


# Welcome to LG Electronics

**Oct. 2002**

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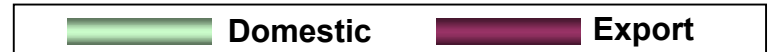
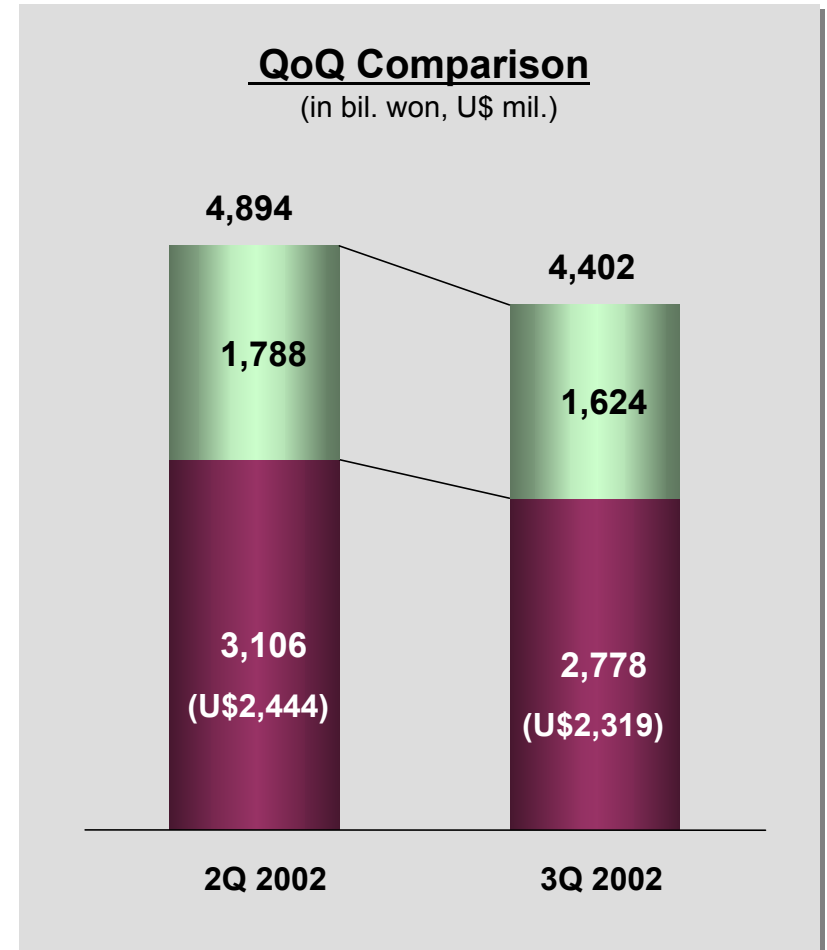
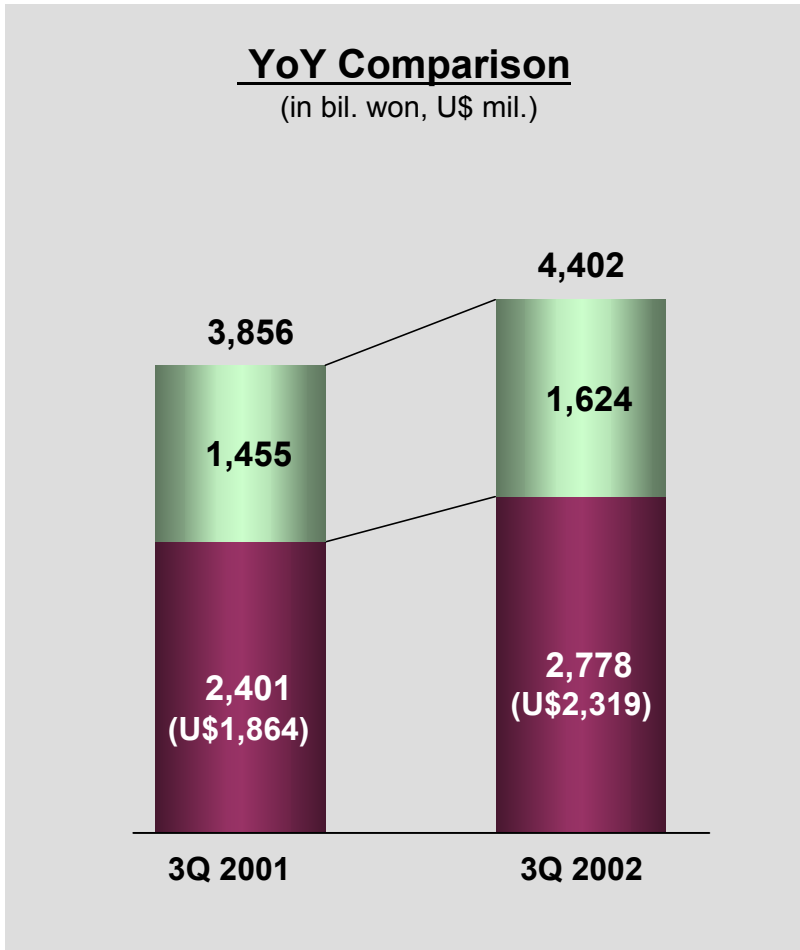
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## **3Q 2002 Results**

# Sales

- ◆ Sales grew 14.2% yoy to W4.4 trillion (15.7% in export & 11.6% in domestic sales)
- ◆ Sales declined 10.1% qoq due to the seasonality (-10.6% in export & -9.2% in domestic sales)



# Sales by Division

- ◆ Home Appliance sales increased 17.2% yoy due to strong domestic sales
- ◆ TV, DVD, and PC led the sales in Display & Media with a 14.4% yoy growth
- ◆ Handset Division grew 27.6% led by strong GSM and domestic handset sales
- ◆ System sales decreased 32.4% due to low investment by telecom operators

(W bil., %)

	Sales	Sales Portion	Growth	
			YoY	QoQ
Appliance	1,262	28.7%	17.2%	- 26.5%
Display & Media	1,928	43.8%	14.4%	- 6.4%
Mobile Handset	949	21.6%	27.6%	17.7%
Telecom System	201	4.6%	- 32.4%	- 21.0%

# Profits

- ◆ Operating profit of W190 bil. (4.3% margin) with a 23.4% yoy growth recorded
- ◆ W169 bil. in recurring profit (3.8%) and W116 bil. in net profit (2.6% margin) achieved

(W bil., %)

	3Q 2002		3Q 2001		2Q 2002	
		% Sales		% Sales		% Sales
<b>Gross Profit</b>	<b>1,006</b>	22.9%	<b>867</b>	22.5%	<b>1,243</b>	25.4%
<b>Operating Profit</b>	<b>190</b>	4.3%	<b>154</b>	4.0%	<b>429</b>	8.8%
<b>Recurring Profit</b>	<b>169</b>	3.8%	<b>- 572<sup>*</sup></b>	- 14.8%	<b>490</b>	10.0%
<b>Net Profit</b>	<b>116</b>	2.6%	<b>- 418</b>	- 10.8%	<b>341</b>	7.0%

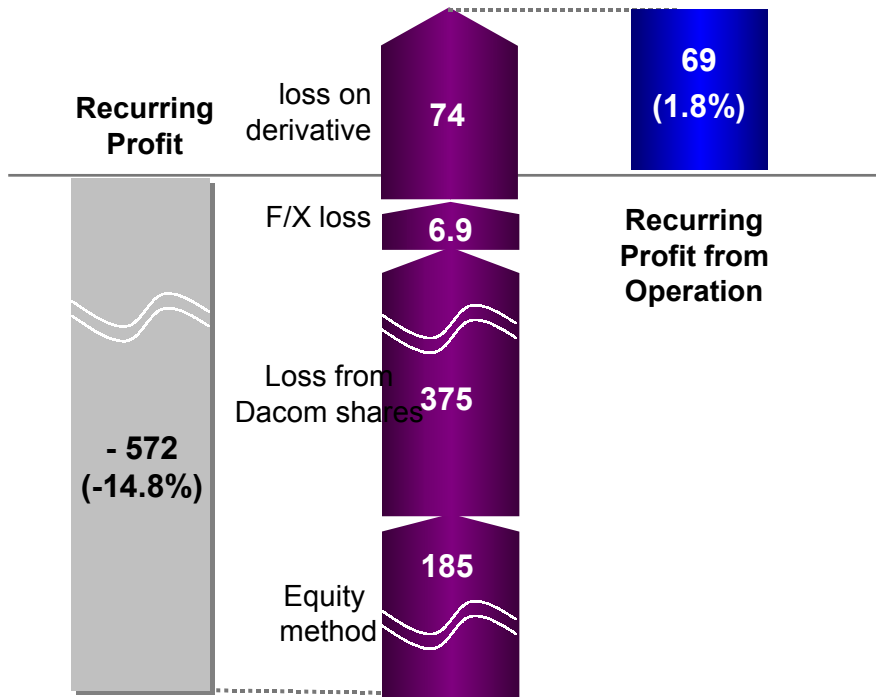
• 3Q 2001 numbers include loss of W375 bil. from disposal of Dacom shares

# Profit Analysis

- ◆ Recurring profit from LGE's own operation increased 97% to W137 bil (3.1% margin)
- ◆ Notice the simplicity after the Demerger

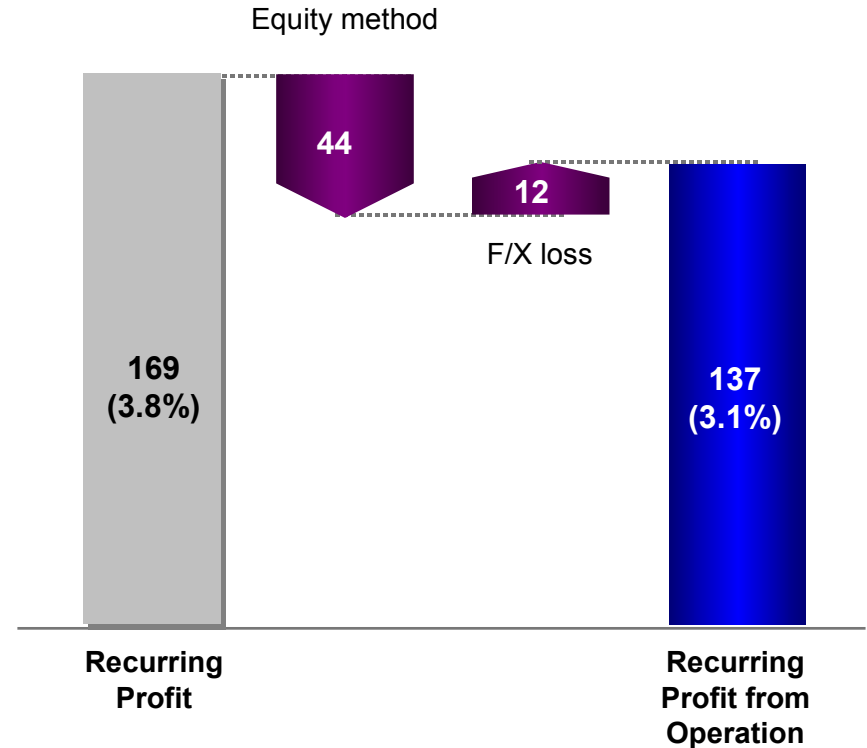
## Profit Analysis in 3Q 2001

(in bil. won)



## Profit Analysis in 3Q 2002

(in bil. won)





# Profit by Division

◆ **Operating margins: Handset 10.5%, Appliance 6.3%, Display & Media 2.5%, System -7.5%**

- Unfavorable exchange rate and aggressive brand marketing cost Appliance margin
- Display & Media margin dropped mainly due to price pressure from New HP on IT products
- Growth in GSM and domestic handset sales raised Handset margin
- System is still in loss

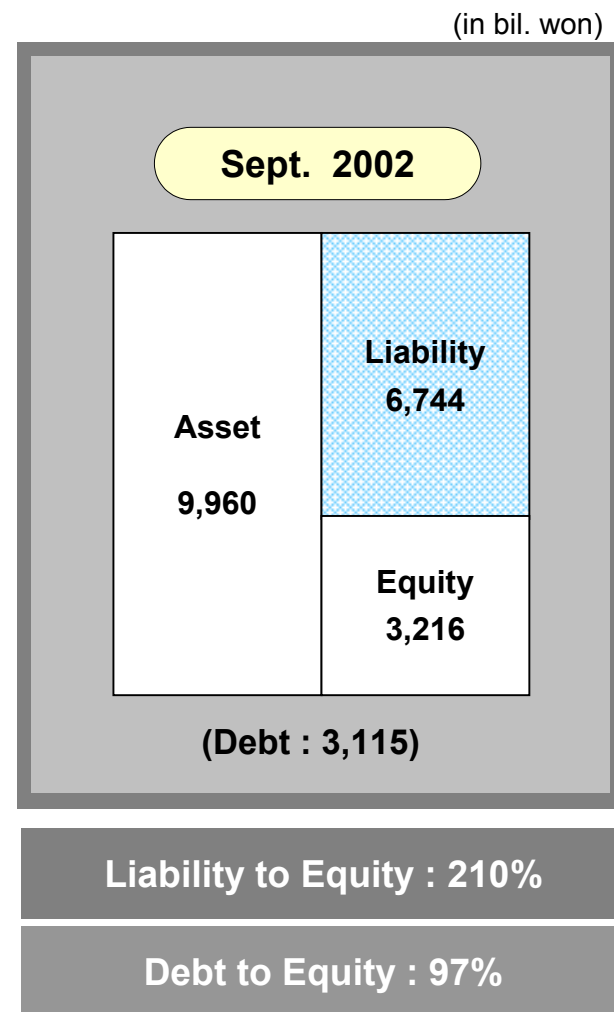
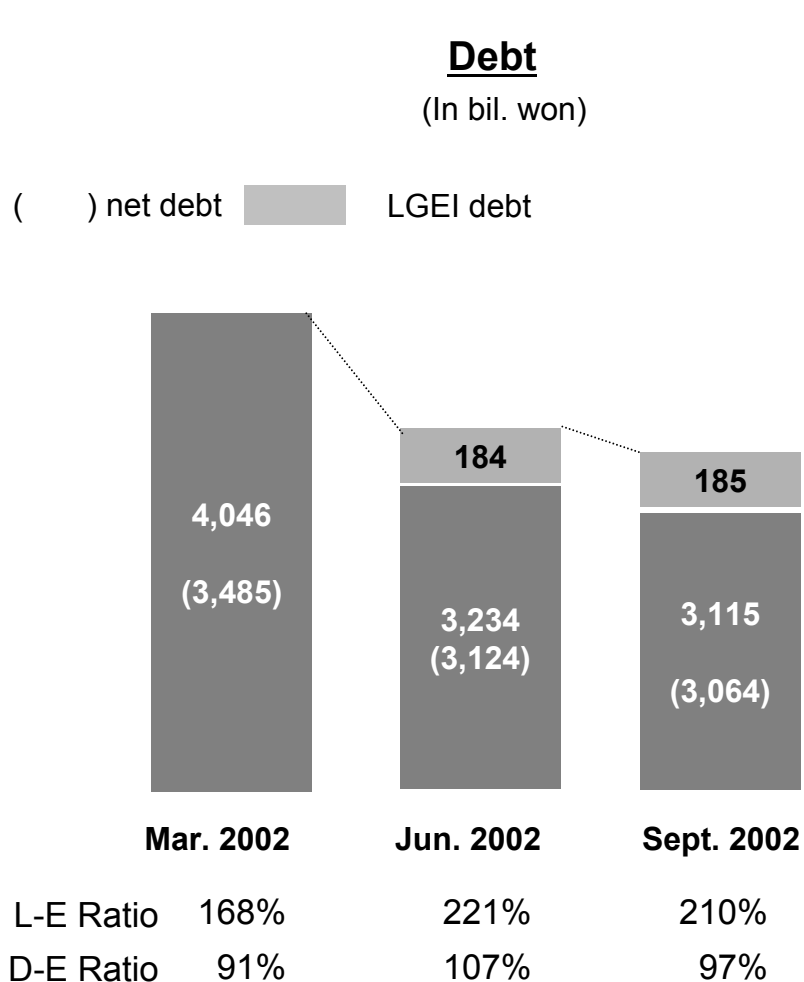
(Unit : W Bil, %)

	3Q 2002		3Q 2001		2Q 2002	
		Margin		Margin		Margin
<b>Appliance</b>	<b>80</b>	<b>6.3%</b>	<b>90</b>	<b>8.4%</b>	<b>228</b>	<b>13.3%</b>
<b>Display &amp; Media</b>	<b>49</b>	<b>2.5%</b>	<b>53</b>	<b>3.1%*</b>	<b>134</b>	<b>6.5%</b>
<b>Handset</b>	<b>100</b>	<b>10.5%</b>	<b>62</b>	<b>8.3%</b>	<b>81</b>	<b>10.1%</b>
<b>System</b>	<b>- 15</b>	<b>- 7.5%</b>	<b>- 3</b>	<b>- 0.8%</b>	<b>- 5</b>	<b>- 2.1%</b>

• On an apple to apple base (PDP included)

# Financial Structure

- ◆ 120 billion won in debt repaid since June 2002, conveying better financial structure
- ◆ Gearing level down from 107% to 97%

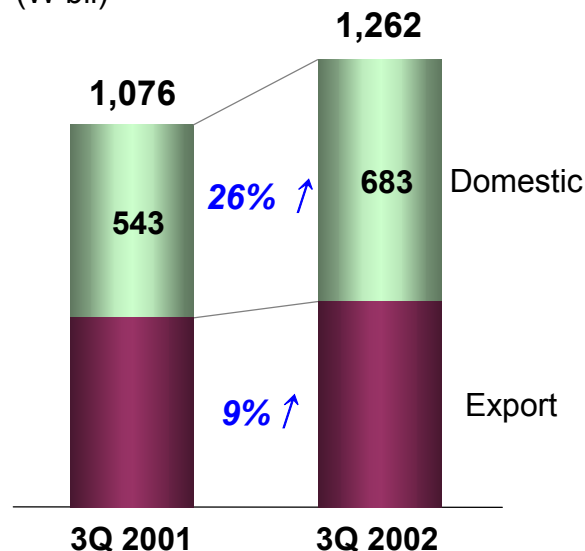




# Performance and Outlook by Sector

# Appliance

## Sales (W bil)



## 3Q Performance

### ❖ Sales : achieved a 17% yoy growth to W1.3 tril.

- Sales are down from 2Q due to air conditioner seasonality but high-end products are gaining its significance
  - Domestic market : 26 % YoY
    - Growth drivers : two door and kimchi refrigerator, Drum type washing machine, commercial-type Air conditioner, newly-designed vacuum cleaner
  - Export : 9% yoy growth (16.7%\* on U\$ base)
    - Growth drivers: Commercial-type A/C, drum W/S, Microwave Oven

## 4Q Outlook

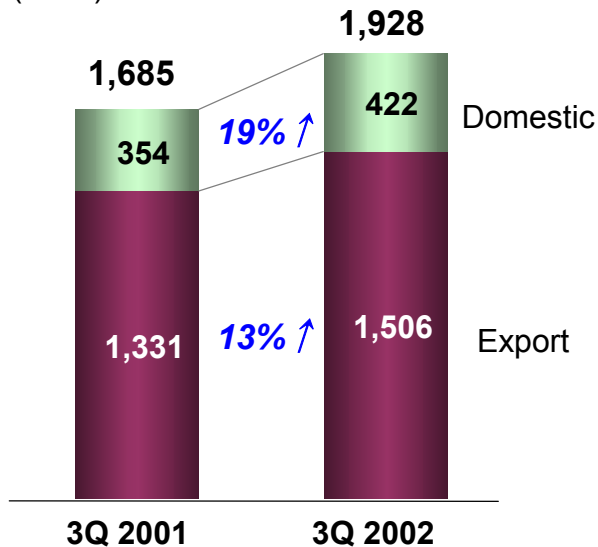
### ❖ High-end and seasonal products expected to render a growth

- Focus on high-end market in Korea
  - Seasonal product - Kimchi refrigerator, washing machine)

### ❖ Performances likely to remain similar to 3Q

# Display & Media

## Sales (W bil)



## 3Q Performance

### ❖ Sales : achieved a 15% yoy growth to W1.9 tril.

- Demand shrink and price erosion overcome by product leadership
- Consumer Electronic products led growth : TV 40%, A/V 29% growth
- Continuing growth in IT products : Monitor 4%, PC 20% growth.

## 4Q Outlook

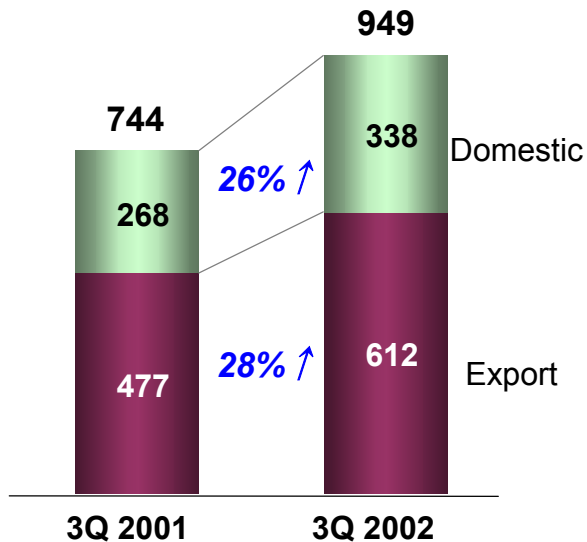
### ❖ Slightly down from 3Q expected in 4Q

- Optical Storage, PC : continuing price pressure from major OEM clients
- Monitor : declining LCD monitor price, relocation of production line
- TV : rationalizing after World Cup demand
- A/V : decrease in volume due to seasonality

### ❖ Will overcome price erosion through continuing cost control and volume growth

# Handsets

## Sales (W bil.)



## 3Q Performance

### ❖ Sales : increased 28% yoy to W949 bil.

- Units grew 45% yoy to 4.5 mil units  
(CDMA 3.7 mil units, GSM 0.8 mil units)
- total accumulated units grew 56% yoy to 11.3 mil.
- GSM showed rapid growth while turning to profit

## 4Q Outlook

### ❖ Market



- Korea : dominant color sales / EV-DO service to boost demand
- N. America : operators focus more on data service and color phones for profit improvement
- China : aggressive marketing by operators  
sales boosted by demand on color phone



- Europe : GPRS becomes mainstream/ expects color and multimedia service as enlarging niche market

### ❖ CDMA

- Focus on mid&high-end market with Color phones

### ❖ GSM

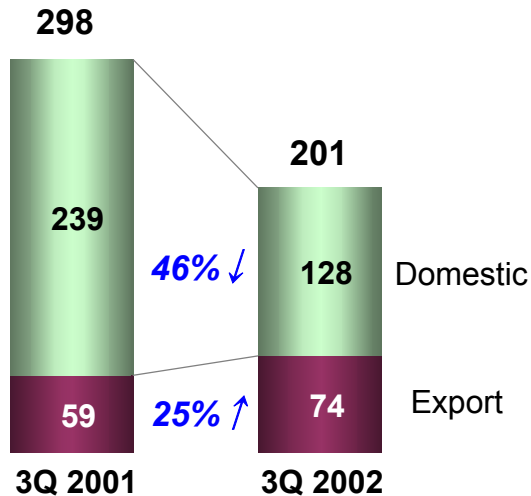
- Raise volume with new GPRS model line-up into EU market

### ❖ Expect to exceed the initial expectation sales of 15 million units

# System

## Sales

(W bil.)



## 3Q Performance

- ❖ **Sales : decreased 33% yoy**
  - Slow CAPEX spending by operators continues
- ❖ **3G cdma / W-CDMA system sales contracted**
  - KTF 1x EV-DO in province
  - KTICOM W-CDMA in metropolitan area

## 4Q Outlook

- ❖ **Secure W-CDMA market leadership in Korea**
  - 3G deployment in KTICOM metropolitan area to begin
  - Successful bidding for SKIMT's benchmark test expected
- ❖ **Continuing business rationalization throughout 2003 in order to secure profitability**
  - Backbone : streamlining unprofitable businesses
  - Mobile : rationalize resources on profitable businesses in overseas market

# LG.Philips Joint Venture

## LG.Philips LCD



### 3Q Performance

- ❖ Sales : W820 bil. / Operating Profit : W99 bil.\*
- ❖ Prices fell due to slower seasonal demand and inventory surplus in the channel
  - Sales and profit decreased on QoQ base
- ❖ Sales of panel for monitor led the growth
- ❖ 5G line put out more than 1mil. units in 3Q through its high yield and productivity

\* on a non-consolidated basis

### 4Q Outlook

- ❖ Demand increase and stabilized 5G are expected to overcome the impact from price drop
- ❖ Additional capacity in 5G Fab and further improvement in productivity expected



## **LG.Philips Displays**



### **3Q Performance**

- ❖ **Sales: US\$ 1.1 bil. / Operating Profit : US\$ 45 mil.**
- ❖ **Healthy sales in Asia Pacific complemented the slowdown in North America, rendering margin improvement**
- ❖ **On-going restructuring improved productivity in new plants**

### **4Q Outlook**

- ❖ **Marginal growth in sales with slightly lower profit expected due to downtrend in price and demand**
- ❖ **Continuing restructuring required to further improve cost structure and productivity**

# 2002 Projections

◆ W18.4 ~ 18.5 trillion with 6.4~ 6.5 % OP margin projected for year 2002

- 3Q accumulated sales : Sales W14 tril. / OP margin : 7.0 %

- 4Q expectations : Sales W4.4 ~ 4.5 tril. / OP margin : 4.5%

## 1Q ~ 3Q Summary

- ❖ Rapid handset growth (YoY 67% increase)
- ❖ Appliance and Display&Media sales boosted by domestic sales.
- ❖ Better margin from volume growth plus cost reduction
- ❖ All sectors except System showed more than 20% growth yoy

## 4Q Outlook

- ❖ Sales : Around 10% yoy growth expected a slight improvement from previous quarter
- ❖ Operating Profit : More than a 90% yoy growth

## 2002I Expectations

- Sales : W18.4 ~ 18.5 trillion  
(15% ~ 16% yoy growth)
- Operating Profits : W1.2 tril  
(more than 50% growth yoy)
- Recurring Profits : Dramatic improvement in equity method accounts  
(W902 bil. loss in 2001)

\* Yoy comparison is based on restructuring-adjusted numbers.



# Major Issues

# LCD Business Outlook

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✓ TFT-LCD market turned into oversupply from 2H 2002

- Price erosion from inventory built-up due to oversupply and slow recovery in PC industry
- Demand likely to recover sooner than expected as price drop continues

✓ LCD for monitor likely to lead the market growth, surpassing notebook shipment

- LCD market expands as continuing price drop boosts demand
- Market moving toward larger size
- High growth in LCD monitor expected in '03, driven by affordable price  
(2003 expectation : notebook PC growth: 10% yoy vs. monitor growth: 40% yoy)

✓ LG.Philips LCD capitalizes on its dominant position in the monitor market with stabilized 5<sup>th</sup> Gen Fab

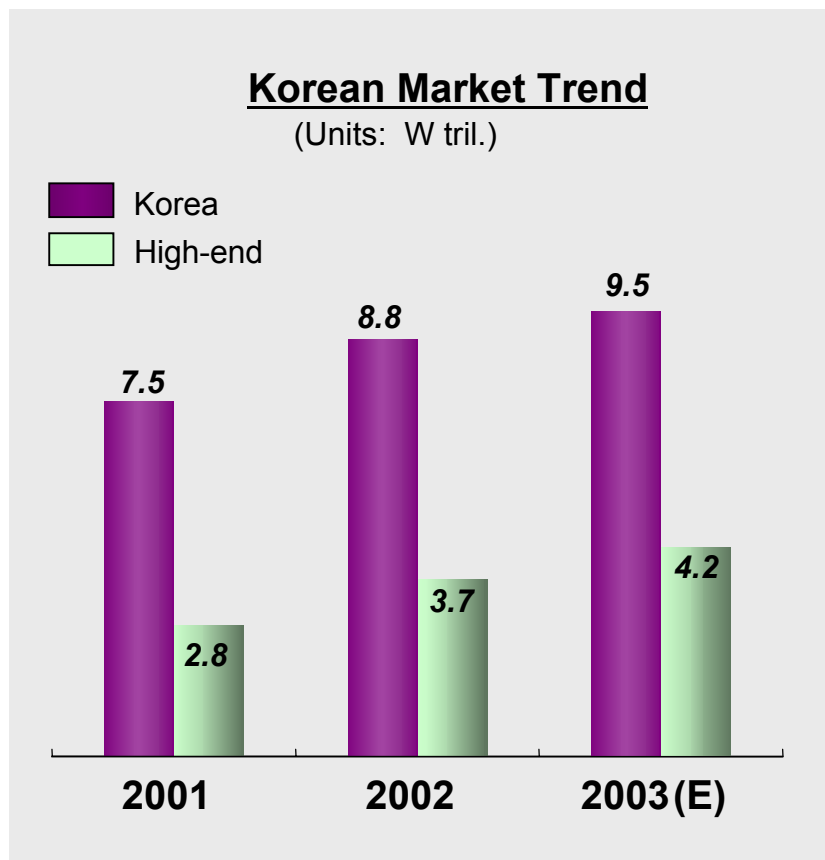
- 5th Fab already achieved 88% yield
- LG.Philips better positioned to provide large-size monitors from 17" to 19"  
: 1st 5G: optimized for 18" / 2nd 5G: optimized for 17"
- LP.Philips consolidate its No.1 position in monitor (M/S 14.8% in 2Q 02, DisplaySearch)

# Korean Market Outlook

◆ **Consumer confidence level deteriorated by increasing uncertainties in economy**

: Domestic sales expected around W9.5 trill won in 2003

◆ **Bigger market for high-end products\* : W1.6 trillion in sales expected (42% M/S) in 2003**



✓ **High-end products M/S**

-High-end M/S (as of Sept. 2002)

Products	A/C	P-TV	DIOS*	TROMM**
M/S	46%	42%	48%	69%

\* LGE expectations

-High-end product -> M/S 43%

✓ **Will continue to improve brand power through solid product leadership and strong distribution channel in Korea**

\* High-end products : Projection-TV, PDP, Air conditioner, DIOS, TROMM, DVD, 1124



# APPENDIX

# Sales

## ◆ Sales Growth

(units:W bil.)

	'02. 3Q	'02. 2Q	QoQ	'02. 3Q	'01. 3Q	YoY	3Q Acc 2002	3Q Acc 2001	YoY
Domestic	1,624	1,788	-9.2%	1,624	1,455	11.6%	5,012	4,492	11.6%
Export	2,778	3,106	-10.6%	2,778	2,401	15.7%	8,982	8,064	11.4%
Total	4,402	4,894	-10.1%	4,402	3,856	14.2%	13,994	12,556	11.5%

## ◆ Apple to Apple Sales Growth

	'02. 3Q	'01. 3Q	YoY	3Q Acc 2002	3Q Acc 2001	YoY (Accum)
Domestic	1,624	1,455	11.6%	5,012	4,444	12.8%
Export	2,778	2,401	15.7%	8,982	7,422	21.0%
Total	4,402	3,856	14.2%	13,994	11,866	17.9%

\* 3Q 2002 Accumulated sales : CRT sales excluded in 1Q and 2Q 2002

## ◆ Export by Region

	2002			
	1Q	2Q	3Q	Accum
ASIA	19%	18%	19%	19%
CHINA	13%	16%	14%	14%
EUROPE	16%	11%	10%	13%
N.AMERICA	35%	37%	37%	36%
CS.AMERICA	5%	4%	3%	4%
M.EAST	7%	7%	6%	7%
OTHERS	5%	7%	11%	7%

		3Q '01	2Q '02	QoQ	3Q '02	3Q '01	YoY	3Q 02 Accu	3Q 01 Accu	YoY
Appliance	Domestic	683	846	-19.2%	683	543	25.8%	2,190	1,632	34.2%
	Export	579	872	-33.6%	579	533	8.5%	2,475	2,276	8.8%
	Total	1,262	1,718	-26.5%	1,262	1,076	17.2%	4,665	3,908	19.4%
Display & Media	Domestic	422	495	-14.7%	422	354	19.3%	1,381	1,090	26.7%
	Export	1,506	1,566	-3.8%	1,506	1,331	13.2%	4,620	3,864	19.6%
	Total	1,928	2,061	-6.4%	1,928	1,685	14.4%	6,001	4,954	21.1%
Handset	Domestic	338	208	62.2%	338	268	26.2%	848	762	11.3%
	Export	612	598	2.2%	612	477	28.3%	1,691	1,012	67.2%
	Total	949	807	17.7%	949	744	27.6%	2,539	1,774	43.2%
System	Domestic	128	192	-33.6%	128	239	-46.6%	446	817	-45.4%
	Export	74	63	17.7%	74	59	25.1%	173	229	-24.4%
	Total	201	255	-21.0%	201	298	-32.4%	619	1,046	-40.8%

# Income Statement

(Unit: W bil.)

	2,001					2,002				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	Total	
Sales	4,425 100%	4,274 100%	3,856 100%	4,045 100%	16,601 100%	4,698 100%	4,894 100%	4,402 100%	13,994 100%	
COGA	3,396 76.7%	3,300 77.2%	2,989 77.5%	3,230 79.8%	12,915 77.8%	3,523 75.0%	3,651 74.6%	3,396 77.1%	10,569 75.5%	
Gross Profit	1,029 23.3%	974 22.8%	867 22.5%	815 20.2%	3,686 22.2%	1,175 25.0%	1,243 25.4%	1,006 22.9%	3,424 24.5%	
SG&A	687 15.5%	778 18.2%	713 18.5%	712 17.6%	2,890 17.4%	808 17.2%	814 16.6%	816 18.5%	2,438 17.4%	
Operating Profit	343 7.7%	196 4.6%	154 4.0%	103 2.6%	796 4.8%	367 7.8%	429 8.8%	190 4.3%	986 7.0%	
Non Operating Profit	174 3.9%	1,497 35.0%	122 3.2%	352 8.7%	2,145 12.9%	247 5.3%	319 6.5%	151 3.4%	717 5.1%	
Non Operating Loss	349 7.9%	354 8.3%	847 22.0%	817 20.2%	2,367 14.3%	337 7.2%	259 5.3%	172 3.9%	769 5.5%	
Recurring Profit	168 3.8%	1,339 31.3%	-572 -14.8%	-362 -8.9%	574 3.5%	276 5.9%	490 10.0%	169 3.8%	935 6.7%	
Tax	46 1.0%	294 6.9%	-154 -4.0%	-118 -2.9%	66 0.4%	56 1.2%	149 3.0%	53 1.2%	258 1.8%	
Net Profit	123 2.8%	1,046 24.5%	-417 -10.8%	-244 -6.0%	507 3.1%	220 4.7%	341 7.0%	116 2.6%	677 4.8%	

## ◆ Profit by Division

		2001				2002			
		1Q	2Q	3Q	3Q Acc	1Q	2Q	3Q	3Q Acc
Appliance	GP Margin	31.4%	33.7%	29.3%	31.7%	30.4%	31.6%	27.2%	30.0%
	OP Margin	15.5%	15.4%	8.4%	13.5%	13.0%	13.3%	6.3%	11.3%
	RP Margin	12.5%	13.3%	4.8%	10.7%	12.5%	11.8%	5.6%	10.4%
Display&Media	GP Margin	12.7%	13.8%	16.1%	14.2%	17.4%	17.5%	15.2%	16.7%
	OP Margin	2.8%	0.6%	3.1%	3.4%	5.8%	6.5%	2.5%	5.0%
	RP Margin	-0.8%	-0.2%	-0.1%	1.2%	4.7%	6.3%	2.2%	4.4%
Handset	GP Margin	26.9%	27.2%	27.6%	27.3%	32.2%	30.9%	30.4%	31.1%
	OP Margin	6.4%	5.8%	8.3%	7.0%	12.7%	10.1%	10.5%	11.0%
	RP Margin	2.1%	3.5%	5.6%	4.0%	11.1%	9.3%	9.4%	9.9%
System	GP Margin	32.0%	26.8%	26.2%	28.5%	20.9%	25.5%	24.7%	24.0%
	OP Margin	6.7%	1.7%	-0.8%	2.7%	-23.9%	-2.1%	-7.5%	-9.6%
	RP Margin	2.1%	-0.8%	-7.2%	-1.6%	-31.4%	-7.5%	-14.3%	-16.0%



# Balance Sheet

	2,001				2,002		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Asset</b>	<b>12,381</b>	<b>12,668</b>	<b>12,297</b>	<b>11,593</b>	<b>11,983</b>	<b>9,734</b>	<b>9,960</b>
C Asset	3,200	3,251	3,283	2,485	3,342	2,648	2,757
Fixed Asset	9,181	9,417	9,014	9,108	8,641	7,086	7,202
Investment	4,705	5,409	5,036	5,113	4,767	3,312	3,395
PP&E	3,397	2,944	2,926	2,924	2,842	2,775	2,843
Intangible Asset	1,079	1,063	1,051	1,071	1,031	1,000	964
<b>Liabilities</b>	<b>8,169</b>	<b>7,817</b>	<b>7,722</b>	<b>7,328</b>	<b>7,515</b>	<b>6,710</b>	<b>6,744</b>
Current Liabilities	5,580	5,307	5,317	4,614	4,932	4,393	4,320
Fixed Liabilities	2,588	2,510	2,405	2,714	2,583	2,317	2,423
(Debt)	4,738	4,780	4,512	4,049	4,046	3,234	3,115
<b>Capital</b>	<b>4,213</b>	<b>4,851</b>	<b>4,575</b>	<b>4,265</b>	<b>4,468</b>	<b>3,024</b>	<b>3,216</b>
Capital	1,031	1,031	1,031	1,031	1,031	784	784
Capital Surplus	2,354	2,354	2,354	2,354	2,357	1,876	1,876
Retaining Earning	1,797	2,336	1,915	1,452	1,749	341	457
Capital Adjustment	-970	-870	-725	-572	-670	23	99

***Thank You***



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# Performance Summary & Outlook

# Performance and Outlook Summary

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## ✓ With strong GSM growth, Handset division contributed the most to the 3Q's total profit.

- GSM : Explosive growth (grew 877% YoY, 38% QoQ) with highly improved profitability
- Domestic : Product leadership (OELD, EV-DO Phones) / Full product line-up, leading to market share expansion

## ✓ Level-up in PDP business with a possible turnaround in System business in 2003

- PDP : Visible demand growth with reliable yield improvement
- System : Better profitability from W-CMDA sales and business rationalization

## ✓ Minimize economy uncertainty through focusing on high-end products

- Digital TV, System Air Conditioner, two door refrigerator, Drum-type washing machine, EV-DO phone, export-oriented color phone. LCD monitor

## ✓ Overcome price erosion in IT products through continuing improvement in productivity

- Major OEM customers likely to boost order for Optical storage and PC