

Welcome to LG Electronics

April 2003

Digitally yours



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1Q 2003 Performance

➤ **1Q 2003 result**

- Sales grew 17%yoy, despite difficult market conditions
- Operating margin buoyed by rise in premium brand
- Pre-tax profits lower mainly due to F/X rate

➤ **2003 outlook: business environment worsening**

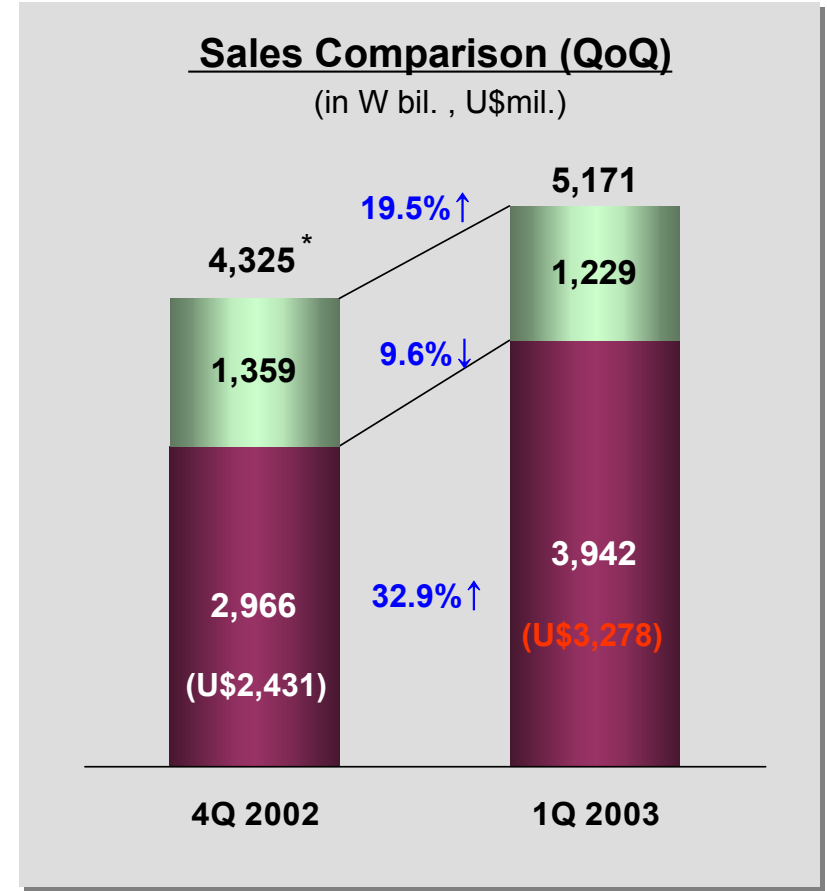
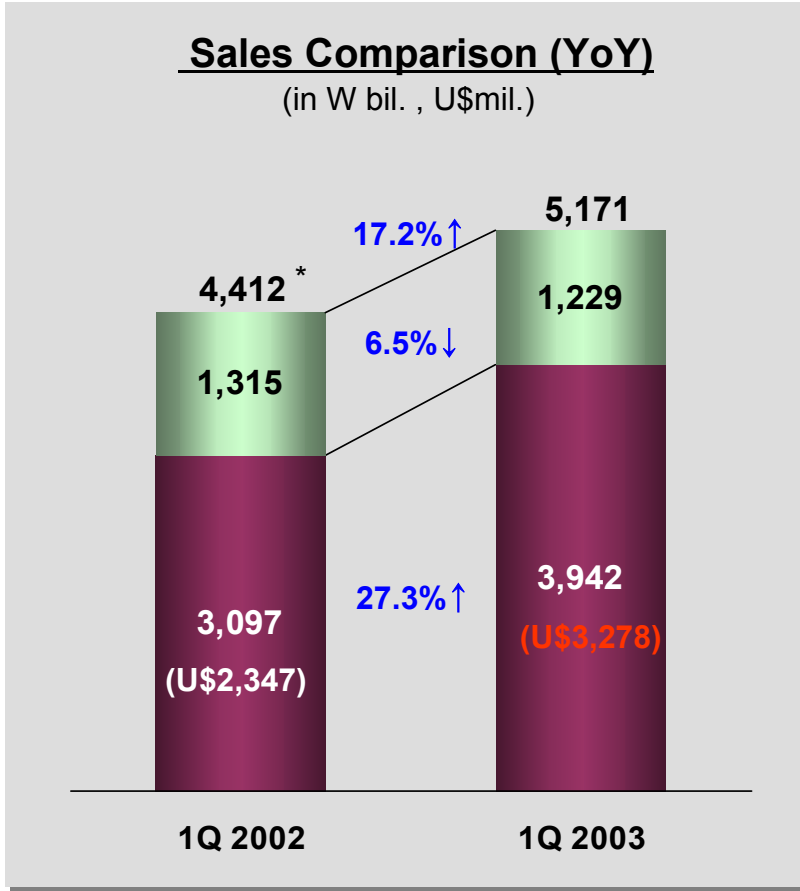
- Continue to expand premium brand sales in domestic market
- Intensify costs and risk management control measures
- Expand brand awareness in major export markets

➤ **Major Issues: handset market outlook**

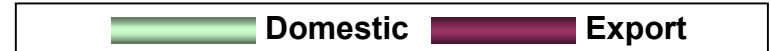
- Falling ASP is a cause for concern
- Lack of subsidies hurting domestic demand
- Export expansion to India uncertain
- Inventory in China beginning to ease
- Exports to US and Europe expanding

Sales

- ◆ Sales grew 17.2% yoy to W 5.2 tril. (Export up 27.3%, Domestic down 6.5%)
- ◆ Sales grew 19.5% qoq (Export up 32.9%, Domestic down 9.6%)



• like for like comparison - sales on raw material (outsourcing related sales) excluded



Sales by Division

◆ Balanced contribution from each division achieved

- **Appliance** : rising portion of premium brand products (washing machine, refrigerator)
- **Display & Media** : strong consumer electronics (TV, PDP, AV products)
- **Handset**: Domestic sales down/ Export up

(in billion won)

	Sales	Contribution	Growth	
			YoY *	QoQ *
Appliance	1,648	31.9%	11.1%	44.1%
Display & Media **	1,710	33.1%	7.3%	8.1%
Telecommunication ** Equip&Handset	1,766	34.2%	37.9%	11.8%
Handset	1,103	21.3%	41.3%	12.2%

** Like for like comparison - sales on raw material (outsourcing related sales) excluded
 - PC business transferred from Display&Media to TE&H division.

Profits

- ◆ **Operating profit increase 13.7% to W417 billion with 8.1% margin**
 - volume growth, rising premium brand portion, turnaround in unprofitable businesses
- ◆ **Recurring Profit is W206 bil., net profit W194 bil.**

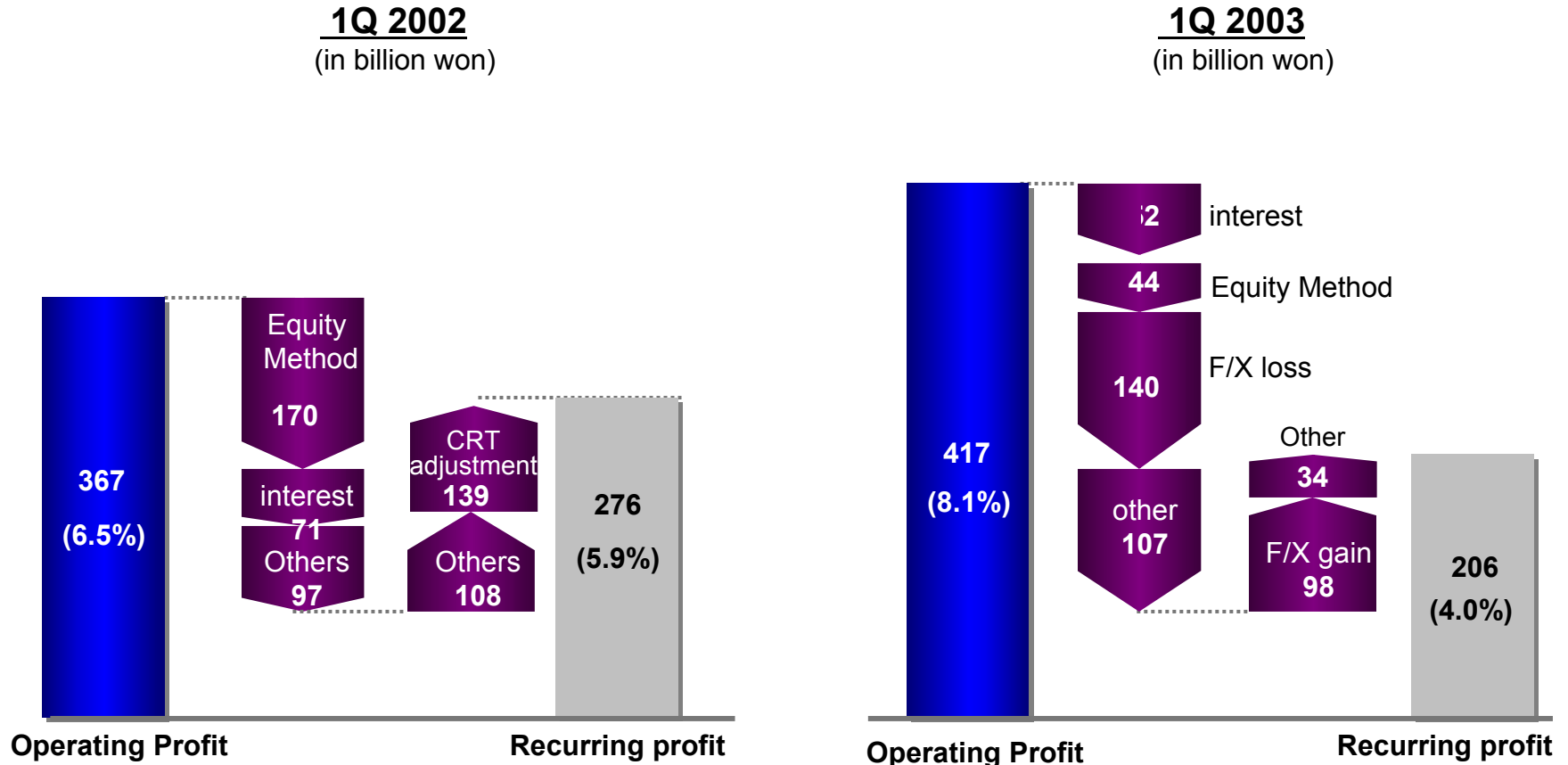
(in billion won)

	1Q 2003		1Q 2002		4Q 2002	
		margin		margin (Like for like)*		margin (Like for like)*
Gross Profit	1,263	24.4%	1,175	25.0% (26.6%)	925	21.4% (20.1%)
Operating Profit	417	8.1%	367	7.8% (8.3%)	42	0.9% (1.0%)
Recurring Profit	206	4.0%	276	5.9% (6.3%)	- 260	-5.6% (-6.0%)
Net profit	194	3.8%	220	4.7% (5.0%)	- 179	-3.9% (4.1%)

* Excluding "Sales on raw material (outsourcing related sales)"

Profit Comparison

- ◆ Large gap between operating profits and recurring profits in 1Q 2003 came mainly from W52.6 bil in F/X loss and W43.7 in equity method loss



Profit by Division

◆ Operating profit increased as follows: Display&Media 35.2%, Telecom -2.2%, Appliance 2.2%

- Appliance margin has sustained thanks to robust sales on high-end products
- Display&Media margin improved due to PDP, TV and A/V and optical storage.
- Handset margin declined due to provision associated with on SK Global A/R(W11.5billion) and slow domestic sales.

(in billion won)

	1Q 2003		1Q 2002		4Q 2002	
		OP Margin		OP Margin (Like for like)*		OP Margin (Like for like)*
Appliance	223	13.5%	218	13.0% (14.7%)	77	6.7% (5.6%)
Display & Media*	153	9.0%	114	7.1% (7.1%)	- 32	-2.0% (-2.0%)
Telecommunication* Equip&Handset	62	3.5%	63	4.7% (4.9%)	37	2.3% (2.3%)
Handset	63	5.7%	99	12.7% (12.7%)	62	6.3% (6.3%)

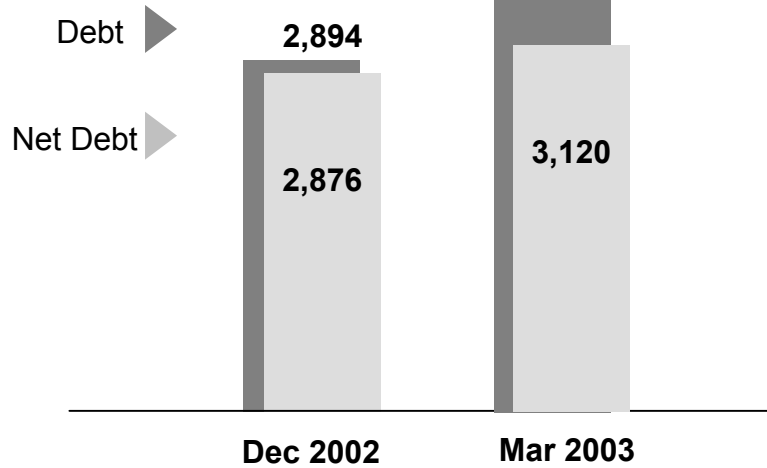
* 2002 PC sales into Telecommunication Equip. & Handset division for like for like comparison

Balance Sheet

- ◆ Debt increased due to increase in cash reserve
- ◆ Debt ratio rose due to increase in borrowings and dividend payout in 1Q 2003

Debt

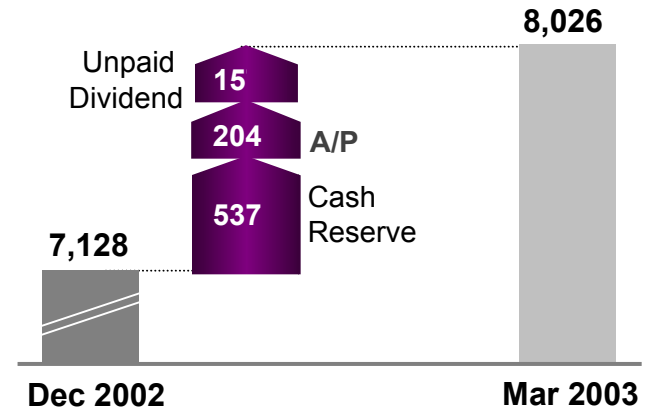
(in billion won)



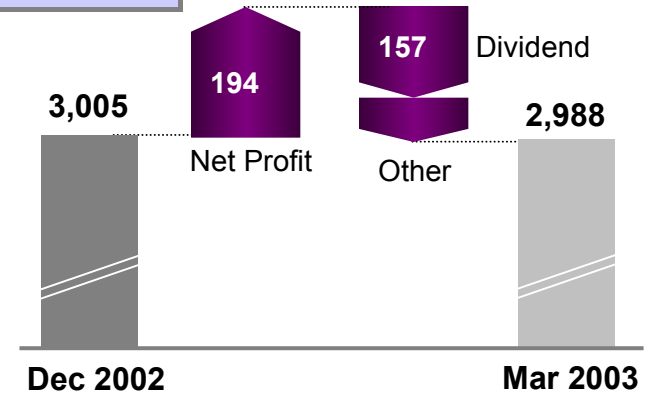
L-E ratio	237%	269%
D-E ratio	96%	123%
Net D-E ratio	96%	105%

Liability

(in billion won)



Equity



2Q Expectation

- ◆ Difficult market conditions due to sluggish domestic market and uncertain global economy
- ◆ LGE countermeasures: Focus on premium products and expand overseas market penetration

❖ Domestic market

- Maintain sales growth by continuing to focus on premium products

❖ Overseas Market :

- Market expansion on premium products such as drum-type washing machine, air conditioner, Digital TV, AV, PDP, Handset, and PC products

👉 **Stronger risk management**

2Q Sales target

**W5.1 tril. ~ W5.4 tril.
(11%~ 18% growth yoy)**

Handset Market Outlook

- ◆ Unclear market outlook on Korea, China and India
- ◆ Stable growth in US and European market foreseen

	Market	LGE Measures
Korea	<ul style="list-style-type: none"> • Subsidy ban • SK Global issue <p>→ market contraction continues</p>	<ul style="list-style-type: none"> • Timely introduction of new models • Strengthening risk management <p>→ Profitability-oriented management</p>
US	<ul style="list-style-type: none"> • Aggressive marketing by Verizon • Inventory issue in Sprint resolved <p>→ Expansion in market possible</p>	<ul style="list-style-type: none"> • Volume growth to Verizon • Expand sales of high-end phones to Sprint <p>→ Sales growth expected</p>
China	<ul style="list-style-type: none"> • Inventory level normalized • Price competition continues <p>→ Continuing drop in ASP</p>	<ul style="list-style-type: none"> • Sales of high-end phone • Continuing price drop in high-end phones <p>→ Profitability unlikely to improve in short run</p>
Europe	<ul style="list-style-type: none"> • Fierce competition • Slowdown in growth 	<ul style="list-style-type: none"> • Strong growth expected in Italy/ Russia • Entry into major operator in Northern Europe <p>→ Brand power and sales continue to improve</p>
India	<ul style="list-style-type: none"> • Still a infant market <p>→ Uncertain market condition</p>	<ul style="list-style-type: none"> • Market tapping for high-end phones • Co-work in marketing with operators <p>→ Major player in CDMA market</p>

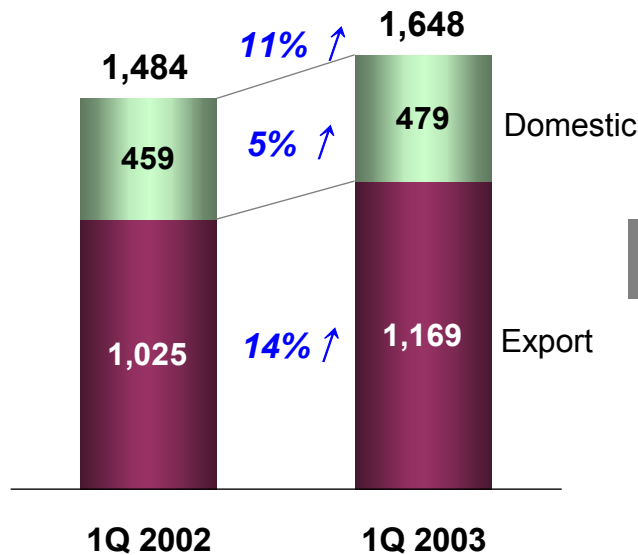


Performance and Outlook by Sector

Appliance

Sales

(in billion won)



1Q Performance

❖ Sales : 11% increased to W1. 6 trillion

- Sustained growth of 11% amid unfavorable economy condition
 - Korea : 5% yoy growth
 - Growth drivers : Drum-type washing machine, air conditioner, side-by-side door refrigerator, bagless vacuum cleaner
 - Overseas : 14%* yoy growth
 - Growth driver : Drum-type washing machine, air conditioner, side-by-side refrigerator, vacuum cleaner, over-the-range, light oven

2Q Outlook

❖ Stable growth expected

- Korea
 - Strong season for air conditioner and refrigerator
 - Focus on high-end appliances
- Overseas
 - Continuing market expansion in Europe and North America

Display & Media

1Q Performance

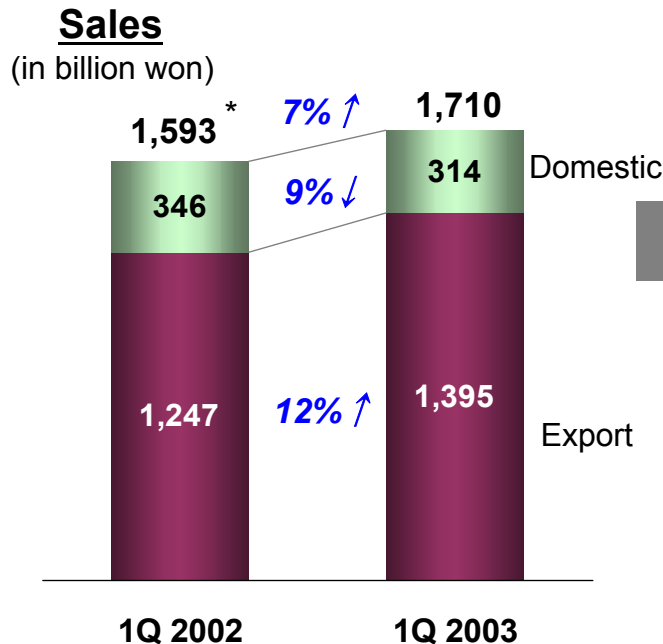
❖ Sales : 7% growth to W1.7 trillion

▶ Strong sales on high-end products despite slow global economy

- Strong growth on TV and A/V products.

- TV (44%) A/V (17%)

- Robust sales on PDP Module (turnaround achieved in 1Q)



2Q Outlook

❖ Worsening market condition expected

- ASP continuing to drop due to slow IT market

- Still uncertain global and domestic market condition

▶ Overcome difficulties by focusing on digital products and overseas market

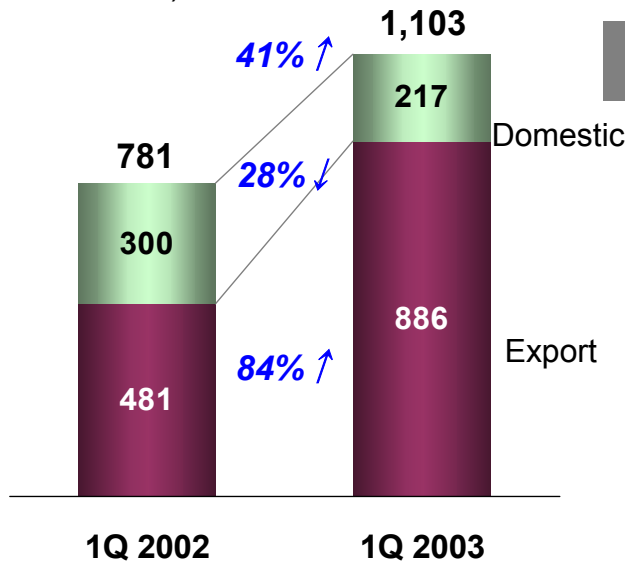
❖ 2Q Sales : similar to 1Q

- Sales growth in Digital TV, PDP

TE&H (Mobile Handset)

Sales

(in billion won)



1Q Performance

- ❖ **Sales** : grew 41% yoy to W1.1 tril.
 - achieved 5.6 million units of sales
- ❖ **CDMA** : Strong sales to Verizon / slow market in Korea
- ❖ **GSM** : Achieved 1.1 million units of sales by entering into new markets

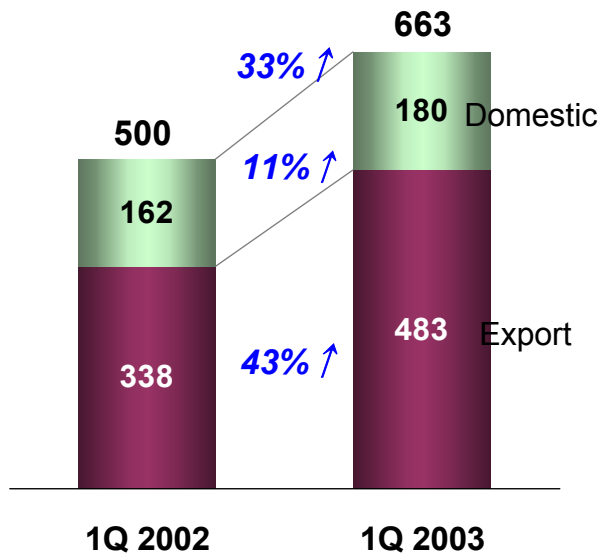
2Q Outlook

- ❖ **Market outlook**
 - Generally sluggish market on global level
- ❖ **Sales Outlook**
 - CDMA : Strong sales to US market should offset slow domestic sales
 - GSM : Continuing expansion in EU market while improving profitability

👉 72% yoy increase to 6.4 million unit expected

TE&H (System, PC)

Sales (in billion won)



1Q Performance

❖ System : sales grew 14% yoy to W179 bil.

- Mobile system: Major supplier of WCDMA equipment to KTF
- Backbone system: Stable sales with improved profitability

❖ PC : Sales increased 41% yoy to W484 bil.

- Strong notebook sales
- Visible take-off of PDA, Tablet PC business

2Q Outlook

❖ System :

- Mobile system: Delay in WCDMA commercialization
additional sales of 2G/2.5G capacity
- Backbone system: Leader in NGN, high speed internet business
- Corporate system : Conduct a profit-oriented management

❖ PC :

- Sales growth to major buyers (HP and IBM)
- Profitability in PDA, Tablet PC expected to improve

LG.Philips LCD



1Q Performance

❖ **Sales: 973 bil. won Operating Profit : 63 bil. won**

- Sales grew 22% yoy, while operating profit dropped by 31% yoy
- Healthy demand for large-size monitors and improved profitability qoq

❖ **Strengthened leadership**

- According to DisplaySearch, LG.Philips LCD continued to maintain its position as No.1 supplier in terms of unit shipment from 4Q 2002 mainly due to successful early ramp-up of the 1st 5G fab.

2Q Outlook

❖ **Ramp-up at the 2nd 5G fab**

- Adding 17" monitors expected to enhance profitability/market leadership
- Strengthen 15" panels for notebook
- Target TV market

LG.Philips Displays



1Q03 Result

❖ **Sales : US\$ 1.0 bn Operating Profit : US\$ 29 mn ***

- Sales decreased yoy, but market share and operating profit went up
- CPT sales increased yoy, while CDT was sluggish during the period but better than budgeted
 - Overall operating performance was better than budget

❖ **1Q Unit Shipment : CDT (5.7 mn units), CPT (10.1 mn units)**
1Q M/S : CDT (29.3%), CPT (27.6%)

2Q03 Outlook

- ❖ **Sales likely to decrease due to low seasonal demand, market uncertainties and slowdown in CDT**
- ❖ **CPT sales expected to grow in China and North America**
- ❖ **Continuing efforts to achieve this year's plan through process improvements and cost reduction activities**

* Excluding restructuring



APPENDIX

Sales by Quarter

◆ Sales

(In billion won)

	'03. 1Q	'02. 4Q	QoQ	'03. 1Q	'02. 1Q	YoY
Domestic	1,229	1,643	-25.2%	1,229	1,600	-23.2%
Export	3,942	2,967	32.9%	3,942	3,097	27.3%
Total	5,171	4,610	12.2%	5,171	4,697	10.1%

◆ Sales (Apple to Apple)

(In billion won)

	'03. 1Q	'02. 4Q	QoQ	'03. 1Q	'02. 1Q	YoY
Domestic	1,229	1,359	-9.6%	1,229	1,314	-6.5%
Export	3,942	2,967	32.9%	3,942	3,097	27.3%
Total	5,171	4,326	19.5%	5,171	4,411	17.2%

◆ Sales by Division

(In billion won)

		'03. 1Q	'02. 4Q	QoQ	'03. 1Q	'02. 1Q	YoY
Appliance	Domestic	479	509	-5.8%	479	459	4.4%
	Export	1,169	634	84.4%	1,169	1,025	14.0%
	Total	1,648	1,143	44.2%	1,648	1,484	11.1%
Display & Media	Domestic	314	281	11.7%	314	346	-9.2%
	Export	1,395	1,301	7.2%	1,395	1,247	11.9%
	Total	1,709	1,582	8.0%	1,709	1,593	7.3%
Telecom Equip & Handset	Domestic	397	562	-29.4%	397	462	-14.1%
	Export	1,369	1,018	34.5%	1,369	819	67.2%
	Total	1,766	1,580	11.8%	1,766	1,281	37.9%
Handset	Domestic	217	320	-32.2%	217	300	-27.7%
	Export	886	663	33.6%	886	481	84.2%
	Total	1,103	983	12.2%	1,103	781	41.2%

*Sales on raw material (outsourcing related sales) excluded in 2002

BSPL by Quarter

(In billion won)

	2002								2003	
	1Q		2Q		3Q		4Q		1Q	
Sales	4,698	100%	4,894	100%	4,402	100%	4,609	100%	5,171	100%
COGS	3,523	75.0%	3,651	74.6%	3,396	77.1%	3,684	79.9%	3,908	75.6%
Gross P	1,175	25.0%	1,243	25.4%	1,006	22.9%	925	20.1%	1,263	24.4%
SG&A	808	17.2%	814	16.6%	816	18.5%	883	19.1%	846	16.4%
Operating	367	7.8%	429	8.8%	190	4.3%	42	0.9%	417	8.1%
Non OP	246	5.3%	319	6.5%	151	3.4%	3	0.1%	131	2.5%
NON OE	337	7.2%	259	5.3%	172	3.9%	305	6.6%	342	6.6%
RecurringP	276	5.9%	490	10.0%	169	3.8%	-260	-5.6%	206	4.0%
Tax	56	1.2%	149	3.0%	53	1.2%	-81	-1.7%	12	0.2%
Net Profit	220	4.7%	341	7.0%	116	2.6%	-179	-3.9%	194	3.8%

(In billion won)

	2002				2003
	1Q	2Q	3Q	4Q	1Q
Asset	11,983	9,734	9,959	10,133	11,013
Current Asset	3,342	2,648	2,757	2,963	3,885
Fixed Asset	8,641	7,086	7,202	7,170	7,128
Investment	4,767	3,312	3,395	3,304	3,309
PP&E	2,842	2,775	2,843	2,893	2,898
Intangible Asset	1,031	1,000	964	973	921
Liabilities	7,515	6,710	6,743	7,128	8,025
Current Liabilities	4,932	4,393	4,320	4,737	5,675
Fixed Liabilities	2,583	2,317	2,423	2,391	2,350
Capital	4,468	3,024	3,216	3,005	2,988
Capital	1,031	784	784	784	784
Capital Surplus	2,357	1,876	1,876	1,876	1,876
Retaining Earning	1,749	341	457	278	312
Capital Adjustment	-690	23	99	67	16

Thank you



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