

Welcome to LG Electronics

Oct. 2002

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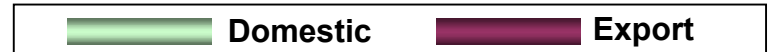
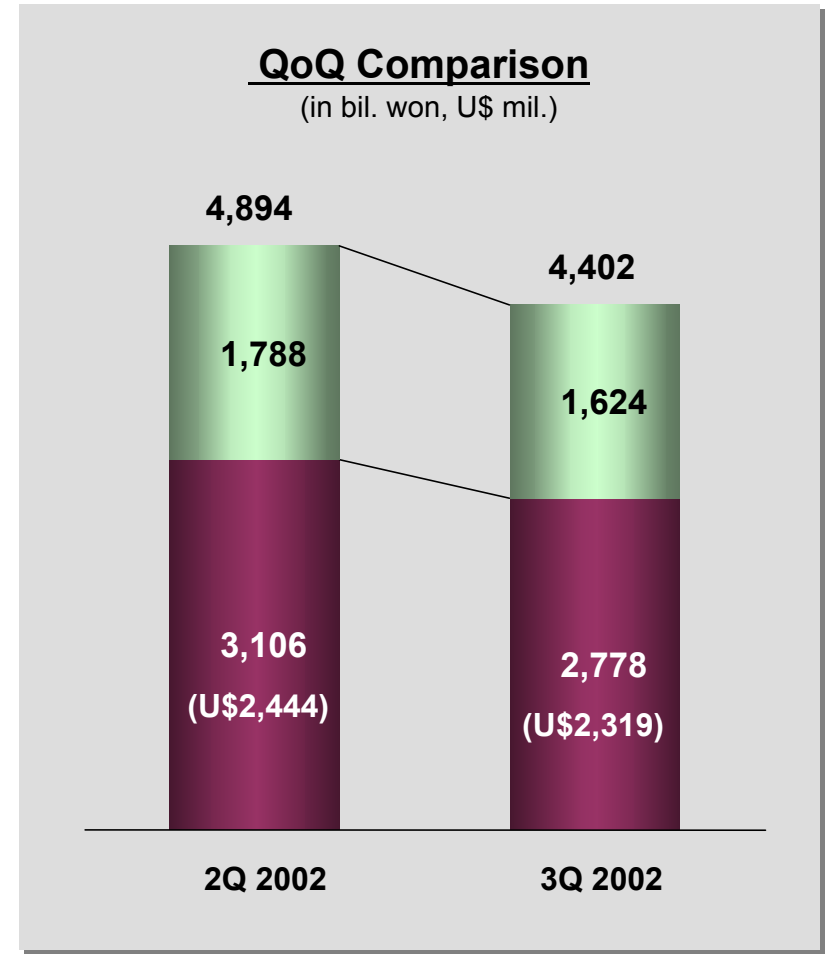
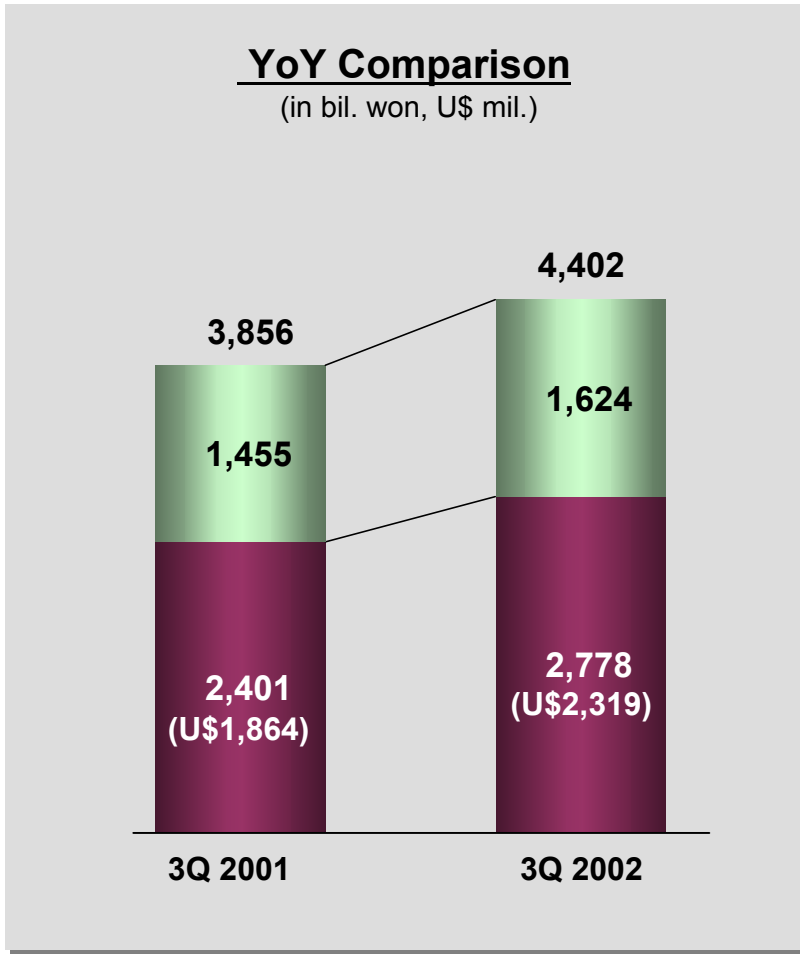
- I. 3Q 2002 Results**
- II. Performance & Outlook by Sector**
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3Q 2002 Results

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
Gross Profit	1,006	22.9%	867	22.5%	1,243	25.4%
Operating Profit	190	4.3%	154	4.0%	429	8.8%
Recurring Profit	169	3.8%	- 572[*]	- 14.8%	490	10.0%
Net Profit	116	2.6%	- 418	- 10.8%	341	7.0%

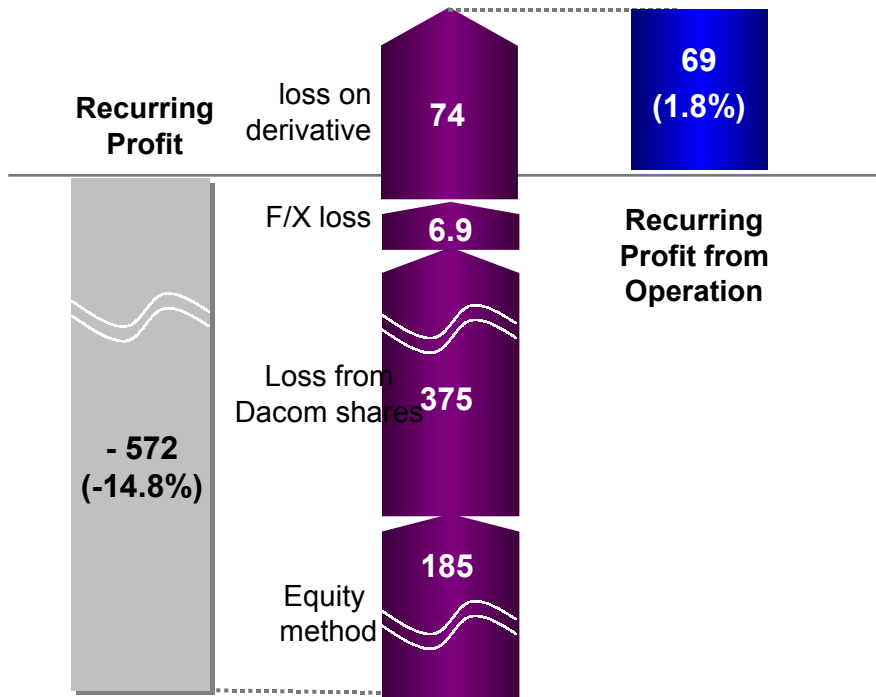
• 3Q 2001 numbers include loss of W375 bil. from disposal of Dacom shares

Profit Analysis

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

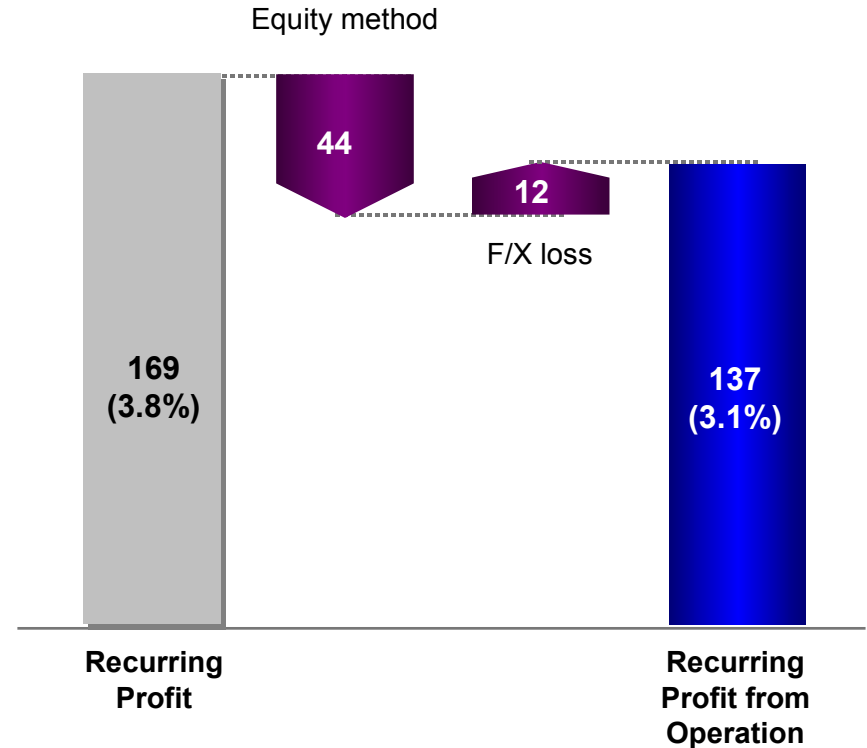
Profit Analysis in 3Q 2001

(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

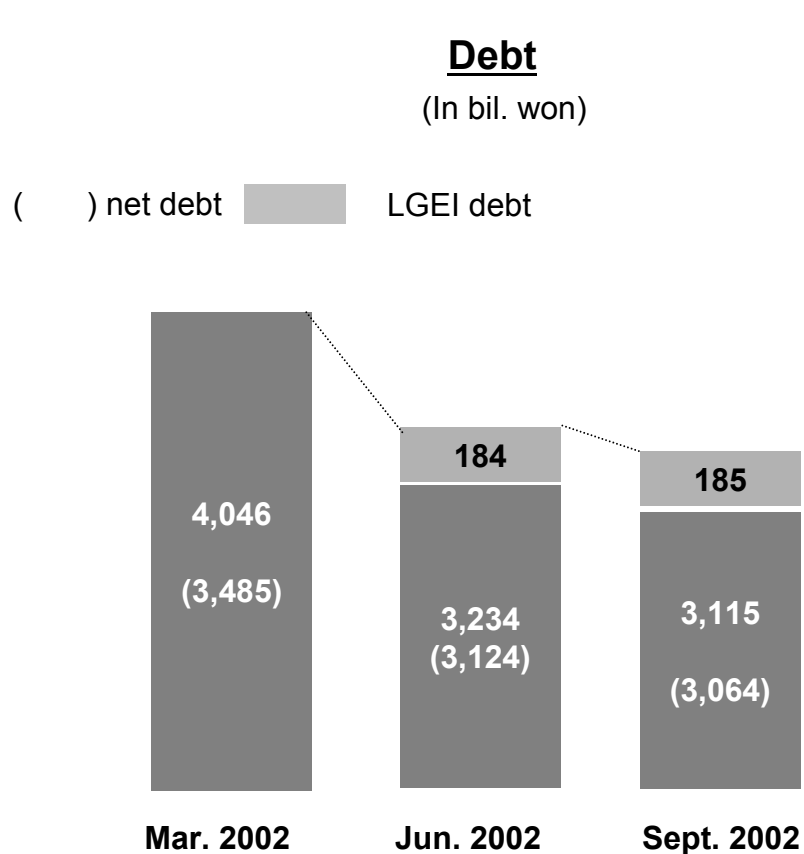
(Unit : W Bil, %)

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

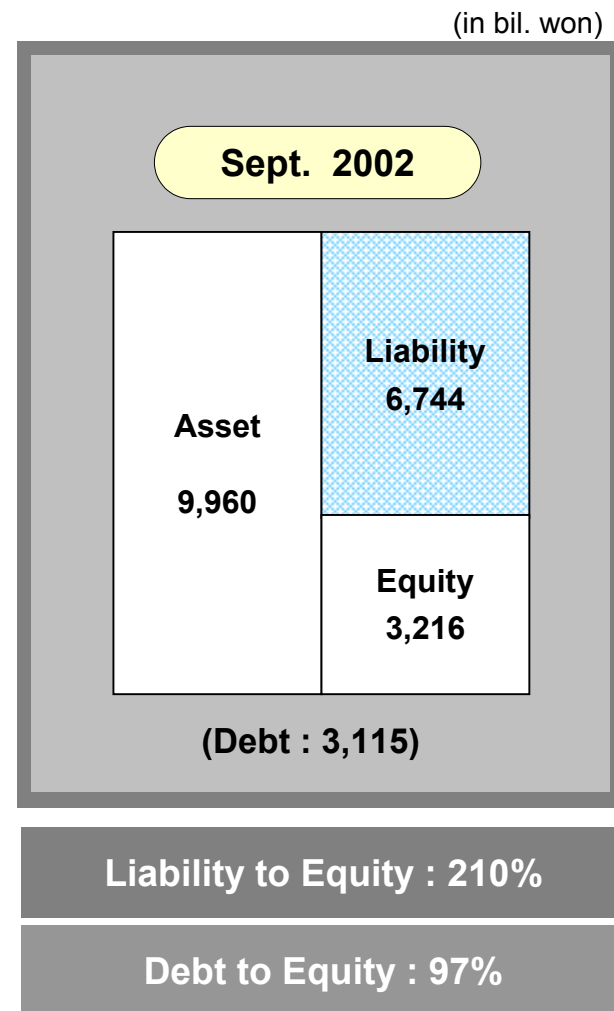
• On an apple to apple base (PDP included)

Financial Structure

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



L-E Ratio	168%	221%	210%
D-E Ratio	91%	107%	97%



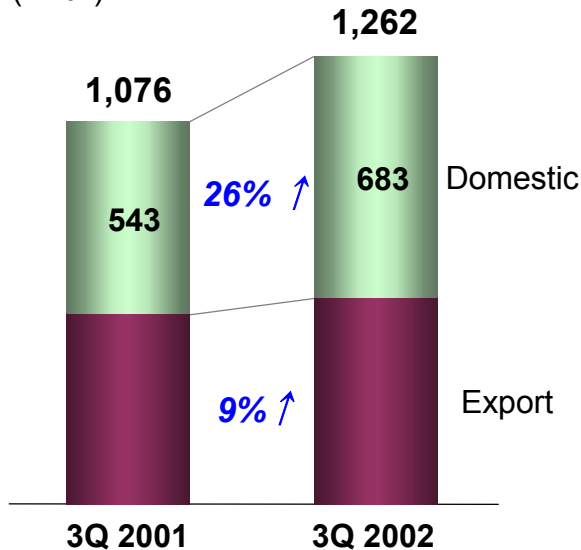


Performance and Outlook by Sector

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

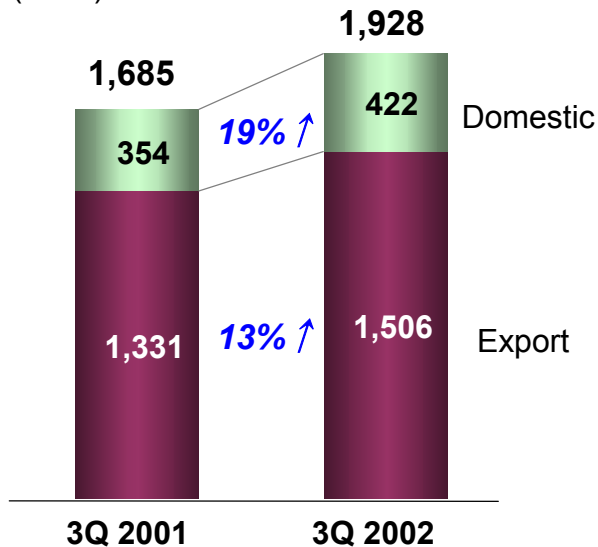
❖ High-end and seasonal products expected to render a growth

- 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

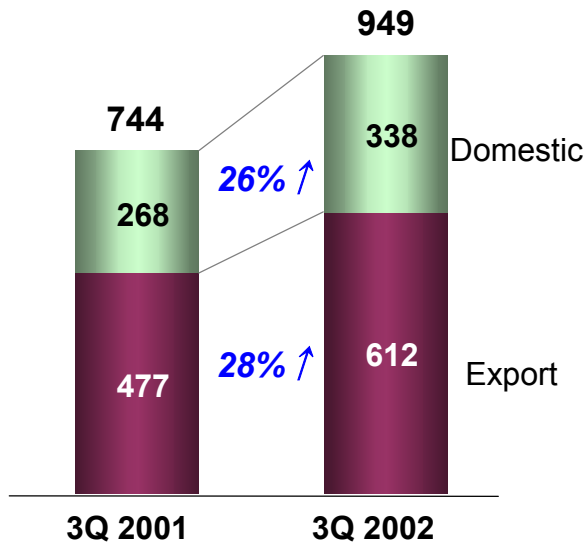
❖ Slightly down from 3Q expected in 4Q

- 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

CDMA

- 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

GSM

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

❖ CDMA

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

❖ GSM

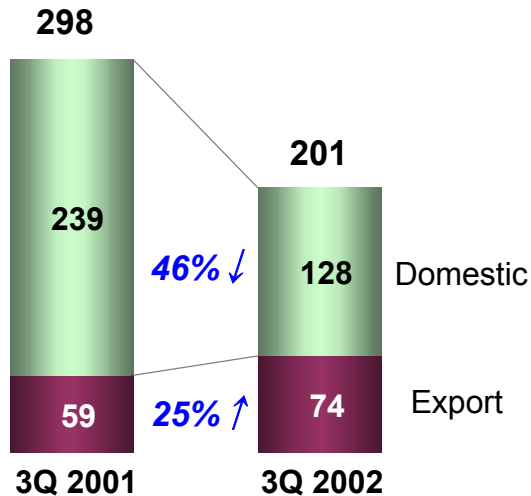
- Raise volume with new GPRS model line-up into EU market

❖ 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

✓ 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 5th Gen Fab

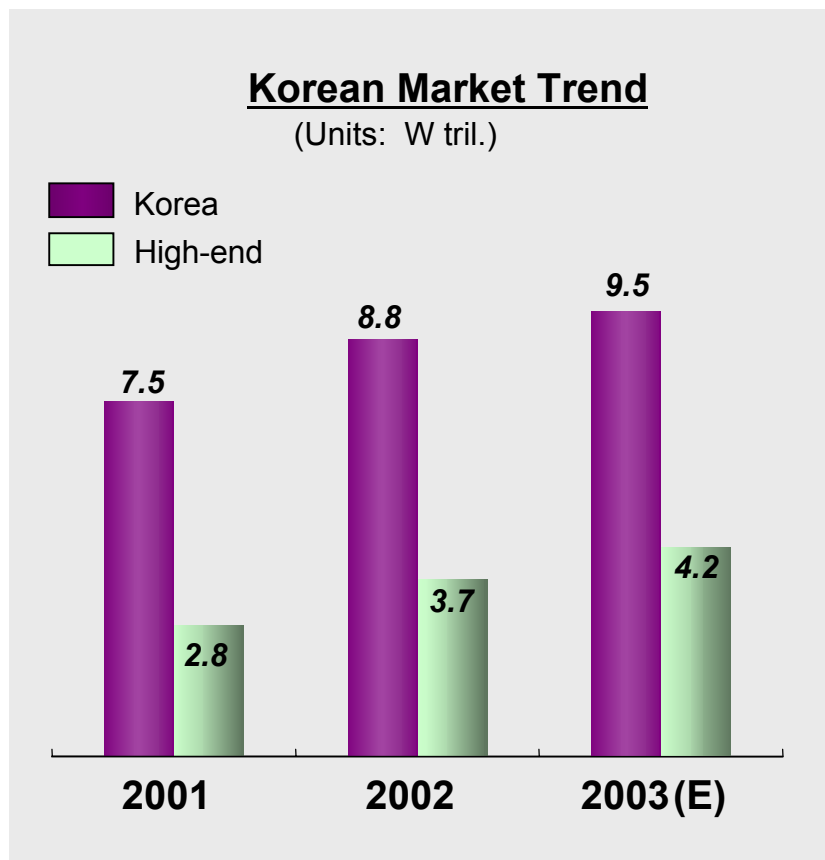
- 5th Fab already achieved 88% yield
- LG.Philips better positioned to provide large-size monitors from 17" to 19"
: 1st 5G: optimized for 18" / 2nd 5G: optimized for 17"
- LP.Philips consolidate its No.1 position in monitor (M/S 14.8% in 2Q 02, DisplaySearch)

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
Asset	12,381	12,668	12,297	11,593	11,983	9,734	9,960
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
Liabilities	8,169	7,817	7,722	7,328	7,515	6,710	6,744
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
Capital	4,213	4,851	4,575	4,265	4,468	3,024	3,216
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

✓ 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