

Welcome to LG Electronics

April 2002

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Table of Contents

I. 1Q 2002 Results

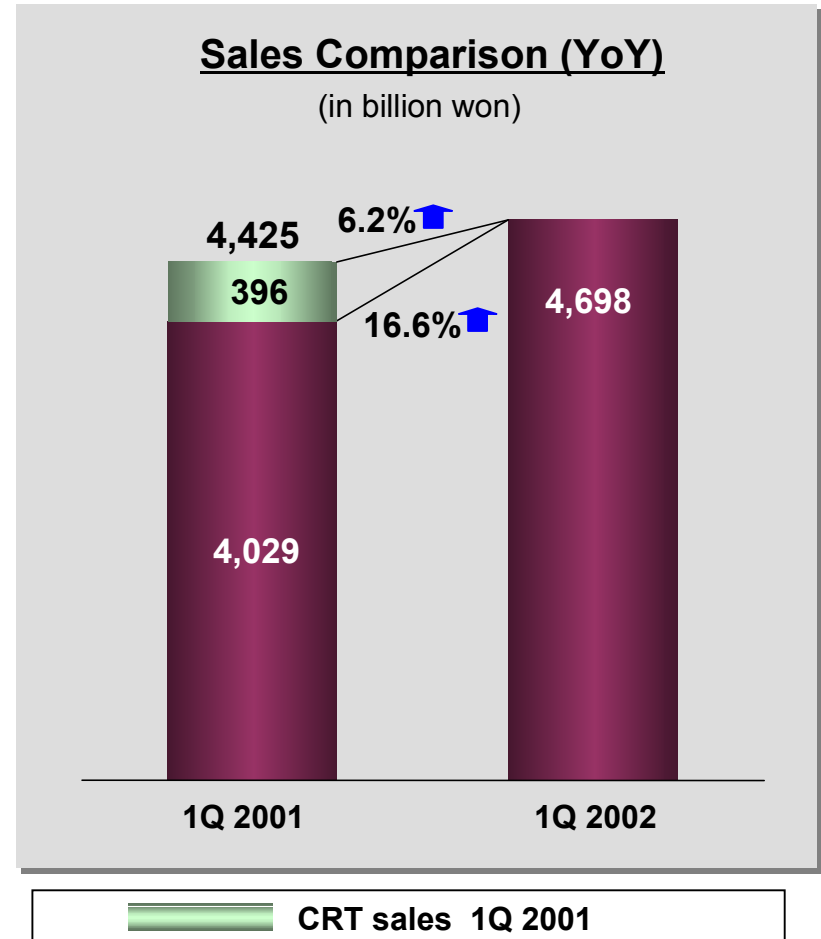
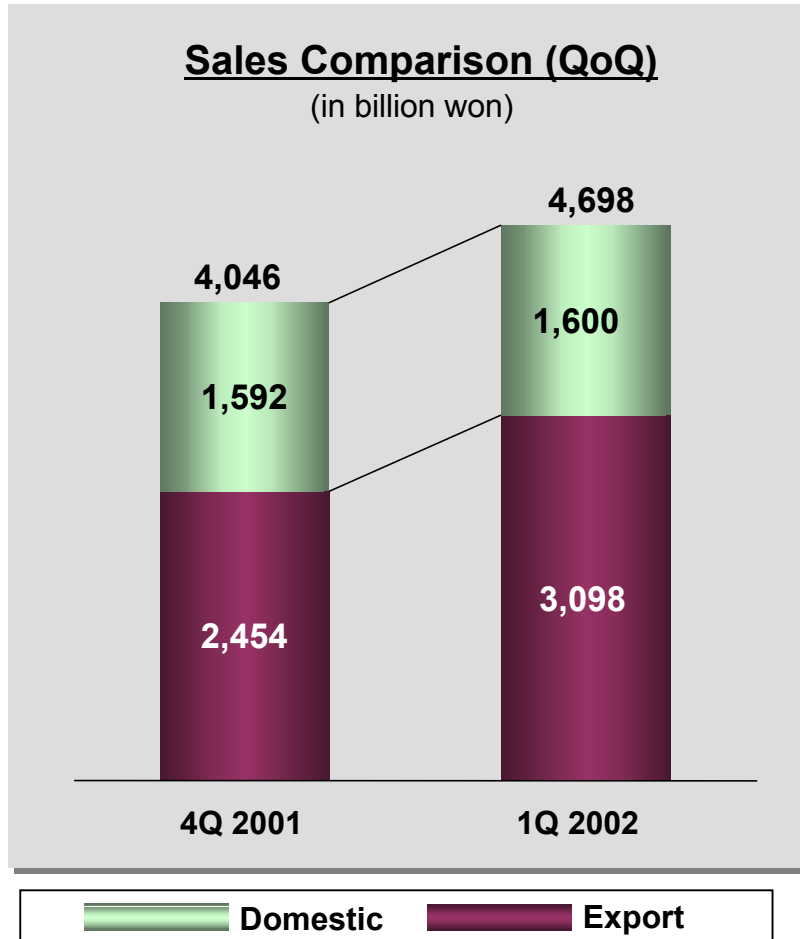
II. Performances & Expectations by Sectors



1Q 2002 Results

Sales

- ◆ Sales rose 16.1% to W4,698 bill. where export grew 26.3%.
- ◆ On apple to apple base, sales achieved 16.6% growth.



Sales by Sector

- ◆ 19% growth in Appliance was led by strong domestic sales.
- ◆ Optical Storage and TV led the 19% growth in Display & Media.
- ◆ Handset sales went up 56% yoy but Telecom System division is in weak shape.
- ◆ Sales contributions: Display & Media 43%, Appliance 36%, Handset 17%, and System 3%

(W bill, %)

	Sales	Sales Contribution	Growth	
			YoY	QoQ
Appliance	1,686	35.9%	19.0%	59.6%
Display & Media*	2,012	42.8%	19.4%	10.4%
Mobile Handset	783	16.7%	55.7%	22.1%
Telecom System	163	3.4%	- 55.1%	- 63.7%

* PDP sales are included in Display & Media from 1Q, 2002.

Profits

- ◆ Operating profit increased 7.1% yoy or 256% qoq to W367 bil.
- ◆ Excluding CRT, operating margin improved to 7.8% from 7.4% last year.
- ◆ Recurring profit was W276 bil. (5.9%) whereas net profit was recorded W220 bil. (4.7%)

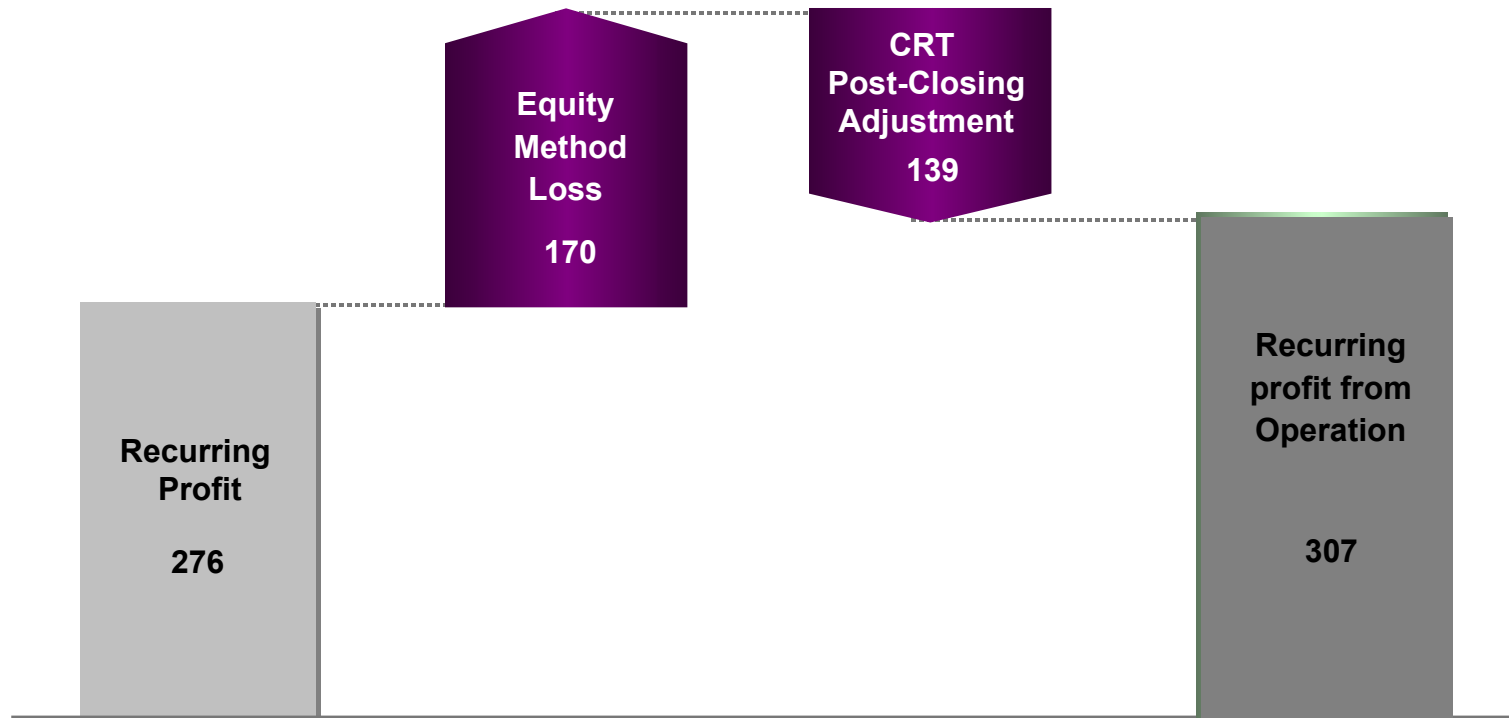
(W bil, %)

	1Q 2002		4Q 2001		1Q 2001			
		%Sales		%Sales		%Sales	w/o CRT	%Sales
Gross Profit	1,175	25.0%	815	20.2%	1,029	23.3%	948	23.5%
Operating Profit	367	7.8%	103	2.6%	343	7.7%	297	7.4%
Recurring Profit	276	5.9%	- 362	- 8.9%	168	3.8%	121	3.0%
Net Profit	220	4.7%	- 244	- 6.0%	123	2.8%	88	2.2%

Profit Analysis

- ◆ Recurring profit from operation was W 307bil. or 6.5% margin
 - Equity method loss was W170 bil. primarily due to restructuring cost in LG.Philips Displays
 - LGE received W140 bil. as post-closing adjustment.

(in billion won)



Profits by Sectors

◆ Operating profit margin : Appliance 13.0%, Display & Media 5.8%, Handset 12.7%

- Strong season in air conditioner of W218.4 bill operating profit in Appliance Division.
- Robust sales in optical storage and TV led profitability improvement in Display & Media Division.
- With high CDMA Handsets sales, GSM nearly broke even to induce notable profitability improvement
- Sluggish sales in Telecom System Division resulted in negative profit.

❖ Operating Profit

(W bil., %)

	1Q 2002		4Q 2001		1Q 2001	
		Margin		Margin		Margin
Appliance	218	13.0%	73	7.0%	220	15.5%
Display & Media	117	5.8%	11	0.6%	59	3.5%
Mobile Handset	99	12.7%	33	5.1%	32	6.4%
Telecom System	- 39	- 23.9%	- 2	- 0.5%	25	6.7%

* Display & Media include PDP sales and profits from 1Q this year.

Balance Sheet

- ◆ Debt to Equity Ratio in LGE and LGEI after demerger are 128% and 26% respectively.
- ◆ Will lower gearing level through effective operations and efficient use of working capital

(As of Mar 31, 2002, W bil.)

LGE	
Asset 11,983	Liabilities 7,515
	Equity 4,468
(Debt : 4,046)	

L-E Ratio : 168.2%

D-E Ratio : 90.6%

LGE (New)	
Asset 9,444	Liabilities 6,628
	Equity 2,816
(Debt : 3,613)	

L-E Ratio : 235.4%

D-E Ratio : 128.3%

LGEI	
Asset 2,539	Liabilities 887
	Equity 1,652
(Debt : 433)	

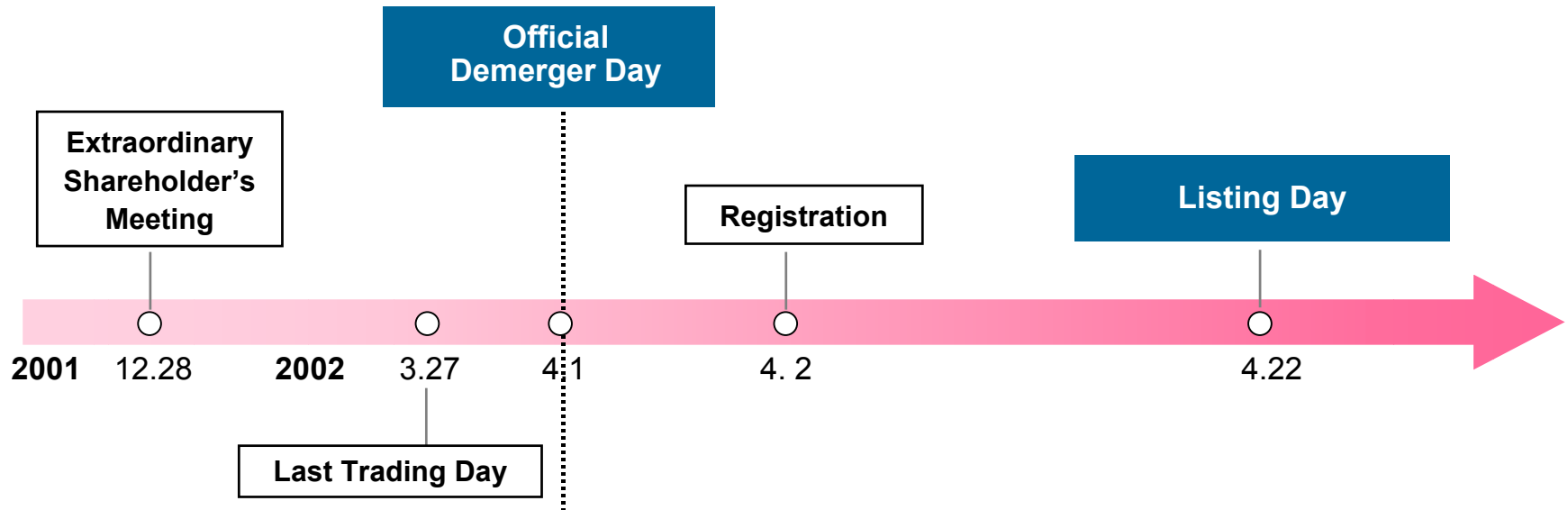
L-E Ratio : 53.7%

D-E Ratio : 26.2%

* L-E Ratio : Liability equity ratio, D-E Ratio : Debt to equity ratio

Demerger Process

- ◆ New shares are scheduled to be listed on April 22.
- ◆ Reference prices will be determined according to the Securities Trading Act.



Reference Price Determination Formula

(Total Market Cap on Last Trading Day)
X (Net Asset Allocation Ratio) / (No of Shares After Demerger)

Initial Price Range

- ❖ Common Share : 90~200% of Reference Price
- ❖ Preferred Share : 50~200% of Reference Price



Performances & Expectations by Sector

Appliance



1Q Results

◆ Successful launch of new products and aggressive marketing led the 19% growth

- Domestic market
 - Air conditioner(160%), Refrigerator (57%), Washing Machine (45%)
 - New Product: ART COOL, TROMM, Toast MWO, CyKing II
- Overseas market
 - Microwave oven (26%; Global sales 36%), Air Conditioner(5%), W/M(45%)

* () indicates YoY growth rate

2Q Expectations

◆ Expect to achieve higher sales in overseas market/ Similar performance in domestic market expected.

- Domestic market
 - More aggressive marketing in Air conditioner, Refrigerator
 - Expand sales of “drum-type” washing machine (TROMM)
- Overseas market
 - Microwave oven global #1 strategy
 - Expand OEM business in North America, Europe with GE, Whirlpool, Bosch, Sears, Wall Mart
 - Better result expected in China and India

Display & Media



1Q Results

❖ Sales : 19.4% growth yoy to 2 trillion won

- Recovery in demand for IT products with timely introduction of new products recouped by World Cup Game
- Sales of IT products grew 15% yoy to W1.4 trill (Optical Storage 32%)
- Home Electronics grew 30% yoy to W680 bil. (TV 43%, AV 13%)

2Q Expectations

❖ Sales and Operating Profit : Higher than 1Q

- PC, monitor and Audio Visual products likely to render better performance
- Optical Storage and TV expected to show the similar results
- Price, raw material cost, interest rate likely to rise
- Will improve profitability through higher purchasing power, timely launching of new products

Handset



1Q Results

❖ Sales achieved 55% yoy growth to 3.1 million units

- CDMA : 2.8 mil (0.8 million more)
- GSM : Sold 300,000 units to Europe and China

2Q Expectations

❖ Market Condition

CDMA

- Domestic : Tougher regulation on subsidy likely to smother demand
Color phone getting popular/ HDR service starts
- Overseas : Expansion of 95C service in US and CDMA service in China

GSM

- Europe : Visible migration to 2.5G(GPRS) service -> substitution demand
- Continuing growth in Chinese GSM market

❖ CDMA

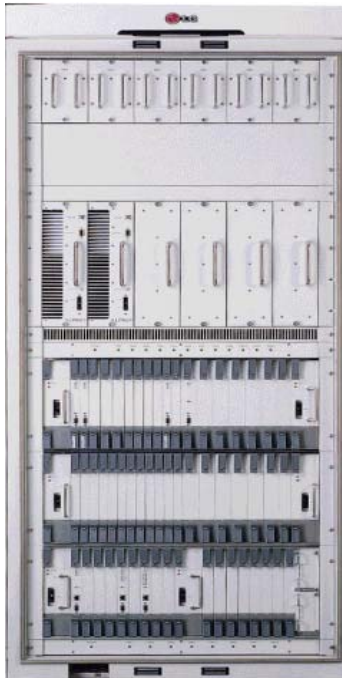
- Domestic sales likely to shrink
- Shipment to Sprint and Verizon expand to increase
- Overall sales likely to rise
- Better profitability from Color and 95C phones

❖ GSM

- High-end GPRS phone (2 models) should render significant GSM growth

❖ 1H total sales : 55% yoy growth to 6.5 million units expected

System



1Q Results

❖ Sales declined yoy

- Capex spending reduction by operators
- Less 95 A/B equipment sales

❖ Development of cdma / w-cdma system well on the schedule

- Won KTiCOM's W-CDMA test equipment for World Cup Game
- Pre-qualified for KTF cdma2000 1x EV-DO equipment provider

❖ Restructuring in System business

- To become profit-oriented units
- New opportunities from Integrated service of telephone service company

2Q Expectations

❖ **Secure W-CDMA system shipment**

- Successful World Cup Service by KTiCOM
- > leads to supplying of commercialization

❖ **Aggressive expedition in oversea market**

- Expand WLL sales in India
- New market for CDMA equipment : China, Vietnam, India

LG.Philips LCD



1Q Results

- ❖ Sales : W797 bil. Operating Profit : W91 bil.
- ❖ Demand growth on large-size monitor led to shortage and price increase and thus increase in profit.

Outlook

- ❖ 5th Generation Fab and IT industry recovery are likely to induce higher profitability.

LG.Philips Displays



1Q Results

- ❖ Sales : U\$1.0 Bil. Operating Profit: - U\$ 6.2Mil.
- ❖ Recovery in Asian market particularly the Chinese market led to better results. (turn positive from March on operating profit level)

Outlook

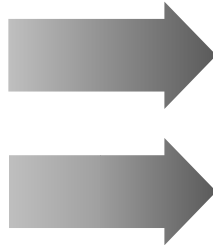
- ❖ IT recovery exerts positive impact on 2Q performance
- ❖ Higher productive and profitability through restructuring : Operating profit expect to rise continuously
- ❖ Most of restructuring will be completed this year.
- ❖ Capital injection of \$125 mil. from each parent companies planned during 2Q to improve financial condition.

1Q Summary and 1H Expectations

- ◆ Strong growth in both domestic and overseas market for most sectors
- ◆ Expect W5 tril. in sales or 6% qoq growth in 2Q with 8%~9% operating margin.

1Q Sum-up

- ❖ Strong Domestic sales in Appliance
- ❖ Rapid Growth in Handsets Sales
- ❖ Volume growth and price rise will lead to higher profitability.



- Achieve 4.7 trillion won in sales
Achieve 28% of Yearly target : W17 tril
- Gross Profit Margin 25.0%
Operating Profit Margin 7.8%
Recurring Profit Margin 5.9%

2Q Expectation

- Aggressive marketing & cost reduction

- ❖ Stronger domestic sales as well as export will continue
- ❖ Digital products benefited World Cup Game
- ❖ Continuing growth in CDMA and GSM handset sales
- ❖ Strong growth in LCD sales as well as profitability



- Sales
W5 ~ W5.2 tril.
(yoy 26%~31% growth)
- Profits
- Operating Profit 8%~9%
- Break ground for equity method accounts

*CRT sales excluded



APPENDIX

Sales

(in bil. won, %)

		1Q 2002	1Q 2001	Growth	4Q 2001	Growth
Sales	Domestic	1,600.4	1,397.9	14.5%	1,592.2	0.5%
	Export	3,097.4	3,027.3	2.3%	2,453.3	26.3%
	Total	4,697.8	4,425.2	6.2%	4,045.5	16.1%

Sales (Apple to Apple)	Domestic	1,600.4	1,374.4	16.4%	1,592.2	0.5%
	Export	3,097.4	2,655.0	16.7%	2,453.3	26.3%
	Total	4,697.8	4,029.4	16.6%	4,045.5	16.1%

* Apple to Apple Comparison :CRT sales of W395.8bil. in 1Q 2001 excluded.

Export by Region

	1Q2001	2Q2001	3Q2001	4Q2001	2001	1Q2002
Asia	22%	24%	19%	17%	21%	19%
China	14%	14%	12%	11%	13%	13%
Europe	15%	13%	14%	18%	15%	16%
North America	31%	30%	36%	37%	33%	36%
Latin America	5%	7%	5%	5%	5%	5%
Other	13%	12%	14%	12%	13%	11%

* FOB standard

Sales by Sector

(in billion won, %)

		1Q 2002	1Q 2001	Growth	4Q 2001	Growth
Appliance	Domestic	660.8	418.9	57.7%	578.2	14.3%
	Export	1,024.9	997.7	2.7%	477.7	114.5%
	Total	1,685.7	1,416.6	19.0%	1,055.9	59.6%
Display & Media*	Domestic	463.9	391.0	18.6%	384.7	20.6%
	Export	1,548.0	1,293.6	19.7%	1,437.2	7.7%
	Total	2,011.9	1,684.6	19.4%	1,821.9	10.4%
Mobile Handset	Domestic	302.2	214.7	40.8%	179.7	68.2%
	Export	480.9	288.2	66.9%	461.8	4.1%
	Total	783.1	502.9	55.7%	641.5	22.1%
Telecom System	Domestic	126.2	306.4	-58.8%	385.7	-67.3%
	Export	36.8	56.7	-35.1%	62.9	-41.5%
	Total	163.0	363.1	-55.1%	448.6	-63.7%

* PDP sales included in Display & Media from 1Q 2002.

Profits

(in billion won)

	FY 2001				FY 2002
	1Q	2Q	3Q	4Q	1Q
Sales	4,425.2	4,274.3	3,856.0	4,045.5	4,697.8
Domestic	1,397.9	1,639.2	1,454.8	1,592.1	1,600.4
Export	3,027.3	2,635.1	2,401.2	2,453.4	3,097.4
COGS	3,396.0	3,300.1	2,988.7	3,230.4	3,522.5
Gross Profit	1,029.2	974.2	867.3	815.2	1,175.3
<i>Gross Margin</i>	23.3%	22.8%	22.5%	20.1%	25.0%
SG&A	686.5	778.2	713.3	711.9	808.4
Operating Profit	342.7	196.0	154.0	103.2	366.9
<i>Operating Margin</i>	7.7%	4.6%	4.0%	2.6%	7.8%
Non-Operating Income	174.5	1,497.3	121.6	351.7	246.7
Non-Operating Expense	348.9	354.3	847.2	816.9	337.5
Recurring Profit	168.3	1,339.1	-571.6	-362.0	276.1
<i>Recurring Margin</i>	3.8%	31.3%	-14.8%	-8.9%	5.9%
Tax	45.5	293.5	-154.2	-118.5	56.3
Net Income	122.7	1,045.5	-417.5	-243.5	219.8
<i>Net Margin</i>	2.8%	24.5%	-10.8%	-6.0%	4.7%

* 1Q, 2Q 2001 Performance include CRT business

Divisional Profit

(In billion won)

Appliance	Gross Profit (%)	511.9 30.4%	444.8 31.4%	15.1%	303.2 28.7%	68.8%
	Operating Profit (%)	218.4 13.0%	219.8 15.5%	-0.6%	73.4 7.0%	197.5%
	Recurring Profit (%)	211.4 12.5%	176.6 12.5%	19.7%	51.3 4.9%	312.1%
Display & Media	Gross Profit (%)	350.9 17.4%	214.3 12.7%	63.7%	229.6 12.6%	52.8%
	Operating Profit (%)	116.7 5.8%	58.7 3.5%	98.8%	11.2 0.6%	942.0%
	Recurring Profit (%)	94.7 4.7%	4.3 0.3%	2102.3%	11.8 0.6%	702.5%
Mobile Handset	Gross Profit (%)	252.3 32.2%	135.5 26.9%	86.2%	165.8 25.8%	52.2%
	Operating Profit (%)	99.2 12.7%	32.0 6.4%	210.0%	33.0 5.1%	200.6%
	Recurring Profit (%)	87.2 11.1%	10.4 2.1%	738.5%	26.2 4.1%	232.8%
Telecom System	Gross Profit (%)	34.0 20.9%	116.3 32.0%	-70.8%	96.6 21.5%	-64.8%
	Operating Profit (%)	-39.0 -23.9%	24.5 6.7%	-259.2%	-23.0 -0.5%	-69.6%
	Recurring Profit (%)	-51.2 -31.4%	7.6 2.1%	-773.7%	-18.5 -4.1%	-176.8%

* Display & Media starts to include PDP Sales and Profits include from 1Q 2002

Balance Sheet (Before and After Demerger)

(In billion won)

	Before Demerger	LGE(New)	LGEI
Current Asset	3,341.9	2,608.8	733.1
Quick Asset	2,486.8	1,753.7	733.1
Inventory	855.1	855.1	-
Fixed Asset	8,640.6	6,834.7	1,805.9
Investment	4,767.2	3,010.8	1,756.4
PP&E	2,842.1	2,793.0	49.1
Intangible Asset	1,031.3	1,030.9	0.4
Deferred Asset	-	-	-
Total Asset	11,982.5	9,443.5	2,539.0
Current Liabilities	4,932.1	4,231.7	700.4
Fixed Liabilities	2,582.7	2,396.1	186.6
(Borrowings)	4,045.9	3,612.7	433.2
Total Liabilites	7,514.8	6,627.8	887.0
Capital	1,031.1	784.0	247.1
Capital Surplus	2,357.4	1,876.1	2,357.4
Retained Earning	1,748.8	-	1,748.8
Capital Adjustment	△ 669.6	155.6	△ 2,701.3
Total Capital	4,467.7	2,815.7	1,652.0
Total Liabilites and Capital	11,982.5	9,443.5	2,539.0
Liabilities to Equity Ratio	168.2%	235.4%	53.7%
Debt to Equity Ratio	90.6%	128.3%	26.2%
Net Asset Allocation Ratio	100.0%	63.0%	37.0%

* Base on Decision made by Board of Directors

Thank You



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