028	3.7	7,973	3.2	13.4	-
	LG MMA Corp.	2,400	1.3	6,000	2.4	150.0	-
	Sub-total	38,421	20.1	52,344	20.8	36.2	-
Services	LG CNS Co., Ltd.	1,838	1.0	3,677	1.5	100.0	-
	LG N-Sys	10,000	5.2	10,000	4.0	-	-
	LG MRO Co., Ltd.	-	-	10,000	4.0	-	-
	Sub-total	11,838	6.2	23,677	9.4	100.0	-
Spin-off Companies	LG-Caltex Oil Corp.	76,240	39.9	76,738	30.5	0.7	Spun-off in 2004
	LG Home Shopping Inc.	5,907	3.1	3,938	1.6	-33.3	-
	LG Mart Co., Ltd.	-	-	15,189	6.0	-	-
	Sub-total	82,147	43.0	95,864	38.1	16.7	-
Total	184,044	96.4	234,812	93.3	27.6	-	
Investment Securities	OTIS-LG Elevator Co., Ltd.	715	0.4	13,025	5.2	1,721.2	-
	LG Hitachi Ltd.	180	0.1	142	0.1	-21.0	-
	Hankuk Electric Glass Co., Ltd.	3,229	1.7	2,422	1.0	-25.0	Sold in 2004
	Korea Management Association Consultants	2	0.0	3	0.0	33.3	-
	Korea Enterprise Technology Inc.	16	0.0	24	0.0	50.0	-
	Owens Corning Korea	1,358	0.7	-	-	-100.0	-
	Owens Corning Korea (preferred stock)	1,321	0.7	1,321	0.5	-	-
	Total	6,821	3.6	16,937	6.7	148.3	-
Grand Total	190,865	100.0	251,748	100.0	31.9	-	

Reduced Borrowings

As part of its effort to ensure stable financials and secure the ability to make investments in the future, LG Corp. has reduced borrowings by KRW 507,500 million and 18.1%p of debt-to-equity ratio. Taking into account the KRW 189,500 million used to purchase corporate bonds to support the business normalization of LG Card, one could say that the amount of borrowings has gone down by KRW 697,000 million. Primary resources facilitated to redeem borrowings were proceeds from the disposal of treasury shares and investment securities such as Hankuk Electric Glass Co., Ltd. ("Hankuk Electric Glass"). Given that the average interest rate as of the end of 2004 stands at 4.9%, approx. KRW 25 billion in annual interest expense can be saved. The company will continue to make efforts to reduce the amount of borrowings in the future.

[Unit: KRW one million]

Category	End of 2003		End of 2004		Reduction Due to Spin-off	Actual Reduction
	Amount	Composition	Amount	Composition		
Corporate Bond	1,340,000	88.2%	400,000	67.5%	△400,000	△540,000
ST Borrowings	180,000	11.8%	192,500	32.5%	△20,000	32,500
Total	1,520,000	100.0%	592,500	100.0%	△420,000	△507,500
Debt-to-equity Ratio		35.7%		17.6%		-18.1%

Management's Discussion & Analysis

Investment Activities for the Future

Purchase of Stock

In 2004, LG Corp. acquired a total of KRW 87,503 million and with the exception of Lusem Co., Ltd. ("Lusem"), they were acquisitions to participate in the rights offering of existing subsidiaries and/or to secure an additional stake. Additional shares in LG-Caltex Oil Corp. were purchased to satisfy the requirement as a subsidiary under the Fair Trade Act. The shares have been transferred to GS Holdings due to the spin-off on July 1, 2004.

[Unit: KRW one million, shares]

Company	Type	Total Shares Issued	Acquired Shares	Acquired Ownership	Acquisition Value	Acquisition Unit Price (KRW)	Remarks
Lusem Co., Ltd.	Common Stock	2,160,000	1,400,000	64.81%	7,000	5,000	New investment
LG CNS Co., Ltd.	Common Stock	38,711,498	960,000	2.48%	8,861	9,230	-
LG Life Sciences, Ltd.	Common Stock	16,813,206	780,114	4.64%	16,460	21,100	Rights offering
Dacom Corporation	Common Stock	37,167,640	22,948	0.06%	184	8,020	CB conversion
Dacom Corporation	Common Stock	50,427,119	8,899,907	17.65%	44,500	5,000	Rights offering
LG Sports Ltd.	Common Stock	1,200,000	600,000	50.00%	1,647	2,745	-
LG-Caltex Oil Corp.	Common Stock	26,000,000	44,257	0.17%	8,851	200,000	Spin-off
Total	-	-	-	-	87,503	-	-

Note) The number of total issued shares of LG Sports Ltd. refers to the situation at the time of acquisition. LG Sports Ltd. was divided into LG Sports Ltd. and GS Sports Ltd. as of June 1, 2004 and the current number of shares issued is 600,000 shares; it is 100% owned by LG Corp.

New investment in Lusem

In order for LG's LCD business to maintain its World No.1 position and develop further, establishing an infrastructure for its core parts is essential. Currently, the necessary infrastructures are in place within LG for core parts such as backlights, color filters and polarizing plates, but have yet to be established for Drive IC. The decision has been made to establish a company and make investment in Drive IC to advance into the post-processing business of Drive IC and thereby contribute to reinforcing the display business within LG. The decision was made in consideration of the projected global imbalance in supply and demand and the fact that the production, development and quality assurance of LCD products without a proprietary solution poses difficulties. To reduce risks associated with the investment and business, and promptly secure technology, investment has been undertaken in the form of equity participation by Oki Electric Industry Co., Ltd. ("Oki Electric") of Japan, which holds specialized technology in post-processing. LG retains management rights in Lusem while Oki Electric is responsible for capital investment and production technology. Lusem will launch productions starting 1H 2005.

Equity Disposal

The disposal of shares in Hankuk Electric Glass recognizes KRW 17,604 million in losses, but if the profit/loss is calculated by the difference in disposal value and acquisition value, KRW 26,735 million in profit was made from trading Hankuk Electric Glass shares. However, in the case of Hanaro Telecom Inc. ("Hanaro Telecom") shares, as it was assessed as a recoverable amount in 2003 and recognized KRW 111,060 million as loss on impairment of available-for-sale securities, and therefore KRW 8,549 million is recognized as loss as a result of the disposal in 2004.

[Unit: KRW one million, shares]

Company	Share Type	Total Shares Issued	Disposed Shares	Disposed Ownership	Disposal Value	Profit/Loss from Disposal	Remarks
Hanaro Telecom Inc.	Common Stock	462,135,180	11,175,047	2.42%	27,938	△8,549	-
Hankuk Electric Glass Co., Ltd.	Common Stock	8,073,375	1,614,675	20.00%	119,163	△17,604	-
Owens Corning Korea	Preferred Stock	1,390,000	1,150,000	82.73%	11,500	0	Redemption
Total	-	-	-	-	158,601	△26,153	-

Note) The disposal value refers to the price at which the shares were disposed; profit/loss from disposal is disposal value subtracted by book value.

LG Corp.
Non-Consolidated Balance Sheets
December 31, 2004 and 2003

	[Unit: KRW one million]	
	2004	2003
Assets		
Current assets		
Cash and cash equivalents	₩ 2,478	₩ 214,466
Short-term investment securities	137,152	-
Other accounts receivable, net	343	50,532
Accrued income	3,373	250
Advance payments	85	43
Prepaid expenses	2,588	1,798
Derivative transaction debit	-	51,264
Others	-	8,524
Total current assets	146,019	326,877
Property, plant and equipment, net	191,762	520,683
Long-term financial instruments	6	6
Investment securities	145,078	184,228
Equity-method investments	4,359,250	6,154,159
Guarantee deposits	1,915	1,535
Long-term prepaid expenses	2,084	882
Intangible assets	(594,501)	(1,037,174)
Total assets	₩ 4,251,613	₩ 6,151,196
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings	₩ 192,500	₩ 180,000
Short-term debentures	-	199,264
Other accounts payable	1,401	2,961
Withholdings	1,661	497
Accrued expenses	1,963	9,299
Income tax payable	5,865	-
Current maturities of long-term debt	99,909	489,406
Total current liabilities	303,299	881,427
Debtentures, net	296,956	636,274
Accrued severance benefits, net	3,439	6,232
Deferred income tax liabilities	100,811	13,800
Guarantee deposits received	174,997	354,957
Total liabilities	879,502	1,892,690
Commitments and contingencies		
Shareholders' equity		
Common stock	862,786	1,327,363
Preferred stock	16,573	25,498
Capital surplus		
Paid-in capital in excess of par value	898,266	1,381,948
Asset revaluation surplus	339,619	339,619
Other capital surplus	367,092	254,079
Retained earnings		
Legal reserve	79,774	73,621
Other reserves	1,237,820	1,299,673
Unappropriated retained earnings	539,504	(15,424)
Capital adjustments		
Loss on valuation of equity-method investments, net	(74,276)	(222,226)
Loss(Gain) on valuation of investment securities	4,132	(9,855)
Treasury stock	(348)	(195,790)
Loss on reduction of capital stock	(898,831)	-
Total shareholders' equity	3,372,111	4,258,506
Total liabilities and shareholders' equity	₩ 4,251,613	₩ 6,151,196

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

LG Corp.
Non-Consolidated Statements of Income
Years Ended December 31, 2004 and 2003

	[Unit: KRW one million]	
	2004	2003
Operating revenue	₩ 760,963	₩ 377,436
Operating expenses	54,410	178,773
Operating income	706,553	198,663
Non-operating income		
Interest income	22,934	6,147
Foreign exchange gains	-	514
Gain on disposal of available-for-sale securities	196	3,007
Gain on derivative transactions	675	-
Gain on valuation of derivative instruments	-	3,861
Amortization of negative goodwill	93,137	94,418
Others	178	52
	117,120	107,999
Non-operating expenses		
Interest expense	55,114	87,883
Foreign exchange losses	-	6
Loss on disposal of available-for-sale securities	8,549	-
Loss on conversion of available-for-sale securities	16	-
Loss on disposal of investments using the equity-method of accounting	17,604	70,713
Impairment loss on available-for-sale securities	84,296	114,057
Loss on derivative transactions instruments	1,848	-
Loss on valuation of derivative instruments	-	17,572
Loss on prior period error correction	8,764	-
Others	698	1,569
	176,889	291,800
Income before income taxes	646,784	14,862
Income tax expense	71,237	29,795
Net income	₩ 575,547	₩ (14,933)
Per share data (In KRW)		
Earnings per share	₩ 2,672	₩ (76)
Ordinary income per share	₩ 2,672	₩ (76)

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

LG Corp.
Non-Consolidated Statements of Appropriations of Retained Earnings
Years Ended December 31, 2004 and 2003(Date of appropriations :
March 18, 2005 and March 19, 2004 for the years ended December 31, 2004 and 2003, respectively)

	[Unit: KRW one million]	
	2004	2003
Retained earnings before appropriations		
Unappropriated retained earnings carried over from prior years	₩ (21,253)	₩ 3,832
Changes in retained earnings resulting from the use of the equity-method on investments	(14,791)	(4,323)
Net income	575,547	(14,933)
	539,503	(15,424)
Transfer from other reserves		
Reserve for investment	319,694	-
Reserve for technological development	-	784,150
	859,197	768,726
Appropriations of retained earnings		
Legal reserve	4,412	6,153
Loss on reduction of capital stock	898,831	-
Cash dividends	44,126	61,529
Reserve for investment	-	722,297
	947,369	789,979
Unappropriated retained earnings carried forward to the subsequent year	₩ (88,172)	₩ (21,253)

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

LG Corp.
Non-Consolidated Statements of Cash Flows
Years Ended December 31, 2004 and 2003

	[Unit: KRW one million]	
	2004	2003
Cash flows from operating activities		
Net income	₩ 575,548	₩ (14,933)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	6,755	7,565
Amortization of discounts on debentures	5,097	9,760
Provision for severance benefits	1,328	2,735
Loss(gain) on disposal of available-for-sale securities	8,353	(3,007)
Loss on conversion of available-for-sale securities	16	-
Loss on disposal of investments using the equity-method of accounting, net	17,604	70,713
Gain on valuation of investments using the equity-method of accounting, net	(692,712)	(192,641)
Impairment loss on investments	84,296	114,057
Loss on valuation of derivative instruments, net	-	13,711
Loss on derivative transactions, net	1,173	-
Amortization of negative goodwill	(93,137)	(94,418)
Bad debt expense	-	2
Loss on prior period error correction	8,764	-
Others, net	(37,261)	(11,250)
	(114,176)	(97,706)
Changes in operating assets and liabilities		
Decrease (increase) in other accounts receivable	50,029	4,806
Increase in prepaid expenses	(1,551)	(1,627)
Increase in advance payments	(85)	(42)
Decrease(increase) in accrued income	(5,038)	1,879
(Increase) decrease in other current assets	8,525	(8,376)
Decrease in deferred income tax, net	85,579	41,808
Decrease in other accounts payable	(1,439)	(10,795)
Decrease in accrued expenses	(4,540)	(6,067)
(Increase) decrease in withholdings	1,164	(42,599)
Increase (decrease) in income tax payable	5,865	(91,793)
(Decrease) Increase in guarantee deposits, received	(546)	59,316
Transfer-in (out) of severance benefits from affiliated company	1,131	3,360
Payment of severance benefits	(708)	(3,923)
Increase in other assets	(3,542)	(85)
Dividend income	236,273	134,748
	371,117	80,610
Net cash (used in) provided by operating activities	₩ 256,941	₩ (17,096)
Cash flows from investing activities		
Disposal of short-term financial instruments, net	₩ -	₩ 72,937
Disposal of long-term financial instruments, net	-	9
Disposal of available-for-sale securities, net	37,366	13,793
Disposal of equity-method investments, net	130,663	184,879
Disposal of derivatives	50,091	-
Disposal of property, plant and equipment	-	18
Acquisition of available-for-sale securities	(301,797)	(30,354)
Acquisition of equity-method investments, net	(87,319)	(215,908)
Acquisition of property, plant and equipment	(33,032)	(12,496)
Disposal of intangible assets, net	(993)	(817)
Decrease in guarantee deposits	(380)	(583)
Decrease in short-term and long-term loans provided, net	(1,466)	-
Increase in cash arising from the merger	-	15,367
Decrease in cash arising from the spin-off	(35,314)	-
Net cash provided by investing activities	(242,181)	26,845
Cash flows from financing activities		
Proceeds from short-term borrowings	32,500	40,400
Proceeds from short-term debentures	-	198,824
Proceeds from debentures	146,564	248,499
Payment of short-term debentures	(200,000)	-
Repayment of current maturities of long-term debt	(490,000)	(460,000)
Payment of dividends	(61,527)	(54,702)
Proceeds from disposal of treasury stock	346,063	197,204
Acquisition of treasury stock	(348)	(150,768)
Others	-	(70)
Net cash provided by (used in) financing activities	(226,748)	19,387
Net increase in cash and cash equivalents	(211,988)	29,136
Cash and cash equivalents		
Beginning of year	214,466	185,330
End of year	₩ 2,478	₩ 214,466

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



Consolidated **Financial Statements**

December 31, 2004 and 2003

Report of Independent Auditors | Consolidated Financial Statements |
Notes to Consolidated Financial Statements

To the Board of Directors and Shareholders of LG Corp.

We have audited the accompanying consolidated balance sheets of LG Corp. ("the Company") and its subsidiaries (collectively "the Group") as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 2004 and 2003, expressed in Korean won. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, including Dacom Corporation and certain other consolidated subsidiaries of LG Electronics Inc., which reflect total assets amounting to KRW 28,939,758 million and KRW 30,838,834 million as of December 31, 2004 and 2003, respectively, and sales amounting to KRW 60,195,780 million and KRW 59,606,502 million for the years ended December 31, 2004 and 2003, respectively. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to the above present fairly, in all material respects, the financial position of LG Corp. and its subsidiaries as of December 31, 2004 and 2003, and the results of their operations, the changes in their shareholders' equity and cash flows for the years ended December 31, 2004 and 2003, in conformity with accounting principles generally accepted in the Republic of Korea.

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

As discussed in Notes 1 and 26 to the accompanying consolidated financial statements, on July 1, 2004, the Company spun-off and newly incorporated GS Holdings Corp. as a holding company. Accordingly, investment securities such as LG Home Shopping Inc., LG-Caltex Oil Corp. and LG Mart Co., Ltd. and certain buildings were transferred to GS Holdings Corp. As a result, transactions that occurred after the spin-off date were recorded on the financial statement of the Company and GS Holdings Corp., separately. GS Holdings Corp. and its subsidiaries received approval from the Fair Trade Commission on the breakaway from the LG Group on January 27, 2005.

As discussed in Notes 1 and 26 to the accompanying consolidated financial statements, due to the acquisition of shares and other reasons, 12 subsidiaries including Lusem Co., Ltd. were consolidated for the first time in 2004. Due to the spin-off and other reasons, nine subsidiaries including LG-Caltex Oil Corp. are excluded from the consolidated financial statements in 2004. However, transactions that occurred in subsidiaries before the spin-off were recorded on the consolidated financial statements of the Company.

As discussed in Notes 28 to the accompanying consolidated financial statements, the Group acquired unwarranted debentures and commercial papers amounting to KRW 750,000 million issued by LG Card Co., Ltd. ("LG Card") for the business normalization of LG Card. The Company transferred KRW 88,400 million (KRW 110,500 million in face value) of unwarranted debentures to GS Holdings Corp. in the spin-off. Unwarranted debentures amounting to KRW 137,152 million (KRW 189,500 million in face value) were replaced with commercial papers issued by LG Card on January 18, 2005.

In addition, according to the agreement with creditor financial institutions, the Group extended the maturity of those commercial papers amounting to KRW 487,140 million to December 31, 2005, and converted those commercial papers amounting to KRW 152,360 million to common stocks of LG Card in January 2005. In accordance with the resolution of the board of directors dated January 19, 2005, the Company made a contract to sell commercial papers of LG Card amounting to KRW 48,160 million to Deutsche Bank which will be converted into common stocks of LG Card. Simultaneously, the Company made an agreement with Deutsche Bank to purchase call option and sell put option with the exercise price of the subscription price at the issuance of new shares by LG Card.

The Group has recognized an impairment loss of KRW 198,760 million for the year ended December 31, 2004 regarding unwarranted debentures and commercial papers issued by LG Card and related interest receivables.

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

Samil PricewaterhouseCoopers

Seoul, Korea
April 25, 2005

This report is effective as of April 25, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

	[Unit: KRW one million]	
	2004	2003
Assets		
Current assets		
Cash and cash equivalents	₩ 3,649,630	₩ 2,715,146
Short-term financial instruments (Note 3)	369,123	446,612
Short-term securities (Note 6)	517,089	250,856
Trade accounts and notes receivable, net (Notes 4 and 23)	5,713,952	7,533,362
Inventories (Notes 5 and 9)	7,010,514	6,874,340
Short-term loans receivable, net (Note 4)	41,306	256,441
Other accounts receivable (Note 4)	1,221,910	699,373
Accrued income (Note 4)	148,901	385,859
Advance payments (Note 4)	104,011	155,673
Prepaid expenses	185,776	184,230
Derivative transaction debit	175,122	65,980
Others	454,898	324,992
Total current assets	19,592,232	19,892,864
Property, plant and equipment, net (Note 9)	20,779,082	23,479,593
Long-term financial instruments (Note 3)	19,782	144,135
Investment securities (Note 7)	595,071	689,469
Equity-method investments (Note 8)	1,078,838	907,422
Long-term trade accounts and notes receivable, net (Note 4)	172,637	159,322
Guarantee deposits	709,792	818,635
Long-term loans receivable, net (Note 4)	98,939	320,571
Long-term prepaid expenses	301,457	218,931
Deferred income tax assets (Note 20)	618,711	627,739
Derivative transactions debit	2,613	2,432
Intangible assets, net (Notes 2 and 10)	2,334,040	2,630,269
Other investments	64,214	314,474
Total assets	₩ 46,367,408	₩ 50,205,856
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Note 11)	₩ 7,142,053	₩ 6,415,000
Current maturities of long-term debt (Note 11)	2,347,991	3,842,281
Trade accounts and notes payable (Note 23)	4,419,183	6,804,167
Other accounts payable (Note 23)	3,415,429	4,342,914
Advances from customers	344,523	485,715
Withholdings	264,477	205,227
Accrued expenses	1,878,783	1,411,122
Income tax payable	335,298	251,948
Dividend payable	4,940	186
Unearned income	48,860	41,403
Derivative transaction credit	57,270	10,884
Other current liabilities	518,830	358,434
Total current liabilities	20,777,637	24,169,281
Debentures, net (Note 12)	7,645,440	8,135,858
Long-term debt, net of current portion (Note 12)	1,532,310	1,421,641
Long-term other accounts payable	475,926	772,358
Accrued severance benefits, net (Notes 2 and 14)	470,665	504,840
Guarantee deposits received (Note 23)	188,746	557,639
Deferred income tax liabilities (Note 20)	274,948	361,757
Derivative transaction credit	75,539	22,140
Other long-term liabilities	247,835	327,927
Total liabilities	31,689,046	36,273,441
Commitments and contingencies (Note 15)		
Shareholders' equity (Notes 1 and 16)		
Common stock	862,786	1,327,362
Preferred stock	16,573	25,498
Capital surplus (Note 17)	1,993,519	1,989,580
Retained earnings (Note 18)	1,470,139	634,893
Capital adjustments		
Overseas operations translation credit (debit)	(36,693)	12,544
Loss on valuation of investment securities	(78,123)	(191,440)
Treasury stock (Note 19)	(11,468)	(193,421)
Other capital adjustments	(896,093)	177,086
Minority interest in consolidated subsidiaries	11,357,722	10,150,313
Total shareholders' equity	14,678,362	13,932,415
Total liabilities and shareholders' equity	₩ 46,367,408	₩ 50,205,856

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

LG Corp. and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2004 and 2003

[Unit: KRW one million, except per share amounts]

	2004	2003
Sales (Notes 23 and 25)	₩ 70,198,020	₩ 58,148,716
Cost of sales (Note 23)	51,791,563	43,236,379
Gross profit	18,406,457	14,912,337
Selling and administrative expenses	13,260,383	11,437,429
Operating income	5,146,074	3,474,908
Non-operating income		
Interest income	281,585	189,938
Dividends income	31,213	6,859
Rental income	24,467	43,253
Foreign exchange gains	1,161,442	1,061,814
Gain on foreign currency translation	511,863	185,942
Gain on disposal of short-term securities	2,556	9,340
Gain on valuation of short-term securities	1,839	47,872
Gain on disposal of investment securities	726	17,480
Gain on valuation of investments using the equity method of accounting (Note 8)	101,499	-
Gain on disposal of investments using the equity method of accounting	38,723	3,177
Gain on disposal of property, plant and equipment	31,991	38,484
Refund of income taxes	65,504	4,595
Gain on derivative transactions	124,915	7,493
Gain on valuation of derivative instruments	125,722	49,458
Amortization of negative goodwill	98,211	94,418
Others	379,255	300,769
	2,981,511	2,060,892
Non-operating expenses		
Interest expense	936,009	1,024,220
Foreign exchange losses	1,137,091	1,026,063
Loss on foreign currency translation	162,711	108,759
Donations	34,239	22,175
Loss on valuation of investments using the equity method of accounting (Note 8)	-	494,128
Loss on disposal of short-term securities	1,112	392
Loss on valuation of short-term securities	1,558	7,555
Loss on disposal of investment securities	83,313	9,502
Loss on disposal of investments using the equity method of accounting	1,173	81,534
Impairment loss on investment securities	264,642	155,683
Loss on disposal of property, plant and equipment	200,749	168,375
Impairment loss on property, plant and equipment	15,047	89,579
Loss on redemption of debentures	-	1,279
Other bad debt expense	19,883	17,900
Loss on derivative transactions	81,217	27,087
Loss on valuation of derivative instruments	114,449	34,442
Additional payment of income taxes	26,589	4,839
Loss on disposal of trade accounts receivable	161,950	116,223
Others	347,860	134,867
	3,589,592	3,524,602
Ordinary income	4,537,993	2,011,198
Extraordinary gains	-	602
Extraordinary losses	-	4,686
Income before income taxes	4,537,993	2,007,114
Income tax expense (Note 20)	999,045	611,889
Income after income taxes	3,538,948	1,395,225
Minority interests in income of consolidated subsidiaries, net	2,884,375	1,333,587
Net income	₩ 654,573	₩ 61,638
Per share data		
Earnings per share (Note 21)	₩ 3,039	₩ 295
Ordinary income per share (Note 21)	₩ 3,039	₩ 309

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

LG Corp. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2004 and 2003

[Unit: KRW one million]

	Capital Stock	Consolidated Capital Surplus	Consolidated Retained Earning	Consolidated Capital Adjustments	Minority Interests	Total
Balance as of January 1, 2004	₩ 633,874	₩ 2,019,171	₩ 1,182,477	₩ (783,958)	₩ 5,524,306	₩ 8,575,870
Merger	666,969	131,370	-	-	-	798,339
Investment in kind	52,017	19,948	-	-	-	71,965
Gains on disposal of treasury stock	-	25,445	-	-	-	25,445
Revaluation reserve	-	(87,874)	-	-	-	(87,874)
Additional acquisition of subsidiaries' equity	-	(142,053)	-	-	-	(142,053)
Net income	-	-	61,638	-	-	61,638
Minority interest in income of consolidated subsidiaries	-	-	-	-	2,403,731	2,403,731
Dividends to shareholders	-	-	(37,330)	-	-	(37,330)
Changes in retained earnings of equity method investee	-	-	(4,969)	-	-	(4,969)
Losses on capital reduction	-	-	(434,171)	434,171	-	-
Changes in consolidated companies	-	-	(79,595)	-	-	(75,231)
Changes in ownership, net	-	-	-	163,376	-	163,376
Acquisition of treasury stock	-	-	-	(144,896)	-	(144,896)
Loss on valuation of available-for-sale securities	-	-	-	101,037	-	101,037
Overseas operations translation adjustments	-	-	-	55,479	-	55,479
Loss on valuation of investment securities net	-	-	-	(36,995)	-	(36,995)
Changes in minority interest	-	-	-	-	2,222,276	2,222,276
Others	-	23,573	(53,157)	12,191	-	(17,393)
Balance as of December 31, 2003	₩ 1,352,860	₩ 1,989,580	₩ 634,893	₩ (195,231)	₩ 10,150,313	₩ 13,932,415
Balance as of January 1, 2004	₩ 1,352,860	₩ 1,989,580	₩ 634,893	₩ (195,231)	₩ 10,150,313	₩ 13,932,415
Gains on disposal of treasury stock	-	113,012	-	-	-	113,012
Additional acquisition of subsidiaries' equity	-	130,128	-	-	-	130,128
Net income	-	-	654,573	-	-	654,573
Minority interest in income of consolidated subsidiaries	-	-	-	-	2,884,375	2,884,375
Dividends to shareholders	-	-	(61,530)	-	-	(61,530)
Changes in retained earnings of equity method investee	-	-	(16,611)	-	-	(16,611)
Appropriation of accumulated deficit	-	(91,106)	91,106	-	-	-
Spin-off	(473,501)	43,505	-	(1,354,813)	(2,307,279)	(4,092,088)
Losses on capital reduction	-	(483,682)	(99,033)	582,715	-	-
Changes in consolidated companies	-	-	-	-	3,575	3,575
Disposal of treasury stock	-	-	-	195,442	-	195,442
Loss on valuation of available-for-sale securities	-	-	-	(84,414)	-	(84,414)
Overseas operations translation adjustments	-	-	-	(49,237)	-	(49,237)
Loss on valuation of investment securities net	-	-	-	197,731	-	197,731
Changes in minority interest	-	-	-	-	760,808	760,808
Others	-	292,082	266,741	(314,570)	(134,070)	110,183
Balance as of December 31, 2004	₩ 879,359	₩ 1,993,519	₩ 1,470,139	₩ (1,022,377)	₩ 11,357,722	₩ 14,678,362

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

LG Corp. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2004 and 2003

	[Unit: KRW one million]	
	2004	2003
Cash flows from operating activities		
Net income	₩ 654,573	₩ 61,638
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for severance benefits	357,047	326,284
Depreciation and amortization	4,208,346	3,575,835
Bad debt expense	86,579	201,540
Other bad debt expense	19,883	17,900
Gain on foreign currency translation, net	(448,079)	(73,271)
Loss on disposal of trade accounts receivable	161,950	116,223
Gain on disposal of short-term securities, net	(1,444)	(8,948)
Gain on valuation of short-term securities, net	(281)	(40,317)
Loss (gain) on disposal of investment securities, net	82,587	(7,978)
Loss (gain) on disposal of investments using the equity method of accounting	(37,550)	78,357
Impairment loss on investment securities, net	264,642	155,154
Loss (gain) on valuation of investment securities using the equity method of accounting	(101,499)	494,128
Loss on disposal of property, plant and equipment, net	168,758	129,891
Impairment loss on property, plant and equipment	15,047	89,579
Amortization of discounts on debentures	116,212	94,539
Loss on redemption of debentures	-	1,279
Amortization of negative goodwill	(98,211)	(94,418)
Gain on derivative transactions, net	(52,227)	19,594
Gain on valuation of derivative instruments, net	(11,273)	(15,016)
Gain on business transfer	(5,100)	-
Minority interest in income of consolidated subsidiaries, net	2,884,375	1,333,587
Others, net	99,819	197,998
	8,364,154	6,653,578
Changes in operating assets and liabilities		
Increase in trade accounts and notes receivable	(367,073)	(868,653)
Decrease (increase) in other accounts receivable	(694,035)	176,402
Increase in inventories	(1,292,510)	(1,155,000)
Decrease (increase) in accrued income	212,134	(73,374)
Decrease in advance payments	35,317	103,914
Decrease (increase) in prepaid expenses	(30,749)	37,330
Decrease (increase) in other current assets	(141,708)	92,415
Increase in long-term prepaid expenses	(76,115)	(30,621)
Increase in long-term trade accounts and notes receivable	(42,966)	(79,162)
Change in deferred income tax, net	214,328	(52,595)
Increase (decrease) in trade accounts and notes payable	(89,173)	728,814
Increase (decrease) in other accounts payable	55,854	(426,373)
Decrease in advances from customers	(96,267)	(14,946)
Increase in withholdings	97,826	27,968
Increase in accrued expenses	568,869	163,968
Increase (decrease) in income tax payable	99,068	(217,593)
Decrease in unearned income	(28,089)	(35,898)
Increase (decrease) in other current liabilities	212,701	(14,982)
Increase (decrease) in long-term trade accounts and notes payable	(113)	48,235
Increase (decrease) in guarantee deposits received	(243,637)	72,912
Accrued severance benefits transferred from affiliated company	9,682	8,085
Increase in severance insurance deposits	(60,043)	(43,423)
Decrease in contributions to the National Pension Fund	7,528	6,452
Payment of severance benefits	(267,024)	(247,993)
Others	(219,384)	145,580
	(2,135,579)	(1,648,538)
Net cash provided by operating activities	₩ 6,228,575	₩ 5,005,040

LG Corp. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2004 and 2003

	[Unit: KRW one million]	
	2004	2003
Cash flows from investing activities		
Acquisition of short-term financial instruments, net	₩ (37,696)	₩ (68,647)
Acquisition of securities, net	(101,932)	(39,816)
Decrease in short-term and long-term loans, net	30,893	107,845
Disposal (acquisition) of long-term financial instruments, net	122,410	(122,762)
Disposal of investment securities	685,094	165,789
Acquisition of investment securities	(1,278,101)	(200,193)
Acquisition of equity-method investments, net	(239,590)	(391,314)
Decrease (increase) in guarantee deposits, net	(5,142)	79,438
Decrease in other investments, net	33,604	250,277
Disposal of property, plant and equipment	543,315	785,492
Acquisition of property, plant and equipment	(7,486,467)	(5,285,446)
Acquisition of intangible assets, net	(121,664)	(162,809)
Net cash used in investing activities	(7,855,276)	(4,882,146)
Cash flows from financing activities		
Proceeds from short-term borrowings, net	1,791,998	463,445
Payment of dividends	(606,038)	(54,702)
Repayment of current maturities of long-term debts	(3,304,709)	(2,974,074)
Proceeds from debentures	3,317,590	3,976,369
Repayment of debentures	(300,416)	(602,564)
Proceeds from long-term debts	854,953	782,451
Repayment of long-term debts	(193,571)	(460,478)
Decrease in other long-term liabilities, net	8,491	(46,243)
Proceeds from capital stock issue	61,785	13,999
Proceeds from disposal of treasury stock	361,371	197,204
Acquisition of treasury stock	(46,646)	(150,768)
Change in overseas operations translation adjustments	(123,228)	-
Increase (decrease) in minority interest in consolidated subsidiaries	1,203,128	(401,098)
Decrease of the cash from consolidated capital transaction	(17,712)	-
Net cash provided by financing activities	3,006,996	743,541
Cash flows from changes in the scope of consolidation	13,456	598,710
Cash flows from spin-off	(459,267)	-
Net increase in cash and cash equivalents	934,484	1,465,145
Cash and cash equivalents		
Beginning of year	2,715,146	1,250,001
End of year	₩ 3,649,630	₩ 2,715,146

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

LG Corp. and Subsidiaries
Notes to Consolidated Financial Statements

December 31, 2004 and 2003

1. The Consolidated Companies and Equity-method Investees

The accompanying consolidated financial statements include the accounts of LG Corp. and its 133 subsidiaries in 2004, and its 130 subsidiaries (collectively "the Group") in 2003.

The Holding Company

As a holding company, LG Corp. ("the Company"), formerly known as LG Chem Investment Ltd. (LGCI), merged with LG Electronics Investment Ltd. (LGEI) and the real estate and investment division of LG MRO Co., Ltd. ("LG MRO") on March 1, 2003. On March 4, 2003, the Company changed its name from LG Chem Investment Ltd. to LG Corp.

On July 1, 2004, the Company spun off and newly incorporated GS Holdings Corp. ("GS Holdings") as a holding company. Accordingly, investment securities such as LG Home Shopping Inc., LG-Caltex Oil Corp. and LG Mart Co., Ltd. and certain buildings were transferred to GS Holdings. As a result, transactions that occurred after the spin-off date were recorded on the financial statements of the Company and GS Holdings separately. GS Holdings and its subsidiaries received approval from the Fair Trade Commission on the breakaway from the LG Group on January 27, 2005.

In February 1970, the Company's shares were all listed on the Korea Stock Exchange.

As of December 31, 2004, the Company has an outstanding capital stock of KRW 879,359 million, including preferred stock of KRW 16,573 million, as a result of several issuances of new shares of stock, mergers and spin-off transactions.

Consolidated Companies

Consolidated subsidiaries and equity-method investees as of December 31, 2004 and 2003 are as follows:

	Percentage of Ownership (%)		Number of Shares Owned	
	2004	2003	2004	2003
Consolidated Subsidiaries				
Domestic Subsidiaries				
LG Electronics Inc.	36.06	36.06	50,341,430	50,341,430
Dacom Corporation	39.79	30.07	20,063,033	11,410,178
LG.Philips LCD Co., Ltd.	44.57	50.00	145,000,000	72,500,000
LG Sports Ltd.	100.00	100.00	600,000	1,200,000
LG Mart Co., Ltd. 1	-	65.75	-	10,125,688
LG Innotek Co., Ltd.	69.80	69.80	6,017,400	6,017,400
LG TeleCom, Ltd.	37.37	37.37	103,614,396	103,614,396
LG N-Sys	100.00	100.00	1,000,000	1,000,000
Konjiam Leisure Co., Ltd.	100.00	100.00	200,000	200,000
LG MRO Co., Ltd.	100.00	100.00	800,000	800,000
Hiplaza Co., Ltd.	100.00	100.00	7,440,000	1,440,000
Dacom Multimedia Internet Corporation	88.06	63.27	8,351,406	6,000,000
Korea Internet Data Center, Inc.	90.47	90.47	9,047,306	9,047,306
CIC Korea, Inc.	48.80	48.78	379,142	378,986
DACOM Crossing Corporation	51.00	51.00	3,390,582	3,390,582
Powercomm Corporation	45.43	45.43	68,145,834	68,145,834
LG Chem Ltd.	34.03	34.03	21,926,000	21,926,000
LG Petrochemical Co., Ltd.	40.00	40.00	18,080,000	18,080,000
LG Dow Polycarbonate Ltd.	50.00	50.00	7,025,785	5,274,085
LG Household & Health Care Ltd.	34.03	34.03	5,315,500	5,274,085
LG Home Shopping Inc. 1	-	30.00	-	1,968,900
LG-Caltex Oil Corp. 1	-	49.83	-	12,955,743
LG Power Co., Ltd. 1	-	100.00	-	35,843,800
Seorabeol City Gas Co., Ltd. 1	-	100.00	-	3,100,000
Haeyang City Gas Co., Ltd. 1	-	100.00	-	2,300,000
LG Siltron Inc.	51.00	51.00	3,418,141	3,418,141
LG MMA Corp.	50.00	50.00	1,200,000	1,200,000
LG CNS Co., Ltd.	65.80	63.32	25,470,680	24,510,680
LG Life Sciences, Co., Ltd.	30.43	30.51	5,044,114	4,264,000
LG Management Development Institute	100.00	100.00	1,200,000	1,200,000
LG Micron Ltd.	36.00	37.41	2,699,702	2,170,000
Lusem Co., Ltd. 3	64.81	-	1,400,000	-
V-ENS Co., Ltd.	100.00	-	360,000	-
Stic Ventures Co., Ltd.	94.00	94.00	2,820	2,820
Hi Business Logistics	100.00	-	20,000	-
Overseas Subsidiaries				
LG Electronics Alamaba, Inc. (LGEAI)	100.00	100.00	266	266
LG Electronics Almaty Kazak Co., Ltd. (LGEAK)	100.00	100.00	-	-
LG Electronics Antwerp Logistics N.V. (LGEAL)	100.00	100.00	-	-
LG Electronics Australia Pty., Ltd. (LGEAP)	100.00	100.00	2,685,000	2,685,000
Arcelic-LG Kiima Sanayi Ve Ticare A.S. (LGEAT)	50.00	50.00	144,000	60,000
LG Electronics Da Amazonia Ltda. (LGEAZ)	100.00	50.00	-	-
LG Electronics Colombia, Ltda. (LGECH)	100.00	60.00	-	-
LG Electronics (China) Co., Ltd. (LGECH)	100.00	100.00	-	-
LG Electronics Canada, Inc. (LGECL)	100.00	100.00	42,900	42,900
LG Electronics Inc. Chile Limitada (LGECL)	100.00	100.00	-	-
LG Electronics CZECH S.R.O. (LGECC)	100.00	100.00	-	-
LG Electronics Deutschland Gmbh. (LGEDG)	100.00	100.00	-	-
PT LG Electronics Display Devices Indonesia (LGEDI)	100.00	100.00	41,240	41,240
LG Electronics Egypt Cairo S.A.E. (LGECC)	100.00	100.00	13,510	13,510
LG Electronics Egypt S.A.E. (LGEEG)	83.97	78.00	120,910	112,320
Eic Properties Pte. Ltd.	38.20	78.00	13,052,940	13,052,940
LG Electronics Espana S.A. (LGEES)	100.00	100.00	219,390	53,000

LG Corp. and Subsidiaries
Notes to Consolidated Financial Statements

December 31, 2004 and 2003

	Percentage of Ownership (%)		Number of Shares Owned	
	2004	2003	2004	2003
LG Goldstar France S.A.R.L. (LGEFS)	100.00	100.00	69,848	37,050,000
LG Electronics Gulf FZE (LGEF)	100.00	100.00	29	11
LG Electronics HK Ltd. (LGEHK)	100.00	100.00	2,852,825	2,852,825
LG Electronics Nature (Hangzhou) Recording Media Co., Ltd. (LGEHN)	49.00	-	-	-
LG Electronics Hellas S.A. (LGEHS)	100.00	100.00	1,000,000	1,000,000
Huizhou LG Electronics Inc. (LGEHZ)	80.00	45.00	-	-
LG Electronics India (PVT) Ltd. (LGEIL)	100.00	100.00	112,649,459	112,649,459
PT LG Electronics Indonesia (LGEIN)	100.00	76.66	40,700	31,200
LG Electronics Italy S.P.A. (LGEIS)	100.00	100.00	18,785,000	17,010,131
LG Electronics JIT EUROPE B.V. (LGEJE)	100.00	-	-	-
LG Electronics Japan Inc. (LGEJP)	100.00	100.00	1,380,000	1,380,000
Kunshan LGMS Computer Co., Ltd. (LGEKS)	100.00	100.00	-	-
LG Electronics Mlawra Sp.zo.o (LGEML)	100.00	100.00	-	-
LG Electronics Morocco SARL (LGEML)	100.00	100.00	315,213	315,213
LG-Meca Electronics Haiphong, Inc. (LGEML)	70.00	70.00	-	-
LG Electronics Magyar KFT. (LGEML)	100.00	100.00	-	-
LG Electronics Monterrey Mexico S.A. de C.V. (LGEML)	100.00	99.00	27,094	15,479
LG Electronic Romania S.R.L. (LGERO) 3	100.00	-	-	-
LG Electronics Mexico S.A. DECV (LGEML)	100.00	98.48	134,601	19,500,000
LG Mitr Electronics Co., Ltd. (LGEML)	87.74	87.74	4,453,800	4,453,800
LG Electronics Mexicali S.A.de C.V. (LGEML)	100.00	100.00	513,626	513,626
LG Electronics North of England Ltd. (LGENE)	100.00	100.00	9,000,000	9,000,000
LG Electronics (Nanjing) Plasma Co., Ltd. (LGENP)	100.00	100.00	-	-
Nanjing LG-Toutru Color Display System Co., Ltd. (LGENP)	70.00	45.00	-	-
LG Collins Electronics Manila, Inc. (LGEML)	100.00	100.00	739,036	-
LG Electronics Polska Sp.zo.o (LGEPL)	100.00	100.00	-	-
NanJing LG Panda Appliances Co., Ltd. (LGEPL)	70.00	50.00	-	-
LG Electronics Peru S.A. (LGEPR)	100.00	100.00	23,507,492	5,296,822
LG Electronics Panama S.A. (LGEPS)	100.00	100.00	21,000	21,000
LG Electronics Portugal S.A. (LGEPT)	100.00	100.00	-	-
Qingdao LG Langchao Digital Communication Co., Ltd.	60.00	100.00	-	-
LG Electronics Qinhuangdao Inc. (LGEQH)	100.00	80.00	-	-
LG Electronics (China) Research and Development Center Co., Ltd. (LGERD)	100.00	100.00	-	-
LG Electronics Russia Inc. (LGERI)	95.00	95.00	-	-
LG Electronics Raynosa, S.A. de C.V. (LGERI)	100.00	100.00	70,576,292	70,576,292
LG Electronics S.A. (PTY) Ltd. (LGESE)	100.00	100.00	18,500,000	18,500,000
LG Electronics Service Europe Netherlands B.V. (LGESE)	100.00	100.00	-	-
Shanghai LG Electronics Co., Ltd. (LGESE)	70.00	70.00	-	-
LG Electronics De Sao Paulo Ltda (LGESE)	100.00	100.00	-	-
LGE Sweden AB (LGESE)	100.00	100.00	44,345	44,345
LG (Yantai) Information	100.00	-	-	-
Langchao LG (Yantai)	49.00	-	-	-
LG Electronics (Shenyang) Inc. (LGESE)	78.87	56.34	-	-
LG Electronics Tianjin Appliances Co., Ltd. (LGETA)	80.00	70.00	-	-
LG Electronics Thailand Co., Ltd. (LGETH)	100.00	49.00	2,050,000	1,004,500
Taizhou LG Electronics Refrigeration Co., Ltd. (LGETR)	100.00	83.30	-	-
LG Taistar Electronics Taiwan Co., Ltd.	100.00	100.00	52,892,542	19,492,542
LG Electronics United Kingdom Ltd. (LGEUK)	100.00	100.00	192,000	126,000
LG Electronics USA Inc. (LGEUS)	100.00	100.00	32,884	22,016
LG Electronics Vietnam Co., Ltd. (LGEVN)	100.00	100.00	-	-
LG Electronics Wales Ltd. (LGEWA)	100.00	100.00	2,042,202	659,000
Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT)	51.00	49.00	-	-
LG Srithai Electronics Co., Ltd. (LGSITH)	60.00	60.00	45,600	45,600
LGMSK Computer Hodings Co., Ltd. (LGMSK)	100.00	-	-	-
LG Infocomm U.S.A., Inc. (LGSICUS)	100.00	100.00	10,000	10,000
LG Soft India PVT Ltd. (LGSII)	100.00	75.00	9,946,000	8,403,200
Zenith Electronics Co. (Zenith)	100.00	100.00	2,000	2,000
Beijing Lucky Goldstar Building Development Co., Ltd.	49.50	31.32	-	-
LG Holdings Ltd.	31.82	31.82	44,550,000	-
LG Innotek Huizhou Inc. (LGITHZ)	100.00	100.00	-	-
PT LG Innotek Indonesia (LGITIN)	100.00	100.00	2,000	2,000
LG Innotek USA Inc. (LGITUS)	100.00	100.00	10,000	20,000
LG Innotek Yantai Co., Ltd. (LGITYT)	100.00	-	-	-
DACOM America, Inc.	100.00	100.00	4,840,000	4,840,000
LG.Philips LCD America Inc.	100.00	100.00	5,000,000	5,000,000
LG.Philips LCD Japan Co., Ltd.	100.00	100.00	1,900	1,900
LG.Philips LCD Germany GmbH	100.00	100.00	960,000	960,000
LG.Philips LCD Taiwan Co., Ltd.	100.00	100.00	11,549,994	11,549,994
LG.Philips LCD Nanjing Co., Ltd.	100.00	100.00	-	-
LG.Philips LCD Hongkong Co., Ltd.	100.00	100.00	115,000	115,000
LG.Philips LCD Shanghai Co., Ltd.	100.00	100.00	-	-
LG Vina Chemical Co.	40.00	40.00	1,520,000	1,520,000
LG Polymers India Holdings Inc. 5	100.00	100.00	126,746,122	126,746,122
Tianjin LG-Dagu Chemical Co., Ltd.	75.00	75.00	36,300,000	28,050,000
Tianjin LG New Building Materials Co., Ltd.	93.61	90.37	18,117,700	11,612,500
Tianjin LG Window & Door Ltd.	100.00	100.00	11,000,000	8,000,000
Ningbo LG-Yongxing Chemical Co., Ltd.	75.00	75.00	61,932,000	61,932,000
LG Chem Hongkong, Ltd.	100.00	100.00	300,000	300,000

LG Corp. and Subsidiaries Notes to Consolidated Financial Statements

December 31, 2004 and 2003

	Percentage of Ownership (%)		Number of Shares Owned	
	2004	2003	2004	2003
LG Chemical America Inc.	100.00	100.00	3,420	3,420
LG Solid Source LLC	51.00	51.00	-	-
Beijing LG Household Chemical Co., Ltd.	78.00	78.00	8,915,400	8,915,400
Hangzhou LG Cosmetics Co., Ltd.	81.71	81.71	5,720,000	5,720,000
LG Vina Cosmetics J/V Co., Ltd.	60.00	60.00	2,700,000	2,700,000
LG-Caltex Oil Singapore Pte. Ltd. 1	-	100.00	-	450,000
LG Siltron America, Inc.	100.00	100.00	3,000,000	1,200,000
LG Micron (FUJIAN) Electronics Co., Ltd.	36.00	80.00	-	-
LG CNS China Inc.	100.00	100.00	29,198,150	4,135,000
Equity-method Investees				
Domestic Equity-method Investees				
LG IBM PC Co., Ltd.	49.00	49.00	2,381,400	2,381,400
LG Hitachi Ltd.	49.00	49.00	245,000	245,000
Hankuk Electric Glass Co., Ltd.	20.00	20.00	1,614,675	1,614,675
Owens Corning Korea	29.18	29.18	1,620,220	1,620,220
Owens Corning Korea (Preferred stock)	100.00	100.00	240,000	1,390,000
Hyundai Petrochemical Co., Ltd. 4	50.00	50.00	37,325,680	37,325,680
LG Lucoat	20.00	28.33	311,609	441,447
Overseas Equity-method Investees				
G.S.T. (Thailand)	49.00	49.00	-	-
HLDS (Japan)	49.00	49.00	14,700	14,700
LG.Philips Displays Holdings B.V. (Holland)	50.00	50.00	34,090	34,090
V.K.X. (Vietnam)	40.00	40.00	-	-
LGEMF (France)	100.00	-	-	-
LGERA (Russia)	100.00	-	-	-
LGEAG (Austria)	100.00	100.00	-	-
Electromagnetica Goldstar S.R.L. (Romania)	50.00	50.00	-	-
LG Electronics Argentina S.A. (Argentina) (LGEAR)	100.00	100.00	-	-
LG Electronics Design Tech, Ltd. (Ireland) (LGEDT)	100.00	100.00	-	-
LG Electronics Middle East Co., Ltd. (UAE)	100.00	100.00	-	-
LG Electronics (M) Sdn. Bhd (Malaysia)	100.00	100.00	-	-
SLD TELECOM Pte. Ltd. (Vietnam)	42.74	44.00	58,944,000	23,958,000
Triveni (America)	100.00	100.00	-	-
LGEUR (Ukraine)	100.00	100.00	-	-
Cognis Rika	20.00	20.00	35,000,000	35,000,000
M.Dohmen S.A.	49.00	49.00	-	-
Langchao-LG IS Co., Ltd.	49.00	49.00	-	-
LG CNS Malaysia Sdn. Bhd.	100.00	100.00	1,000,000	1,000,000
LG System Philippines, Inc.	100.00	100.00	298,083	298,083
Echon-LG C&IS Co., Ltd.	45.00	45.00	-	-
LG CNS Europe B.V.	100.00	100.00	-	-
LG CNS America Inc.	100.00	100.00	100	100
INTEC-LG CNS Inc.	51.00	51.00	3,060	3,060
LG CNS global Pvt. Ltd.	100.00	-	4,614,500	-
DI Associates, Inc.	24.25	-	349,220	-
Broad band solutions Inc.	34.42	-	14,000,000	-
Guangzhou LG-TOPS Communication Technologies Co., Ltd. 2	40.00	100.00	-	-
LG BMI	100.00	100.00	2,400,000	2,400,000

1 Due to the spin-off, these companies were excluded from the consolidated subsidiaries of the Company in 2004.

2 As of December 31, 2004, these companies were reclassified from being consolidated subsidiaries to equity-method investees.

3 These subsidiaries were newly incorporated with paid-in capital of over KRW 7,000 million and consolidated for the first time in 2004.

4 As the Group and Honam Petrochemical Corporation own 50% each, the equity-method is applied.

5 The fiscal year end for LG Polymers India Holdings Inc. is March 31. In preparing the consolidated financial statements, the unaudited financial statements as of and for the year ended December 31, 2004, were used.

The Summary of Significant Financial Data

A summary of significant financial data of the controlling company and its subsidiaries included in the accompanying consolidated financial statements as of December 31, 2004 and 2003 is as follows:

As of and for the year ended December 31, 2004

Company	[Unit: KRW one million]			
	Total Assets	Shareholders' Equity	Sales	Net Income (Loss)
LG Corp.	₩ 4,349,107	₩ 3,460,282	₩ 836,714	₩ 644,286
LG Electronics Inc.	13,234,241	5,016,167	24,659,317	1,545,954
LG.Philips LCD Co., Ltd.	9,598,693	5,772,642	8,079,890	1,655,445
Dacom Corporation	2,268,423	796,070	1,068,487	38,805
LG Telecom, Ltd.	3,406,994	985,058	3,209,430	22,638
LG Mart Co., Ltd. 1	-	-	1,079,851	11,113
LG Chem Ltd.	5,679,529	2,195,141	7,127,411	536,420
LG-Caltex Oil Corp. 1	-	-	6,754,553	358,023
LG Household & Health Care Ltd.	601,140	293,356	952,586	36,641
LG Petrochemical Co., Ltd.	978,627	701,899	1,793,346	207,644
LG Home Shopping Inc. 1	-	-	252,971	19,949
Others	21,490,061	5,829,907	58,852,232	599,484
Elimination and equity pick-up	(15,239,407)	(10,372,160)	(44,468,768)	(5,021,829)
	₩ 46,367,408	₩ 14,678,362	₩ 70,198,020	₩ 654,573

1 Due to the spin-off on July 1, 2004, sales and net income (loss) for the six-month period from January 1, 2004 to June 30, 2004 of these companies are reflected in the consolidated financial statements.

LG Corp. and Subsidiaries Notes to Consolidated Financial Statements

December 31, 2004 and 2003

As of and for the year ended December 31, 2003

Company	[Unit: KRW one million]			
	Total Assets	Shareholders' Equity	Sales	Net Income(Loss)
LG Corp.	₩ 6,174,984	₩ 4,279,759	₩ 387,430	₩ 10,799
LG Electronics Inc.	11,277,427	3,504,603	20,176,909	662,824
LG.Philips LCD Co., Ltd.	6,214,082	2,894,033	6,031,261	1,019,100
Dacom Corporation	2,465,988	686,609	1,002,074	(245,361)
LG Telecom, Ltd.	3,358,019	955,986	2,227,492	78,781
LG Mart Co., Ltd.	1,397,155	486,578	2,097,225	64,062
LG Chem Ltd. 1	4,761,748	1,814,603	4,300,955	259,450
LG-Caltex Oil Corp. 1	7,652,952	3,759,273	8,311,386	296,191
LG Household & Health Care Ltd. 1	643,626	286,608	771,229	30,704
LG Petrochemical Co., Ltd. 1	733,978	562,215	966,910	78,229
LG Home Shopping Inc. 1	377,753	197,477	411,592	13,435
Others	21,021,852	5,164,607	48,846,019	430,973
Elimination and equity pick-up	(15,873,708)	(10,659,936)	(37,381,768)	(2,637,549)
	₩ 50,205,856	₩ 13,932,415	₩ 58,148,716	₩ 61,638

1 April 1, 2003 is assumed as the uniform acquisition date. As a result, only sales and net income for the nine-month period from April 1, 2003 to December 31, 2003 are reflected.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

Basis of Consolidated Financial Statement Presentation

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

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards ("SKFAS"), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. SKFAS No. 2 through No. 9 became applicable to the Company on January 1, 2003, and the Company adopted these Standards in its financial statements covering periods beginning on or after this date. And as SKFAS No. 10, 12 and 13 became applicable to the Company on January 1, 2004, the Company adopted these standards in its financial statements as of and for the year ended December 31, 2004.

Elimination of Investment and Capital Accounts

The investment account of the controlling company is eliminated against the corresponding capital accounts of its consolidated subsidiaries.

The Company records differences between the investment account and corresponding capital accounts of subsidiaries as goodwill. The goodwill is amortized over the relevant years, not to exceed 20 years using the straight-line method. The differences between the investment account and the corresponding capital account for equity-method investees at the date of acquisition of the investment are amortized over the relevant years, not to exceed 20 years using the straight-line method. Such amortization is included in gain (loss) on investment in equity-method investees.

Changes in goodwill (negative goodwill) accounts resulting from the elimination of investment and capital accounts are summarized as follows:

	[Unit: KRW one million]	
	Goodwill	Negative Goodwill
January 1, 2004	₩ 1,723,127	₩ (3,726)
Increase	(207,177)	(8,409)
January 1, 2004 after increase	1,515,950	(12,135)
Acquisition	-	-
Amortization and reversal	(294,691)	5,073
December 31, 2004	₩ 1,221,259	₩ (7,062)

In addition to the goodwill mentioned above, the Company also records the goodwill acquired from business transfer and other transactions amounting to KRW 269,408 million, and the negative goodwill arising from the merger with LGCI amounting to KRW 595,947 million, as of December 31, 2004.

Elimination of Intercompany Unrealized Income

Unrealized income included in inventories, property, plant and equipment and other assets as a result of intercompany transactions is eliminated based on the average gross profit ratio of the corresponding company. Unrealized income arising from sales by the controlling company to the consolidated subsidiaries is fully eliminated and charged to the equity of the controlling company. Unrealized income arising from sales by the consolidated subsidiaries to the controlling company or between consolidated subsidiaries is charged to the equity of the controlling company to the extent of the controlling company's percentage of ownership.

Gain (Loss) on Investment in Equity-method Investees

Gain or loss on investment in equity-method investees was recognized considering the net income or loss of the equity-method investee companies to the extent of the controlling company's percentage of ownership and the elimination of unrealized income arising from intercompany transactions.

LG Corp. and Subsidiaries Notes to Consolidated Financial Statements

December 31, 2004 and 2003

Translation of Foreign Currency Financial Statements

Accounts and records of overseas subsidiaries are maintained in foreign currencies. For presentation in the accompanying consolidated financial statements, the financial statements of overseas subsidiaries have been translated at exchange rates as of the balance sheet date for the balance sheets and average exchange rate for income statements. Resulting differences are accounted for as an overseas operation translation debit or credit in the capital adjustment account within shareholders' equity.

Accounting Estimates

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

The Spin-off

As of July 1, 2004, the Company was spun off according to the spin-off plan which was approved by the stockholders on May 28, 2004. Principal accounting methods related to the spin-off are as follows:

- (1) Assets and liabilities were transferred to the newly incorporated company at book values.
- (2) Some amounts of accounts in stockholders' equity directly related to transferred assets and liabilities were transferred to the newly incorporated company.
- (3) Losses from reduction of capital were offset against additional paid in capital corresponding to the rate of reduced capital and the remaining amounts after the offset were recorded as capital adjustments.

As discussed in Notes 26, operating results of GS Holdings and its subsidiaries for the six-month period from January 1, 2004 to June 30, 2004, were reflected in the consolidated statements of income for the year ended December 31, 2004.

Revenue Recognition

Revenues from sales of finished products and merchandise are recognized when most of the risks and benefits associated with the possession of goods are substantially transferred to the buyer. Revenues from the installation services contract are recognized using the percentage-of-completion method.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on the aggregate estimated realizable value of the receivables.

Inventories

Inventories are stated at the lower of cost or market value, with cost being determined by the moving-average method or the weighted-average method, except for materials-in-transit for which cost is determined by the specific identification method. If the net realizable value of inventory is less than its cost, a contra inventory account representing the valuation loss is presented to reduce the inventory to its net realizable value. The said valuation loss is recorded as cost of sales. If, however, the circumstances which caused the valuation loss cease to exist, causing the market value to rise above the carrying amount, the valuation loss is reversed limited to the original carrying amount before valuation. The said reversal is a deduction from cost of sales. As of December 31, 2004, KRW 123,066 million is recorded as valuation loss.

Securities

In accordance with SKFAS No. 8, investments in securities, investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Trading securities are classified as current assets, and available-for-sale securities and held-to-maturity securities are classified as long-term investments, except for those securities that mature or are certain to be disposed of within one year, which are classified as part current assets.

Securities are initially carried at cost, including incidental expenses, with cost being determined using the weighted-average method. Debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or premiums. Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable securities classified as available-for-sale securities, which are carried at cost. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at a reasonable interest rate determined considering the credit ratings by independent credit rating agencies.

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

Equity-method Investments

In the consolidated financial statements of the Company, investments in business entities, over which the Company exercises significant control or influence over the operating and financial policies of such entities, are recorded using the equity-method of accounting.

Under the equity-method, the original investment is recorded at cost and adjusted by the changes in the Company's proportionate ownership in the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the net book value of the investee. Unrealized profit arising from intercompany transactions is eliminated based on the average gross profit ratio of the corresponding company. Unrealized profit arising from sales by the Company to equity-method companies is fully eliminated. The Company's proportionate unrealized profit arising from sales by equity-method investees to the Company or sales between equity-method investees is also eliminated.

The Company discontinues the equity-method of accounting for investments, when the Company's share in the accumulated losses of the investee equals the costs of the investments, and until the subsequent cumulated proportionate net income of the investees equal its cumulative proportionate net losses not recognized during the periods when the equity-method was suspended.

The difference between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investee is amortized over the relevant period, not to exceed 20 years, using the straight-line method and the amortization is charged to current operations.

Accounts and records of overseas equity-method companies are maintained in foreign currencies. The financial statements of overseas equity-method investees have been translated into Korean won at exchange rates as of the balance sheet date for the balance sheet and annual average exchange rate for income statements. Any resulting translation gain or loss is accounted for as overseas operation translation debit or credit in capital adjustments.

LG Corp. and Subsidiaries Notes to Consolidated Financial Statements

December 31, 2004 and 2003

Property, Plant and Equipment and Related Depreciation

The cost of property, plant and equipment includes purchase costs or manufacturing costs, incidental costs directly related to preparing the premises and equipment for use, and the discounted estimated costs to remove, dismantle or restore property and equipment at the end of the estimated useful lives of the related assets when those costs meet the conditions for the recognition of liabilities.

Property, plant and equipment are stated at cost, except for certain assets subject to upward revaluations in accordance with the Asset Revaluation Law. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

	Useful Lives
Buildings	15 - 60 years
Structures	5 - 50 years
Machinery and equipment	2 - 50 years
Others	2 - 20 years

The Company capitalizes interest expenses, incurred on debt used to fund the purchase or construction of property, plant and equipment, as part of the cost of major assets. The capitalized interest expenses for the year ended December 31, 2004 is KRW 17,884 million (2003: KRW 31,586 million).

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

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

Intangible Assets

Amortization of intangible assets is computed using the straight-line method over the following estimated useful lives:

	Useful Lives
Goodwill	5 - 10 years
Negative goodwill	10 years
Development costs	3 - 10 years
Intellectual property rights	5 - 10 years
Others	3 - 25 years

Costs incurred for new products or technologies, which can be clearly defined and measured, and which have probable future economic benefits, are accounted for as development costs. Capitalized development costs are amortized over their economic lives not to exceed 20 years using the straight-line method.

Other development costs are recognized in the period incurred as normal development expenses.

For the year ended December 31, 2004, the Company recorded KRW 1,793,335 million of research and development costs as current expenses.

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

Lease Transactions

The Company accounts for lease transactions as either operating leases or capital leases, depending on the terms of the underlying lease agreements. Machinery and equipment acquired under financing lease agreements are recorded as property, plant and equipment at cost, and depreciated using the declining-balance method over their estimated useful lives. In addition, the aggregate lease payments are recorded as obligations under financing leases, net of accrued interest, as determined by the total lease payments in excess of the cost of the leased machinery and equipment. Accrued interest is amortized over the lease period using the effective interest rate method.

Machinery and equipment acquired under operating lease agreements are not included in property, plant and equipment. Instead, the related lease rentals are charged to expense as incurred.

Revaluation of Receivables

Receivables, which are modified during the course of court receivership, court mediation or restructuring of customers, are revalued at the present value discounted by an adjusted interest rate. The difference between the book value and the present value is accounted for as bad debt expense.

Premiums or Discounts on Debentures

The Company accounts for the difference between the face amount and issued amount of debentures as an addition to or deduction from debentures. Premiums or discounts on debentures are amortized using the effective interest rate method over the terms of the debentures. The resulting amortization is recorded as interest expense.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates in effect at the balance sheet date. Resulting translation gains and losses are recognized in current operations.

Accrued Severance Benefits

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

Accrued severance benefits are funded at approximately 57.9% (2003: 58.4%) as of December 31, 2004, through group severance insurance plans and are presented as a deduction from accrued severance benefits.

The contributions to the National Pension Fund made under the National Pension Act in Korea and the group severance insurance deposit, are deducted from accrued severance benefit liabilities. Contributed amounts are refunded from the National Pension Fund and insurance companies to employees upon their retirement.

LG Corp. and Subsidiaries Notes to Consolidated Financial Statements

December 31, 2004 and 2003

Long-term Accounts Receivable and Payable

Long-term accounts receivable and payable arising from long-term contracts are recorded at the net present value of future cash flows, calculated using the effective interest rate method at the time of contract execution. The difference between the nominal value and the present value of these accounts receivable or payable is amortized over the contract period using the effective interest rate method. The resulting amortization is recognized as interest income or expense.

Product Warranty

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

Impairment Loss

The Company assesses the potential impairment of property, plant and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. The carrying value of the asset is reduced to its estimated realizable value by recording an impairment loss charged to current operations and presenting it as a reduction from the said carrying value. However, any recovery of the impaired asset is recorded in current operations and should not exceed the carrying amount of the asset before impairment.

Income Taxes

Current income tax payable consists of corporate income tax and tax surcharges payable as of the end of the year. In addition, deferred income taxes are recognized for temporary differences between amounts reported for financial reporting and income tax purposes. The income tax expense (benefit) includes current tax expense under applicable tax regulations and changes in the balance of deferred income tax assets and liabilities during the year. However, due to accumulated deficits and the uncertainty of realizing deferred income tax assets, the Company provides a full valuation allowance during the year against the deferred income tax assets exceeding deferred income tax liabilities.

Derivative Financial Instruments

The Company utilizes derivative instruments to reduce its exposure to fluctuations in interest and foreign currency exchange rates. Rights or obligations derived from derivative instruments are recorded as assets or liabilities at fair value on an accrual basis. Gains or losses on valuation of derivative instruments are recognized in current operations, except for gains and losses on valuation of derivative instruments used to hedge cash flows risk, which are recorded as a capital adjustment.

3. Restricted Bank Deposits

As of December 31, 2004 and 2003, certain bank deposits are pledged as collaterals for various loans from banks and other financial institutions as follows (Notes 11 and 12):

	2004		2003	
Short-term financial instruments	₩	173,299	₩	75,304
Long-term financial instruments		18,556		11,377
	₩	191,855	₩	86,681

4. Receivables and Allowances for Doubtful Accounts

Receivables and related allowances for doubtful accounts as of December 31, 2004 and 2003 consist of the following:

	2004				2003			
	Original Amount	Allowance for Doubtful Accounts	Discounts for Present Value	Net Carrying Value	Original Amount	Allowance for Doubtful Accounts	Discounts for Present Value	Net Carrying Value
Trade accounts and notes receivable	₩ 6,108,832	₩ 394,880	₩ -	₩ 5,713,952	₩ 8,039,971	₩ 506,402	₩ 207	₩ 7,533,362
Short-term loans	55,448	14,142	-	41,306	259,113	2,672	-	256,441
Other accounts receivable	1,277,063	55,153	-	1,221,910	727,468	28,095	-	699,373
Accrued income	151,035	2,134	-	148,901	386,275	416	-	385,859
Advance payments	113,580	9,569	-	104,011	165,193	9,520	-	155,673
Long-term trade accounts and notes receivable	217,568	36,410	8,521	172,637	211,839	42,013	10,504	159,322
Long-term loans	100,405	1,466	-	98,939	352,693	32,122	-	320,571
	₩ 8,023,931	₩ 513,754	₩ 8,521	₩ 7,501,656	₩ 10,142,552	₩ 621,240	₩ 10,711	₩ 9,510,601

5. Inventories

Inventories as of December 31, 2004 and 2003 consist of the following:

	2004		2003	
Finished goods	₩	2,316,020	₩	1,532,377
Merchandise		1,963,655		1,692,335
Work-in-process and finished sub-assemblies		655,493		613,866
Raw materials and supplies		1,851,802		1,825,473
Materials-in-transit		85,863		1,115,378
Others		137,681		94,911
	₩	7,010,514	₩	6,874,340

LG Corp. and Subsidiaries Notes to Consolidated Financial Statements

December 31, 2004 and 2003

6. Short-term Investments

Short-term securities as of December 31, 2004 and 2003 consist of the following:

	Acquisition Cost		Book Value		Fair Value or Net Asset Value	
	2004	2003	2004	2003	2004	2003
Trading Securities						
Beneficiary certificates	₩ 61,488	₩ 7,914	₩ 63,083	₩ 7,914	₩ 63,083	₩ 7,914
Others	89	7,444	89	7,156	89	7,156
	61,577	15,358	63,172	15,070	63,172	15,070
Available-For-Sales Securities						
LG Card CP	298,507	-	236,255	-	236,255	-
LG Card Bond	189,500	-	137,152	-	137,152	-
SK Engineering & Construction CP	-	10,000	-	10,000	-	10,000
SK Chemicals CP	-	50,000	-	50,000	-	50,000
Others	80,463	166,041	80,504	168,019	80,504	168,019
	568,470	226,041	453,911	228,019	453,911	228,019
Held-to-Maturity Securities						
Subordinated bonds	-	1,765	-	1,765	-	1,765
Kangnam Cable System Inc.	-	6,000	-	6,000	-	6,000
Others	6	2	6	2	6	2
	6	7,767	6	7,767	6	7,767
	₩ 630,053	₩ 249,166	₩ 517,089	₩ 250,856	₩ 517,089	₩ 250,856

7. Long-term Investments

Long-term investment securities as of December 31, 2004 and 2003 consist of the following:

	Percentage of Ownership		Acquisition Cost		Book Value		Fair Value or Net Asset Value	
	Dec. 31, 2004 (%)		2004	2003	2004	2003	2004	2003
Available-For-Sale Securities								
Governmental bonds	₩ -	₩ 3,402	₩ 3,026	₩ 3,320	₩ 2,912	₩ 3,320	₩ 4,709	
Hanaro Telecom Inc.	4.32	84,236	320,560	64,197	118,609	64,197	82,122	
Rotis Inc.	10.61	7,029	6,029	-	32	55	55	
Wowlinux	7.40	100	200	100	200	84	184	
LG Card CP	-	101,306	-	52,800	-	52,800	-	
KT Corporation	-	-	127,441	-	105,257	-	105,257	
LG Investment & Securities Co., Ltd.	-	-	262,432	-	84,498	-	84,498	
Nara Mold & Die Co., Ltd.	12.34	812	812	2,918	2,999	2,918	2,999	
Voiceware Co., Ltd.	3.02	142	206	604	1,363	604	1,363	
Jindoo Network Inc.	8.83	318	-	1,568	-	1,568	-	
Vodavi Technology Inc.	19.86	2,928	2,928	6,761	5,992	6,761	5,992	
Hutchison Telephone Company Limited.	0.09	3,462	-	3,622	-	3,622	-	
Topfield Co., Ltd.	-	-	501	-	787	-	787	
Digital Device Inc.	2.76	500	-	280	-	280	-	
Innopla Co., Ltd.	19.90	245	245	245	245	854	555	
Castec Korea Co., Ltd.	5.00	182	182	182	182	859	489	
Msoltech	10.00	635	635	-	635	-	242	
AL Tech Inc.	8.53	589	589	589	589	272	245	
Korea Information Certificate Authority Inc.	9.35	1,852	1,852	1,852	1,852	1,230	1,695	
Association of Electronics Environment	36.04	4,698	4,349	4,698	4,349	4,309	1,795	
Megaround Co., Ltd.	-	-	318	-	318	-	315	
Temco, Inc.	13.04	1,200	1,200	1,200	1,200	1,200	1,200	
Netgenetech Co., Ltd.	15.00	176	176	176	176	35	176	
Manager Society, Inc.	3.70	200	200	200	200	14	200	
Thermo Metrix Technology	-	-	158	-	158	-	158	
Silicon Works	12.00	501	501	501	501	504	501	
LG fund for small and medium enterprises	50.00	2,500	-	2,500	-	2,435	-	
TU Media Corporation	4.74	6,500	6,500	6,500	6,500	5,765	6,500	
Standard Lazer System Co., Ltd.	1.54	250	250	-	250	-	250	
Digital World Corporation	1.27	180	180	180	180	180	180	
Newco Display Inc.	10.00	400	400	400	400	400	400	
Eron Technologies Corporation	0.37	138	138	138	138	138	138	
Korean Defense Industry Development Association	-	-	3,171	-	3,171	-	3,171	
Force4 Corp.	9.99	100	-	100	-	100	-	
ITEC Technologies Ltd.	6.00	600	600	116	600	116	233	
Reakosys Inc.	9.18	650	650	650	650	655	246	
Nexphil Electronics Co., Ltd.	4.61	767	767	-	767	-	99	
Plushub Inc.	12.03	848	848	100	848	100	197	
Micro Circuit Technology Co., Ltd.	4.05	700	700	700	700	863	23	
Pentamicro Inc.	7.58	600	600	600	600	189	127	
Hankook Antenna Co., Ltd.	8.33	713	713	713	713	577	465	
Pulsus Technologies, Inc.	3.73	700	700	192	700	192	198	
Diboss Co., Ltd.	10.37	1,000	1,000	1,000	1,000	915	617	
Eonex Technologies, Inc.	0.78	600	600	600	600	311	256	

9. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2004 and 2003 are as follows:

[Unit: KRW one million]

	2004							
	Land	Buildings	Structures	Machinery	Vehicles	Construction-in-progress	Others	Total
Beginning balance	₩ 3,404,818	₩ 4,543,105	₩ 1,359,181	₩ 8,284,042	₩ 217,978	₩ 2,313,370	₩ 3,357,099	₩ 23,479,593
Increase	359,214	982,449	48,444	5,976,540	23,143	2,056,629	935,576	10,381,995
Disposal	(129,755)	(129,583)	(6,181)	(397,345)	(186,733)	(1,251,693)	(1,699,482)	(3,800,772)
Depreciation	-	(157,587)	(54,872)	(2,751,108)	(12,173)	-	(541,629)	(3,517,369)
Other changes ¹	99,617	(127,745)	(19,108)	(32,327)	(4,010)	144,363	(89,472)	(28,682)
Decrease from spin-off	(1,572,578)	(1,115,225)	(748,610)	(1,485,664)	(3,695)	(351,432)	(458,479)	(5,735,683)
Ending balance	₩ 2,161,316	₩ 3,995,414	₩ 578,854	₩ 9,594,138	₩ 34,510	₩ 2,911,237	₩ 1,503,613	₩ 20,779,082

	2003							
	Beginning balance	₩ 1,735,428	₩ 2,981,772	₩ 294,936	₩ 6,007,279	₩ 22,156	₩ 952,267	₩ 1,508,404
Increase due to changes of consolidated companies	1,663,248	1,278,592	987,664	1,740,722	182,956	833,596	2,171,003	8,857,781
Increase	145,099	795,028	154,774	2,731,741	17,319	1,980,352	1,343,643	7,167,956
Disposal	(138,957)	(366,487)	(8,629)	(114,971)	(675)	(1,452,845)	(951,695)	(3,034,259)
Depreciation	-	(145,800)	(69,564)	(2,080,729)	(3,778)	-	(714,256)	(3,014,127)
Ending balance	₩ 3,404,818	₩ 4,543,105	₩ 1,359,181	₩ 8,284,042	₩ 217,978	₩ 2,313,370	₩ 3,357,099	₩ 23,479,593

¹ Increase (Decrease) due to changes of consolidated companies and differences of foreign exchange rate.

As of December 31, 2004, property, plant and equipment, up to a maximum of KRW 2,324,522 million (2003: KRW 2,285,735 million) are pledged as collateral for various loans from banks and other financial institutions (Notes 11 and 12).

As of December 31, 2004, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately KRW 2,130,455 million (2003: KRW 3,301,596 million).

As of December 31, 2004, inventories and property, plant and equipment are insured against fire and other casualty losses up to KRW 62,317,130 million (2003: KRW 48,633,680 million).

10. Intangible Assets

Changes in intangible assets for the years ended December 31, 2004 and 2003 are as follows:

[Unit: KRW one million]

	2004					
	Intellectual Property Rights	Development Costs	Goodwill	Negative Goodwill	Others	Total
Beginning balance	₩ 442,828	₩ 379,484	₩ 2,008,027	₩ (1,042,327)	₩ 842,257	₩ 2,630,269
Increase due to changes of consolidated companies	-	-	24,598	-	2,106	26,704
Increase	1,978	13,568	-	-	108,272	123,818
Amortization	(91,833)	(90,977)	(337,668)	98,211	(170,479)	(592,746)
Disposal and impairment	(43,089)	(52,292)	(728)	-	(4,434)	(100,543)
Other changes	39,744	57,749	(33,902)	(10,387)	57,998	111,202
Decrease from spin-off	(10,765)	(266)	(169,660)	351,494	(35,467)	135,336
Ending balance	₩ 338,863	₩ 307,266	₩ 1,490,667	₩ (603,009)	₩ 800,253	₩ 2,334,040

	2003					
	Beginning balance	₩ 431,118	₩ 294,842	₩ 1,705,616	₩ (12,749)	₩ 752,328
Increase due to changes of consolidated companies	49,623	105,826	523,412	-	142,710	821,571
Increase	55,989	75,947	202,938	(1,135,615)	30,873	(769,868)
Amortization	(89,840)	(83,881)	(423,626)	106,037	(70,398)	(561,708)
Disposal and impairment	(4,062)	(13,250)	(313)	-	(13,256)	(30,881)
Ending balance	₩ 442,828	₩ 379,484	₩ 2,008,027	₩ (1,042,327)	₩ 842,257	₩ 2,630,269

11. Short-term Borrowings and Current Maturities of Long-term Debts

Short-term borrowings as of December 31, 2004 and 2003 consist of the following:

[Unit: KRW one million]

	Annual Interest Rates (%)		2004	2003
	Bank overdrafts	-	₩ 152,745	₩ 9,897
Won currency short-term borrowings	3.53 ~ 20.6	364,985	471,626	
Foreign currency short-term borrowings	1.68 ~ 8.25	5,134,521	3,927,872	
Notes discounted and commercial papers	3.60 ~ 6.65	898,566	1,057,843	
Usance and D/A	0.50 ~ 3.00	18,549	652,550	
Others	4.00 ~ 6.53	572,687	295,212	
		₩ 7,142,053	₩ 6,415,000	

See Notes 3 and 9 for collateral arrangements on these loans. Repayments of the above borrowings are guaranteed by financial institutions (Note 15).

Current maturities of long-term debt as of December 31, 2004 and 2003 are as follows:

[Unit: KRW one million]

	2004	2003
	Debentures	₩ 1,979,211
Less: Discount on debentures	(8,739)	(6,513)
	1,970,472	3,345,348
Long-term debt	377,519	496,933
	₩ 2,347,991	₩ 3,842,281

12. Long-term Debts

Long-term debts as of December 31, 2004 and 2003 consist of the following:

Debentures

[Unit: KRW one million]

	Annual Interest Rates (%)		2004	2003
	Won currency bonds	3.5 ~ 9.4	₩ 7,330,000	₩ 8,569,192
Foreign currency bonds	8.3	1,556,893	2,517,473	
Convertible bonds	0.0 ~ 4.0	865,636	509,779	
		9,752,529	11,596,444	
Add: Redemption premium		72,120	26,139	
Less: Discounts on debentures		(107,674)	(95,714)	
Conversion right adjustment		(77,609)	(39,150)	
Current maturities		(1,993,926)	(3,351,861)	
		₩ 7,645,440	₩ 8,135,858	

Long-term debt

[Unit: KRW one million]

	Annual Interest Rates (%)		2004	2003
	Won currency	2.0 ~ 8.4	₩ 671,092	₩ 1,240,265
Foreign currency	1.3 ~ 5.6	1,238,737	678,309	
		1,909,829	1,918,574	
Less: Current maturities		(377,519)	(496,053)	
		₩ 1,532,310	₩ 1,421,641	

Annual maturities of long term debts, excluding discount on debentures, as of December 31, 2004, are as follows:

[Unit: KRW one million]

Year Ending December 31,	Long-term Debts	Debentures
2006	₩ 510,958	₩ 3,892,214
2007	431,040	2,247,629
2008	320,789	560,000
2009	178,120	1,058,760
2010 and thereafter	91,403	-
	₩ 1,532,310	₩ 7,758,603

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13. Leases

As of December 31, 2004, the Company has recorded its capital leases amounting to KRW 176,995 million (2003: KRW 313,368 million) as property, plant and equipment. Related accumulated depreciation for the year ended December 31, 2004, amounted to KRW 37,023 million (2003: KRW 34,510 million).

As of December 31, 2004 future lease payments under capital lease agreements are as follows:

		[Unit: KRW one million]	
Year Ending December 31,		Lease Expenses	
2005	₩	64,361	
2006		50,356	
2007		1,255	
		115,972	
Less: Unearned interest		(7,240)	
Current maturities		(58,944)	
	₩	49,788	

As of December 31, 2004 future lease payments under operating lease agreements are as follows:

		[Unit: KRW one million]	
Year Ending December 31,		Lease Expenses	
2005	₩	81,683	
2006		74,618	
2007		37,223	
2008 and thereafter		6,044	
	₩	199,568	

14. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2004 and 2003 are as follows:

		[Unit: KRW one million]	
	2004	2003	
Beginning balance	₩ 1,303,339	₩ 781,672	
Payment	(267,024)	(247,993)	
Transfer from related companies	9,882	14,717	
Increase by merger	-	1,729	
Increase due to changes in consolidated scope	245	426,902	
Provision	357,047	326,284	
Others	3,040	28	
Decrease by spin-off ¹	(223,603)	-	
Ending balance	1,182,926	1,303,339	
Less: Deposits for severance benefits	(27,180)	(37,940)	
Contribution to the National Pension Fund	(685,081)	(760,559)	
Ending balance	₩ 470,665	₩ 504,840	

¹ Due to the Company's spin-off on July 1, 2004, accrued severance benefits amounting to KRW 223,603 million were transferred to GS Holdings Corp. and its subsidiaries.

15. Commitments and Contingencies

As of December 31, 2004, the Group is a party to a variety of technical assistance agreements with various foreign companies.

As of December 31, 2004, the Group has been named as the defendant and plaintiff in various foreign and domestic legal actions arising from the normal course of business. The Group's management is of the opinion that the actions against the Group outstanding as of December 31, 2004, in aggregate, will not have a material adverse impact on the Group's operations or financial position.

As of December 31, 2004, LG Household & Health Care Ltd. ("LG Household & Health Care") is named as a defendant in a patent infringement case. On February 14, 2003, the court issued an unfavorable judgement against LG Household & Health Care with punitive damages of approximately KRW 59,158 million. LG Household & Health Care has appealed to the Seoul High Court where the case is now pending. LG Household & Health Care had been sued for additional sales after February 14, 2003 on January 26, 2005, with punitive damages of KRW 100 million. LG Household & Health Care has accrued KRW 35,619 million, including interest expenses, as litigation reserve as of December 31, 2004, which may be reversed or changed according to the results of the appeal.

In addition, LG Life Sciences, Ltd. ("LG Life Sciences") lost a lawsuit filed by Nissan Chemical Industry Co., Ltd. for an alleged patent infringement on May 21, 2004, and the Company has accrued KRW 907 million as litigation reserve as of December 31, 2004. Both parties have appealed to the Seoul High Court.

As of December 31, 2004, the Company has a joint guarantee for obligations existing before the spin-off, which were assumed by LG Chem Ltd. ("LG Chem") and LG Household & Health Care as of April 1, 2001, assumed by LG Electronics Inc. ("LG Electronics") as of April 1, 2002, and assumed by LG Life Sciences on August 1, 2002.

As of December 31, 2004, LG Mart Co., Ltd., LG MRO Co., Ltd., and Konjiam Leisure Co., Ltd. have a joint guarantee for obligations existing before the spin-off.

As of December 31, 2004, the Group has guarantees up to KRW 101,166 million on indebtedness of the other companies, except for equity-method investees, and has received guarantees of approximately KRW 245,018 million from various banks in relation to the contracts.

As of December 31, 2004, the Group has provided several notes and checks to financial institutions and customers as collateral in relation to various borrowings and guarantees of indebtedness.

As of December 31, 2004, certain property, plant and equipment and short-term and long-term financial instruments of the Group are pledged as collaterals for various loans up to KRW 2,324,522 million, including US\$ 218 million, EUR 360 million and JPY 150 million from banks and other financial institutions. In addition, various receivables and investments are also provided as collateral to banks and other financial institutions.

As of December 31, 2004, the Group has bank overdraft facility agreements with various banks amounting to KRW 766,720 million and has entered into loan agreements with various banks up to KRW 324,549 million.

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The Company, which has 19.9% shareholdings in Otis LG Elevator Company, entered into an agreement with Otis Elevator - USA, where, from 2005 to 2009, the Company has the right to sell up to 9.9% of its shareholdings in Otis LG Elevator Company. After 2009, Otis Elevator - USA can purchase up to 19.9% of the said shareholdings upon mutual agreement with the Company.

The Company has entered into LG brand license contracts with the affiliated companies including LG Electronics as of December 31, 2004.

As of December 31, 2004 and 2003, the Company's foreign exchange forward contracts and interest rate swaps are as follows:

December 31, 2004 :

		[Unit: KRW one million]				
Type of Contract	Currency	Amount		Gain or Loss		Capital Adjustments Gains (Losses)
				Gains	Losses	
Forward	US\$	₩	377			
	EUR		37	₩ 11,159	₩ 4,263	₩ -
	JPY		575			
Future	US\$		1,722			
	EUR		11	68,298	35	55,287
	KRW		1,600,104			
Option Swap	US\$		360	14,316	1,422	-
	KRW		1,130,030			
	US\$		1,209	31,568	105,824	34,175
	BRL		30			
				₩ 125,341	₩ 111,544	₩ 89,462

Interest Rate Swap

		[Unit: KRW one million]		
Amount	Annual Interest Rate (%)	Gain or Loss		Capital Adjustments
		Receipts 1	Disbursement 2	
₩ 100,000	6.58%	CD floating rate	₩ -	₩ (3,811)
20,000	7.00%	CD floating rate	348	-
₩ 50,000	4.05+(CMS3X2)	(CDX2)+7.15	-	(388)
			₩ 348	₩ (4,199)

¹ CMS3: Three year maturity KRW interest swap mid-market interest rate presented by Reuters one business day prior to the last interest payment day.

² CD: Final the price offered at bid-earning rate of 91-day CD presented by The Korea Securities Dealers Association one business day prior to the last interest payment day.

December 31, 2003 :

		[Unit: KRW one million]				
Type of Contract	Currency	Amount		Gain or Loss		Capital Adjustments Gains (Losses)
				Gains	Losses	
Forward	US\$	₩	196			
	EUR		25	₩ 1,773	₩ 3,715	₩ -
	JPY		597			
Future	US\$		1,267			
	EUR		17	5,938	10,662	7,728
	KRW		1,167,096			
	JPY		25,976			
Option Swap	US\$		420	-	4,461	-
	KRW		708,080			
	US\$		834	381	10,102	-
	BRL		18			
				₩ 8,092	₩ 28,940	₩ 7,728

Interest Rate Swap

		[Unit: KRW one million]		
Amount	Annual Interest Rate (%)	Gain or Loss		Capital Adjustments
		Receipts 1	Disbursement 2	
₩ 50,000	4.05+(CMS3×2)	(CD×2)+7.15	₩ -	₩ 1,455
100,000	6.58	CD floating rate	-	(4,698)
₩ 50,000	-	-	125	541
			₩ 125	₩ (2,702)

The Company had treasury stock sales and call option contracts with Credit Suisse First Boston International ("CSFB") regarding the sale of the stocks of LG Electronics. The terms and conditions of the contracts were as follows:

Treasury Stock Sales

Trade date : December 21, 2000
Number of shares : 11,000,000 shares of common stock
Sales price : The closing trade price per share on the trade date
Price adjustment : On March 19, 2001, the sales price was adjusted to the weighted-average trade price during the initial valuation period which was determined based on CSFB's executions.

Call Option Contract

Call option buyer : LG Corp.
Call option seller : CSFB
Effective date : March 19, 2001
Termination date : September 17, 2004

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Initial share price	: KRW 14,140.62
Call option contract amount	: KRW 155,547 million (US\$ 119,798,800)
Call option premium	: 17.34% of call option contract amount
Exercise of call options	: The call option buyer has the right to exercise the call options on the expiry date, which is the fifth business day immediately preceding the termination date. On the termination date, the call options exercised shall be settled in cash and the call option seller shall pay an amount per call option exercised equal to the final share price less the initial share price, but not less than zero, subject to a maximum of 30% of the initial share price.
Final share price	: Equal to the average of the seven interim share prices, and calculated based on the closing trade prices during the period from 36 months following the effective date through the expiry date.

In relation to the above derivative instruments, the Company recognized an unrealized gain on valuation amounting to KRW 3,861 million for the year ended December 31, 2003, and a loss on derivative transactions amounting to KRW 1,848 million for the year ended December 31, 2004.

The Company had stock sales and derivative contracts for its shares in Dacom Corporation ("Dacom") with Credit Suisse First Boston International ("CSFB"). The terms and conditions of the contracts were as follows:

Sales of Shares in Dacom

Trade date	: September 21, 2001
Number of shares	: 4,563,000 shares of common stock
Sales price	: The closing trade price on the trade date
Price adjustment	: On November 5, 2001, the sales price was adjusted to the weighted-average trade price during the initial valuation period determined based on CSFB's executions.

Call Option Contract

Call option buyer	: LG Corp.
Call option seller	: CSFB
Effective date	: November 5, 2001
Termination date	: 3 years after the effective date (November 5, 2004)
Initial share price	: KRW 15,555.83
Call option contract amount	: KRW 80,687 million
Call option premium	: 18.3% of call option contract amount
Exercise of call options	: Final call option buyer has the right to exercise the final call options on the termination date. The final call options exercised shall be settled in cash two business days after the termination date and the final call option seller shall pay the final call option buyer an amount equal to the final share price less the initial share price multiplied by the number of final call options.
Final share price	: Determined as the average of all daily closing prices from the first business day following the effective date to the termination date subject to a minimum equal to the initial share price.
Upper limit of daily closing price	: Starting on the first business day following the effective date, at 170% of the initial share price and decreasing linearly on each subsequent business day down to 130% of the initial share price on the termination date.

In relation to the above derivative instruments, the Company recognized an unrealized loss on valuation amounting to KRW 17,572 million for the year ended December 31, 2003, and a gain on derivative transactions amounting to KRW 675 million for the year ended December 31, 2004.

16. Capital Stock

Changes in capital stock for the years ended December 31, 2004 and 2003 are as follows:

		[Unit: KRW one million]			
		Common Stock	Preferred Stock	Preferred Redeemable Stock	Paid-in Capital in Excess of Par Value
Jan. 1, 2003		₩ 464,326	₩ 9,548	₩ 160,000	₩ 1,425,773
Mar. 1, 2003	Mergers	811,019	15,950	(160,000)	(63,773)
Mar. 28, 2003	Investment in kind	52,017	-	-	20,018
Aug. 19, 2003	Investment in kind	-	-	-	(70)
Dec. 31, 2003		1,327,362	25,498	-	1,381,948
Jul. 1, 2004	Spin-off	(464,576)	(8,925)	-	(483,682)
Dec. 31, 2004		₩ 862,786	₩ 16,573	₩ -	₩ 898,266

- The discount on stocks issuance that were incurred in the course of mergers amounting to KRW 63,773 million were offset against the paid-in capital in excess of par value.
- To comply with the requirements of the Anti-Trust and Fair Trade Law, the Company issued 10,403,426 shares of common stock at KRW 7,000 per share on March 28, 2003 in exchange for 1,488,636 shares of common stock of LG Siltron Co., Ltd. that it received as investment in-kind.
- On August 19, 2003, the Company received six shares of common stock of LG Life Sciences, Ltd. as investment in kind and, in exchange, it issued 31 shares of its own common stock at KRW 9,000 per share. The resulting discount on stock issuance amounting to KRW 70 million was offset against paid-in capital in excess of par value.
- Due to the Company's spin-off on July 1, 2004, common stock and preferred stock were reduced by KRW 464,576 million and KRW 8,925 million, respectively. In addition, losses from reduction of capital amounting to KRW 1,382,513 million were incurred. The loss on capital reduction amounting to KRW 483,682 million was offset against additional paid in capital.

17. Capital Surplus

In accordance with the Asset Revaluation Law, the Company revalued a substantial portion of its property, plant and equipment on October 1, 1998, January 1, 1993, and January 1, 1981, based primarily on the current replacement costs. The revaluation increment, net of revaluation taxes credited to revaluation surplus and this surplus is not available for the payment of dividends, but may be transferred to capital stock or used to offset accumulated deficit, if any, with the ratification of the shareholders.

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18. Retained Earnings

Legal Reserve

The Korean Commercial Code requires the Company to appropriate an amount equal to a minimum of 10% of its cash dividends as a legal reserve until such reserve equals 50% of its paid-in capital. This reserve is not available for the payment of cash dividends. Subject to the approval of the board of directors, it may be transferred to common stock or may be used to reduce accumulated deficit, if any.

Other Reserves

The Company is required to appropriate, as a reserve for the improvement of its financial structure, an amount equal to at least 50% of the net gain from the disposal of property, plant and equipment and 10% of net earnings for each year until the Company's net worth equals 30% of total assets. This reserve is not available for the payment of cash dividends but may be transferred to capital stock or used to reduce accumulated deficit, if any.

Pursuant to the Korean tax laws, the Company is allowed to claim the amount of retained earnings appropriated for reserves for technology development as deductions in its income tax return. These reserves are not available for the payment of dividends until used for the specified purpose or reversed.

19. Capital Adjustments

Changes in treasury stock for the year ended December 31, 2004 are as follows:

	Common Stock	Preferred Stock
January 1, 2004	22,485,359 shares	2,490,445 shares
Acquisition 1	23,789 shares	6,810 shares
Disposal	(22,485,359) shares	(2,490,445) shares
December 31, 2004	23,789 shares	6,810 shares

1 Due to the Company's spin-off on July 1, 2004, new stocks of the Company were re-listed on the Korea Stock Exchange on August 5, 2004. Treasury stocks acquired during the current year are odd-lot stocks resulting from the re-listing and are to be sold afterwards (Note 26).

Due to the Company's spin-off on July 1, 2004, common stock and preferred stock were reduced by KRW 464,576 million and KRW 8,925 million, respectively. In addition, losses from reduction of capital amounting to KRW 1,382,513 million were incurred. The loss on capital reduction was offset against additional paid in capital amounting to KRW 483,682 million (additional paid in capital amount corresponding to spin-off rate of 65:35) and the remaining balance of KRW 898,831 million was recorded as a capital adjustment (Note 16).

20. Income Taxes

Income taxes for the years ended December 31, 2004 and 2003 consist of the following:

	[Unit: KRW one million]	
	2004	2003
Current income taxes under the tax law	₩ 644,897	₩ 632,695
Change in deferred income tax assets (liabilities)	354,148	(20,806)
Income taxes	999,045	611,889

Components of deferred income tax assets (liabilities) as of December 31, 2004 and 2003 are as follows:

	[Unit: KRW one million]	
	2004	2003
Deferred foreign exchange gains	₩ -	₩ 7,315
Accrued income	(2,665)	(1,170)
Bad debt expense	139,985	155,107
Reserve for technological development	(86,025)	(63,483)
Development costs	(19,951)	(37,912)
Securities	-	84
Deferred income tax for investment securities	50,909	17,927
Loss on valuation of securities using the equity-method, net	(99,304)	278,939
Tax credits carried forward	420,309	227,401
Loss carried forward	203,804	235,926
Effect due to changes in consolidate scope	12,411	(133,119)
Others	284,051	(44,654)
	903,524	642,361
Valuation allowance	(559,761)	(376,379)
	₩ 343,763	₩ 265,982

The Company periodically assesses its ability to recover deferred income tax assets. In the event of a significant uncertainty regarding the Company's ultimate ability to recover such assets, a valuation allowance is recorded to reduce assets to their estimated net realizable value. Deferred income tax assets are recognized to the extent that it is almost certain that such deferred income tax assets will be realized.

21. Earnings Per Share

Basic ordinary income per share and earnings per share represent the ordinary income and net income of one share of common stock. In the calculation of the number of outstanding common shares, the issued shares of common stock by conversion of convertible bonds were regarded as issued at the beginning of the year. Ordinary income per share is computed by dividing ordinary income allocated to common stock, which is net income allocated to common stock as adjusted by extraordinary gains or losses, net of related income taxes, by the weighted-average number of common shares outstanding during the year.

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Basic ordinary income per share and earnings per share for the years ended December 31, 2004 and 2003 are calculated as follows:

	[Unit: KRW one million]	
	2004	2003
Net income	₩ 654,572,667,540	₩ 61,637,949,282
Preferred stock dividends	(992,360,100)	(782,717,400)
Additional income available for preferred stock	(11,505,036,257)	(5,389,245)
Net income available for common stock (A)	642,075,271,183	60,849,842,637
Extraordinary gains and losses	-	4,083,598,596
Effect on corporate income tax by extraordinary gains and losses 1	-	(1,244,926,328)
Ordinary income available for common stock (B)	642,075,271,183	63,688,514,905
Weighted average number of common shares outstanding(C) 2	211,261,592 shares	206,206,846 shares
Basic earnings per share (A/C)	₩ 3,039	₩ 295
Ordinary income per share (B/C)	₩ 3,039	₩ 309

1 Effect of corporate income tax by extraordinary gains and losses is calculated by effective tax rate.

2 Treasury stock is deducted from outstanding common stock.

Diluted earnings per share and diluted ordinary income per share for the years ended December 31, 2004 and 2003, are identical to basic earnings per share and basic ordinary income per share for the years ended December 31, 2004 and 2003, since there are no diluted securities outstanding as of the said balance sheet dates.

22. Dividends

Details of dividends for the years ended December 31, 2004 and 2003 are as follows:

	[Unit: KRW one million, shares]	
	2004	2003
Shares entitled to dividends		
Common stock	172,533,342	242,987,150
Preferred stock	3,307,867	2,609,058
Dividend per share (cash)		
Common stock	₩ 250 (5%)	₩ 250 (5%)
Preferred stock	300 (6%)	300 (6%)
Dividend amount		
Common stock	₩ 43,133	₩ 60,747
Preferred stock	993	783
	₩ 44,126	₩ 61,530

Dividend payout ratio for the years ended December 31, 2004 and 2003 are as follows:

	[Unit: KRW one million]	
	2004	2003
Total dividends (A)	₩ 44,126	₩ 61,530
Net income (B)	644,286	10,799
Dividend payout ratio ((A)/(B))	6.85%	569.77%

Dividend yield ratio for the years ended December 31, 2004 and 2003 are as follows:

	[Unit: KRW one million]			
	2004		2003	
	Common Shares	Preferred Shares	Common Shares	Preferred Shares
Dividend per share (A)	₩ 250	₩ 300	₩ 250	₩ 300
Market price as of the balance sheet date (B)	16,900	11,200	8,290	5,390
Dividend yield ratio ((A)/(B))	1.48%	2.68%	3.02%	5.57%

23. Related Party Transactions

Significant transactions which occurred in the ordinary course of business with subsidiaries and affiliated companies for the years ended December 31, 2004 and 2003, and the related account balances as of December 31, 2004 and 2003, are summarized as follows:

Transactions between the Company and its consolidated subsidiaries:

	[Unit: KRW one million]	
	2004	2003
Receivables	₩ 31,682	₩ 50,328
Payables	96,985	207,936
Sales and other income	18,312	22,781
Purchases and other expenses	5,565	4,658
Guarantees	-	-

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Transactions between consolidated subsidiaries:

	[Unit: KRW one million]	
	2004	2003
Receivables and payables	₩ 7,615,830	₩ 7,434,483
Sales, purchases and others	36,943,628	38,784,497
Guarantees	2,088,518	1,853,478

Transactions between the Group and equity-method investees:

	[Unit: KRW one million]	
	2004	2003
Receivables and payables	₩ 256,243	₩ 285,779
Sales, purchases and others	2,141,606	1,987,091
Guarantees	53,547	2,875

Transactions between the Group and other related parties excluding consolidated subsidiaries and equity-method investees:

	[Unit: KRW one million]	
	2004	2003
Receivables	₩ 10,706	₩ 459,150
Payables	704,061	979,939
Sales and other income	1,452,607	2,227,484
Purchases and other expenses	2,338,875	4,495,951
Guarantees	84,977	238,821

24. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the years ended December 31, 2004 and 2003 are as follows:

	[Unit: KRW one million]	
	2004	2003
Transfer of construction-in-progress to property, plant and equipment	₩ 1,251,693	₩ 1,296,544
Transfer of machinery-in-transit to property, plant and equipment	137,073	202,743
Transfer of other property, plant and equipment to machinery	1,246,156	-
Reclassification of current maturities of long-term debts	377,519	496,933
Reclassification of current maturities of debentures	1,979,211	3,351,861
Reclassification of long-term receivables of receivables	-	123,399
Changes in retained earnings arising from deduction of organization costs	-	11,343
Increase in assets due to changes in consolidation scope	2,411,361	3,466,809
Increase in liabilities due to changes in consolidation scope	-	1,716,201
Decrease in assets due to spin-off	626,552	-
Decrease in debts due to spin-off	483,682	-

25. Segment Information

Financial data by business division as of December 31, 2004 and 2003 are as follows:

	[Unit: KRW one million]				
	2004				
	External Sales	Internal Sales	Net Sales	Operating Income	Total Asset
Electronics	₩ 79,681,474	₩ (36,765,204)	₩ 42,916,270	₩ 3,216,333	₩ 39,849,968
Chemicals	12,933,201	(2,979,583)	9,953,618	1,067,629	9,041,002
Communications	5,029,175	(375,470)	4,653,705	412,833	7,338,273
Others	17,022,938	(4,348,511)	12,674,427	681,577	5,377,571
	114,666,788	(44,468,768)	70,198,020	5,378,372	61,606,814
Elimination of internal transactions	(44,468,768)	44,468,768	-	(227,616)	(15,239,406)
	₩ 70,198,020	₩ -	₩ 70,198,020	₩ 5,150,756	₩ 46,367,408
	2003				
	External Sales	Internal Sales	Net Sales	Operating Income(Loss)	Total Asset
Wholesale and retail sale	₩ 33,377,877	₩ (9,601,570)	₩ 23,776,307	₩ (44,619)	₩ 9,671,067
Electronic parts, display, audio and communication equipments	38,690,331	(24,274,054)	14,416,277	2,431,462	24,012,391
Coke petroleum refinery and nuclear fuel	8,311,387	(678,746)	7,632,641	348,026	7,652,952
Chemicals and plastics	7,428,425	(1,701,826)	5,726,599	571,466	7,745,603
Others	7,722,464	(1,125,572)	6,596,892	743,289	16,997,551
	95,530,484	(37,381,768)	58,148,716	4,049,624	66,079,564
Elimination of internal transactions	(37,381,768)	37,381,768	-	(498,861)	(15,873,708)
	₩ 58,148,716	₩ -	₩ 58,148,716	₩ 3,550,763	₩ 50,205,856

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Financial data by geographic area as of December 31, 2004 and 2003 are as follows:

[Unit: KRW one million]					
2004					
	External Sales	Internal Sales	Net Sales	Operating Income	Total Asset
Domestic	₩ 62,604,500	₩(33,275,765)	₩ 29,328,736	₩ 5,097,167	₩ 45,751,643
China	13,794,825	(6,619,570)	7,175,255	82,244	4,968,647
Asia	13,104,762	(1,421,981)	11,682,781	68,424	1,868,167
North America	10,444,188	(1,473,733)	8,970,455	47,719	2,461,200
Europe	11,454,520	(1,677,719)	9,776,801	11,463	5,344,923
Others	3,263,992	-	3,263,992	71,354	1,212,234
	114,666,788	(44,468,768)	70,198,020	5,378,372	61,606,814
Elimination of intercompany transactions	(44,468,768)	44,468,768	-	(227,616)	(15,239,406)
	₩ 70,198,020	₩ -	₩ 70,198,020	₩ 5,150,756	₩ 46,367,408
2003					
	External Sales	Internal Sales	Net Sales	Operating Income (Loss)	Total Asset
Domestic	₩ 52,827,726	₩(21,708,019)	₩ 31,119,708	₩ 3,955,160	₩ 51,621,320
Singapore	8,840,563	(7,578,541)	1,262,022	19,320	511,481
China	7,471,478	(3,505,626)	3,965,852	97,048	3,638,286
North America	6,293,328	(360,730)	5,932,598	(18,356)	1,520,427
Others	20,097,388	(4,228,852)	15,868,536	(3,548)	8,788,050
	95,530,483	(37,381,768)	58,148,716	4,049,624	66,079,564
Elimination of intercompany transactions	(37,381,768)	37,381,768	-	(498,861)	(15,873,708)
	₩ 58,148,716	₩ -	₩ 58,148,716	₩ 3,550,763	₩ 50,205,856

* Domestic sales include exports made based on local letters of credit.

26. Spin-off

In accordance with a resolution of the board of directors dated April 13, 2004 and a resolution of the shareholders passed on May 28, 2004, the Company was spun off on July 1, 2004, and GS Holdings, which is to engage in the business of oil, retail and home shopping, was newly incorporated. The Company transferred a part of its buildings and its investment securities including LG Home Shopping Inc. ("LG Home Shopping"), LG-Caltex Oil Corp. ("LG-Caltex") and LG Mart Co., Ltd. ("LG Mart") to GS Holdings.

Related accounting procedures on the spin-off are as follows:

- The spin-off method
 In accordance with the provisions in the Commercial Code Article 530-2 and 530-12, LG Corp. established GS Holdings and transferred its assets and liabilities to GS Holdings. GS Holdings owned shares of LG Home Shopping, LG-Caltex and LG Mart and was the holding company of those subsidiaries.
 The Company issued new shares of GS Holdings in the range of the net asset value of GS Holdings, and allocated them to its shareholders based on their old shareholdings. Accordingly, common shares of 92,915,378 and preferred shares of 1,784,826 of the newly established GS Holdings were issued and allocated to the shareholders of LG Corp.
- Assets and Liabilities transferred to the newly incorporated company
 Assets and liabilities based on the resolution of the shareholders passed on May 28, 2004 were transferred to GS Holdings after the adjustment reflecting the change of them from the date of the shareholders' meeting to the date of the spin-off.
- Employee and Severance Benefits
 Accrued severance benefits for the employees of LG Corp., who are to transferred to GS Holdings, are transferred to GS Holdings.
- The Company's responsibility
 LG Corp. and GS Holdings have joint responsibility for the liabilities of the Company before the spin-off.

Financial information for LG Corp. and GS Holdings for the last two years are as follows 1:

[Unit: KRW one million]				
	LG Corp.		GS Holdings Corp.	
	2003	2004	2003	2004
Assets	₩ 3,994,924	₩ 4,258,879	₩ 2,180,059	₩ 2,411,361
Liabilities	1,241,549	1,029,009	653,675	626,552
Operating Revenue 2	165,525	392,598	186,660	203,918
Operating Income 2	30,741	348,895	176,083	200,381

- Statistics for the year 2003 include assets and liabilities as of December 31, 2003 and the annual profit from January 1, 2003 to December 31, 2003. Statistics for the year 2004 include the assets and liabilities as of June 30, 2004 and the profit for the six-month period from January 1, 2004 to June 30, 2004.
- The operating revenues of the companies are gains from equity-method valuation excluding the revenues from rent. The operating income of the companies are calculated by subtracting losses from equity-method valuation from gains from equity-method valuation.

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The balance sheet of LG Corp. before the spin-off as of June 30, 2004, the balance sheet of the continuing company LG Corp. after the spin-off, and the balance sheet of the newly established company from the spin-off, GS Holdings, are as follows:

[Unit: KRW one million]			
	Before the Spin-off	After the Spin-off	
	LG Corp.	LG Corp.	GS Holdings Corp.
Asset	₩ 234,343	₩ 196,193	₩ 38,150
Current assets	6,432,297	4,062,346	2,373,211
Fixed assets	6,830,094	4,500,317	2,333,037
Investment	582,087	192,917	389,170
Property, plant and equipment	(979,884)	(630,888)	(348,996)
Intangible assets	6,666,640	4,258,539	2,411,361
Total assets			
Liability	492,379	469,459	22,920
Current liabilities	1,159,922	559,550	603,632
Fixed liabilities	1,652,301	1,029,009	626,552
Total liabilities			
Shareholders' equity	1,352,860	879,359	473,501
Capital stock	2,088,659	1,604,977	1,382,513
Capital surplus	1,773,269	1,773,269	-
Retained earnings	(200,449)	(1,028,075)	(71,205)
Capital adjustments	5,014,339	3,229,530	1,784,809
Total shareholders' equity	6,666,640	4,258,539	2,411,361
Total liabilities and total shareholders' equity			

The summarized financial information and the summarized management results from the beginning of this year to the date of the spin-off of the newly established company, GS Holdings and its subsidiaries are as follows:

[Unit: KRW one million]	
Current assets	₩ 4,162,337
Fixed assets	7,022,752
Total assets	₩ 11,185,089
Current liabilities	₩ 4,607,710
Fixed liabilities	2,485,291
Total liabilities	7,093,001
Capital stock	473,501
Capital surplus	1,339,008
Retained earnings	-
Capital adjustments	(27,700)
Minority interest in consolidated subsidiaries	2,307,279
Total shareholders' equity	4,092,088
Total liabilities and total shareholders' equity	₩ 11,185,089
Sales	₩ 12,279,979
Operating income	551,232
Ordinary income	583,829
Income tax expense	(172,095)
Income after income taxes	411,734
Minority interests in income of consolidated subsidiaries, net	(211,353)
Net income	₩ 200,381

27. Merger

As resolved by the Company's board of directors on November 28, 2002 and approved by the shareholders on January 29, 2003, the Company merged with LG Electronics Investment, Ltd. (LGEI) and the real estate and investment division of LG MRO. On March 1, 2003, the Company took over the real estate and investment division of LG MRO.

General information on the merged companies is as follows:

	Date of Incorporation	Main Operations
LGEI	February 17, 1959	Investment, rental of real estate
The company spun-off from LG MRO	January 1, 2002	Investment, rental of real estate

Details of the investments among the merged companies before the merger are as follows:

Investees	LGCI		LGEI	
	Number of Shares	Percentage of Ownership (%)	Number of Shares	Percentage of Ownership (%)
LGEI	830,114	0.91	-	-
The company spun-off from LG MRO	400,000	50.00	400,000	50.00

The shareholders of LGEI received 1.8282 shares of common stock and 1.5572 shares of preferred stock for every share of common stock and every share of preferred stock, respectively. A total of 169,776,144 shares (66.56% of common stock as of March 1, 2003) of common stock and 2,973,559 (58.31% of preferred stock as of March 1, 2003) shares of preferred stock of the Company were issued to the shareholders of LGEI.

In addition, the shareholders of LG MRO did not receive any common shares of the Company in exchange for the shares of common stock of LG MRO.

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The condensed financial statements of LGCI, LGEI, and LG MRO before the merger are as follows:

Condensed Balance Sheets as of February 28, 2003

	[Unit: KRW one million]		
	LGCI	LGEI	LG MRO
Current assets	₩ 7,100	₩ 110,883	₩ 130,326
Investments	3,098,279	3,374,165	604,311
Property, plant and equipment	32,559	48,219	514,775
Intangible assets	181	395	30
Total assets	₩ 3,138,119	₩ 3,533,662	₩ 1,249,442
Current liabilities	970,747	179,372	109,389
Non-current liabilities	526,936	186,120	466,206
Total liabilities	1,497,683	365,492	575,595
Total shareholders' equity	1,640,436	3,168,170	673,847
Total liabilities and shareholders' equity	₩ 3,138,119	₩ 3,533,662	₩ 1,249,442

Condensed Income Statements for the Period from January 1, 2003 to February 28, 2003

	[Unit: KRW one million]		
	LGCI	LGEI	LG MRO
Operating revenue	₩ 69,969	₩ 36,587	₩ 156,523
Operating expenses	7,398	13,845	127,962
Operating income	62,571	22,742	28,561
Non-operating expenses, net	13,743	14,167	1,874
Ordinary income	48,828	8,575	26,687
Extraordinary income	-	-	16
Income tax expenses	16,357	4,420	7,857
Net income	₩ 32,471	₩ 4,155	₩ 18,846

Condensed Balance Sheets as of December 31, 2002

	[Unit: KRW one million]		
	LGCI	LGEI	LG MRO
Current assets	₩ 82,901	₩ 253,775	₩ 130,109
Investments	2,959,318	3,391,345	585,956
Property, plant and equipment	32,598	48,801	516,663
Total assets	₩ 3,074,817	₩ 3,693,921	₩ 1,232,728
Current liabilities	647,179	179,525	116,169
Non-current liabilities	660,353	189,018	461,559
Total liabilities	1,307,532	368,543	577,728
Total shareholders' equity	1,767,285	3,325,378	655,000
Total liabilities and shareholders' equity	₩ 3,074,817	₩ 3,693,921	₩ 1,232,728

Condensed Income Statements for the Year Ended December 31, 2002

	[Unit: KRW one million]		
	LGCI	LGEI	LG MRO
Sales	₩ 69,943	₩ 4,697,828	₩ 582,164
Cost of sales	37,705	3,522,558	526,819
Gross profit	32,238	1,175,270	55,345
Selling and administrative expenses	40,116	814,003	10,026
Operating income (loss)	(7,878)	361,267	45,319
Non-operating income, net	170,909	44,757	70,639
Ordinary income	163,031	406,024	115,958
Income tax expenses	31,016	90,213	29,932
Net income	₩ 132,015	₩ 315,811	₩ 86,026

Assets and liabilities which the Company assumed through the merger and recorded at fair values in accordance with the Standards of Accounting for Business Combinations generally accepted in the Republic of Korea are as follows:

Marketable securities (including investment securities)	: market price
Non-marketable securities	: the proportional interest in the fair value of the net asset of the investees
Property, plant and equipment and intangible assets	: the more reasonable and objective value of market value or appraisal value
Receivables, payables and borrowings	: nominal value in case the difference between the nominal amount and the present value is not material

The purchase cost is recorded as the fair value on the purchasing date.

The differences between the cost of acquisition and the fair net asset value of the merged company are recorded as either goodwill or negative goodwill and amortized according to the Standards of Accounting for Business Combinations generally accepted in the Republic of Korea.

The assets and liabilities transferred to the Company as a result of the merger between the Company and the new company spun off from LG MRO, were accounted for using their carrying amounts in the consolidated financial statements in accordance with the Standards of Accounting for Business Combinations generally accepted in the Republic of Korea.

The capital structure of the Company after the merger assumed the capital structure of LGEI, the economical and substantial merger Company, and LGEI's amounts of capital surplus, retained earnings and capital adjustments were recorded as those of the Company except for capital stock. As a result, KRW 63,773 million of discount on stock issuance was incurred and offset with paid-in capital in excess of par value.

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Negative Goodwill

Negative goodwill is calculated as follows:

	[Unit: KRW one million]
Total assets of LGCI	₩ 3,238,045
Total liabilities of LGCI	(1,497,684)
Net asset value of LGCI	1,740,361
Cost of acquisition 1	607,342
Negative goodwill	₩ 1,133,019

1 The cost of acquisition is calculated as follows:

	[Unit: KRW one million]
New shares of stock issued	₩ 666,969
Discount on stock issuance	(63,773)
Direct costs of the merger	4,146
	₩ 607,342

Offset of Receivables and Payables

A summary of the offset of receivables and payables resulting from the merger is as follows:

Creditor	Debtor	Amount
LGCI	Company spun off from LG MRO	₩ 56 million

28. Support for LG Card Liquidity

The Group acquired unwarranted debentures and commercial papers amounting to KRW 750,000 million issued by LG Card Co., Ltd. ("LG Card") for the business normalization of LG Card. The Company transferred KRW 88,400 million (KRW 110,500 million in face value) of unwarranted debentures to GS Holdings in the spin-off. Unwarranted debentures amounting to KRW 137,152 million (KRW 189,500 million in face value) were replaced with commercial papers issued by LG Card on January 18, 2005.

In addition, according to the agreement with creditor financial institutions, the Group extended the maturity of those commercial papers amounting to KRW 487,140 million to December 31, 2005, and converted those commercial papers amounting to KRW 152,360 million to common stocks of LG Card in January 2005. In accordance with the resolution of the board of directors dated January 19, 2005, the Company made a contract to sell commercial papers of LG Card amounting to KRW 48,160 million to Deutsche Bank which will be converted into common stocks of LG Card. Simultaneously, the Company made an agreement with Deutsche Bank to purchase call option and sell put option with exercise price of the subscription price at the issuance of new shares by LG Card.

The Group has recognized an impairment loss of KRW 198,760 million for the year ended December 31, 2004 regarding unwarranted debentures and commercial papers issued by LG Card and related interest receivables.

29. Subsequent Events

On January 1, 2005, LG Electronic, a subsidiary, absorbed the PC division of LG IBM PC, a joint venture with IBM Korea. This absorption is aimed to optimize business efficiency, align operational strategies, and maximize profitability.

On January 24, 2005, LG Electronics, a subsidiary, signed a memorandum of understanding with Nortel Networks Corporation of Canada for establishment of a joint venture to engage in the field of communication equipment and networking solutions.

On January 1, 2005, Hyundai Petrochemical (HPCL) was spun off as approved by the Fair Trade Commission on June 25, 2003. As a result of the spin-off, the old shareholders of HPCL became the shareholders of the newly established companies, LG Daesan Petrochemical (LDPC) and Lotte Daesan Petrochemical (LDPL), at the same ratio of shareholding before the spin-off. HPCL's plant no. 1 and 2 have been transferred to LDPC and LDPL, respectively. The other remaining business, however, are kept by HPCL.

30. Reclassification of Prior Year Financial Statement Presentation

Certain amounts in the financial statements as of and for the year ended December 31, 2003 have been reclassified to conform to the December 31, 2004 financial statement presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

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