


# Welcome to LG Electronics

**February 2003**

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A hand holding a glowing lightbulb with floating orange particles. The background is a dark blue gradient with a faint grid pattern.



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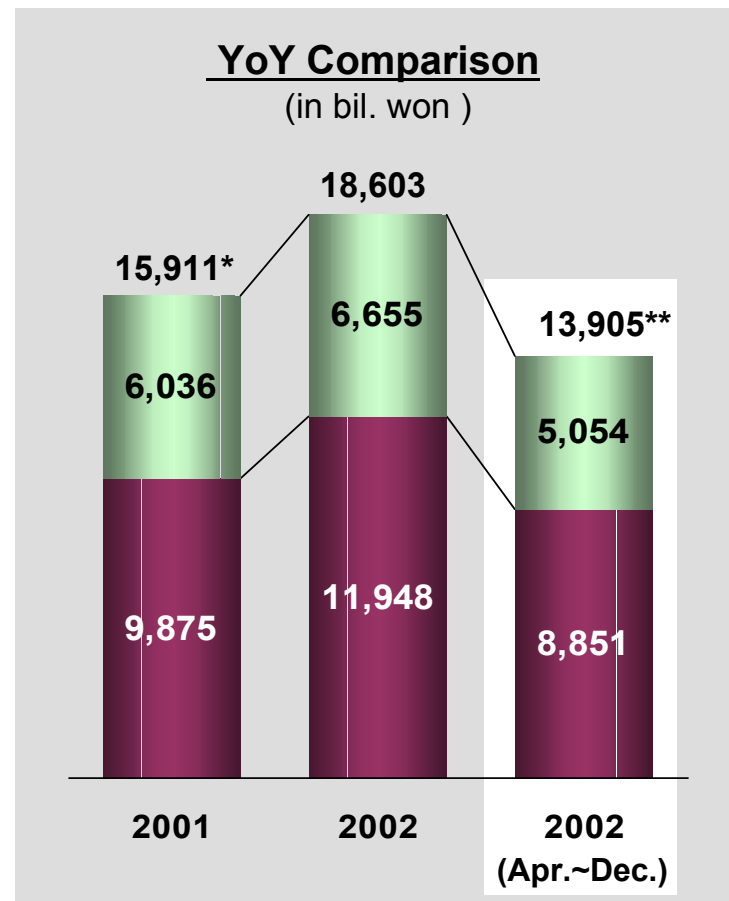
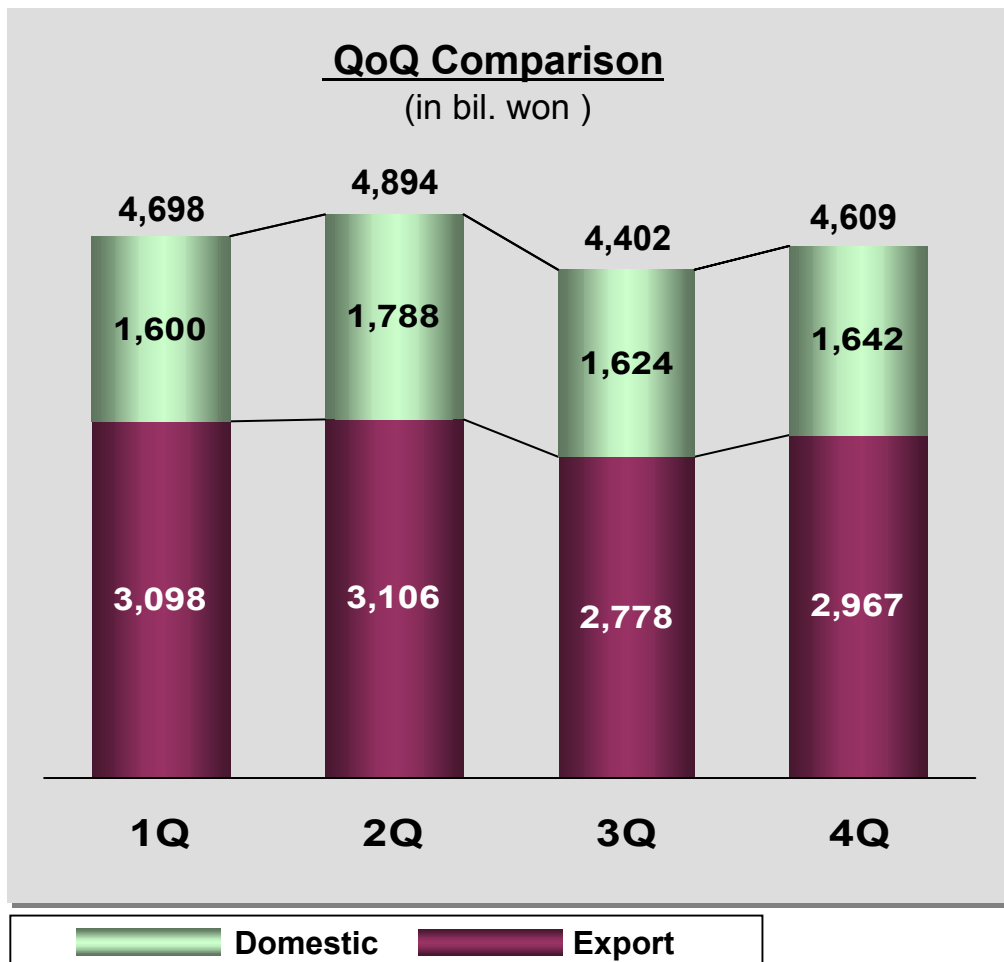
- I. 2002 4Q & Annual Results**
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## **2002 4Q & Annual Results**

# Sales

- ◆ 4Q Sales grew 4.7% qoq or 13.9% yoy to W4.6 trillion.
- ◆ 2002 Sales went up 16.9% yoy to W18.6 trillion.



\*Excluding CRT sales

\*\*Actual number on audited report

# Sales by Division

◆ **QoQ Growth : System 41.3%, Appliance 9.2%, Handset 3.7%, Dis.&Media 0.7%**

- Handset growth boosted by GSM growth (57%qoq) / System showed a notable sales growth

◆ **YoY Growth : Handset 45.9%, Appliance 21.7%, Dis.&Media 17.2%, System - 39.5%**

- All Divisions except System posted two digit sales growth.

(in billion won)

	1Q	2Q	3Q	4Q	Growth		2002	Growth	
					YoY	QoQ		YoY	Portion
<b>Appliance</b>	<b>1,686</b>	<b>1,718</b>	<b>1,262</b>	<b>1,377</b>	30.5%	9.2%	<b>6,043</b>	21.7%	(32.5%)
<b>Display&amp; Media</b>	<b>2,012</b>	<b>2,061</b>	<b>1,928</b>	<b>1,942</b>	6.4%	0.7%	<b>7,943</b>	17.2%	(42.7%)
<b>Handset</b>	<b>783</b>	<b>807</b>	<b>949</b>	<b>985</b>	53.5%	3.7%	<b>3,524</b>	45.9%	(19.0%)
<b>System</b>	<b>163</b>	<b>255</b>	<b>201</b>	<b>285</b>	- 36.6%	41.3%	<b>904</b>	-39.5%	(4.9%)

# Profit

- ◆ **Operating profit in 4Q dropped 77.8% qoq due to the performance incentive of W145 billion.**
  - Operating profit before the incentive in 4Q was W187 bil with 4.1% margin.
- ◆ **2002 operating profit increased 29.2% yoy to W1.1 tril with 5.5% margin.**
  - Recurring profit was W675 bil., and net profit was W498 bil.

(in billion won)

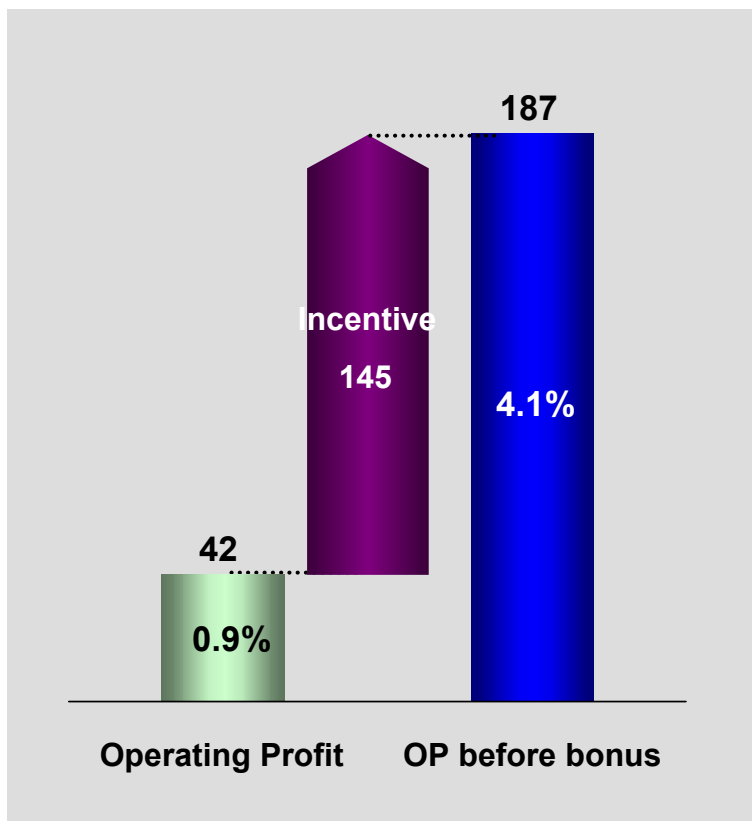
	2002					2001	
	1Q	2Q	3Q	4Q	Annual	4Q	Annual
<b>Gross Profit</b> (%Sales)	<b>1,175</b> (25.0%)	<b>1,243</b> (25.4%)	<b>1,006</b> (22.9%)	<b>925</b> (20.1%)	<b>4,349</b> (23.4%)	<b>815</b> (20.2%)	<b>3,686</b> (22.2%)
<b>Operating Profit</b> (%Sales)	<b>367</b> (7.8%)	<b>429</b> (8.8%)	<b>190</b> (4.3%)	<b>42</b> (0.9%)	<b>1,028</b> (5.5%)	<b>103</b> (2.6%)	<b>796</b> (4.8%)
<b>Recurring Profit</b> (%Sales)	<b>276</b> (5.9%)	<b>490</b> (10.0%)	<b>169</b> (3.8%)	<b>- 260</b> (- 5.6%)	<b>675</b> (3.6%)	<b>- 362</b> (- 8.9%)	<b>574</b> (3.5%)
<b>Net Profit</b> (%Sales)	<b>220</b> (4.7%)	<b>341</b> (7.0%)	<b>116</b> (2.6%)	<b>- 179</b> (- 3.9%)	<b>498</b> (2.7%)	<b>- 244</b> (- 6.0%)	<b>507</b> (3.1%)

# Operating Profit Analysis

- ◆ Operating profit margin in 4Q before the incentive is 4.1%, similar to that in 3Q.
- ◆ 2022 operating margin would have been 6.3% without the incentive.

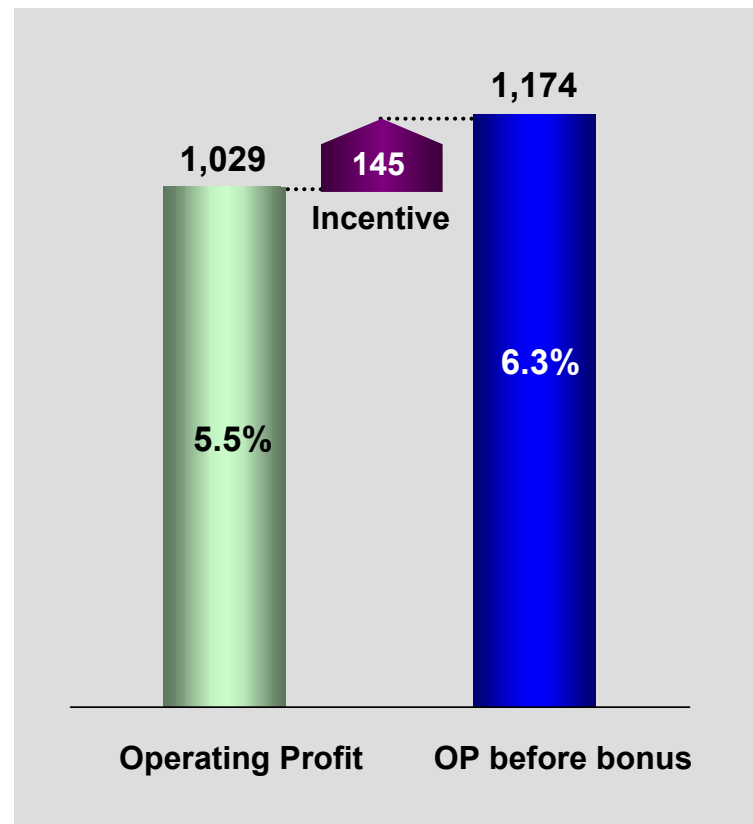
4Q 2022 Operating Profit

(in billion won)



2022 Operating Profit

(in billion won)



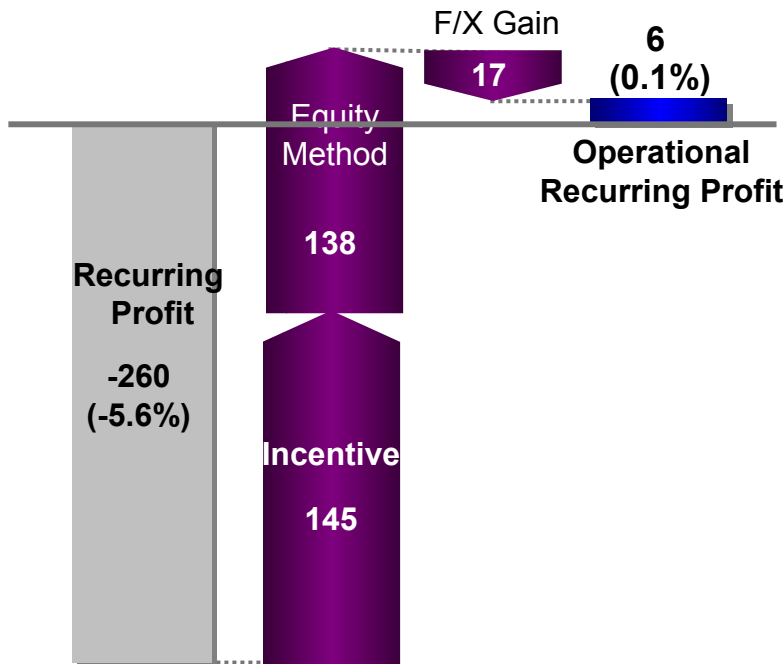


# Recurring Profit Analysis

- ◆ Recurring profit from operation excluding the incentive and equity method loss was 26 billion won in 4Q.
- ◆ It was W794 billion for 2002 when excluding CRT post adjustment and equity method loss.

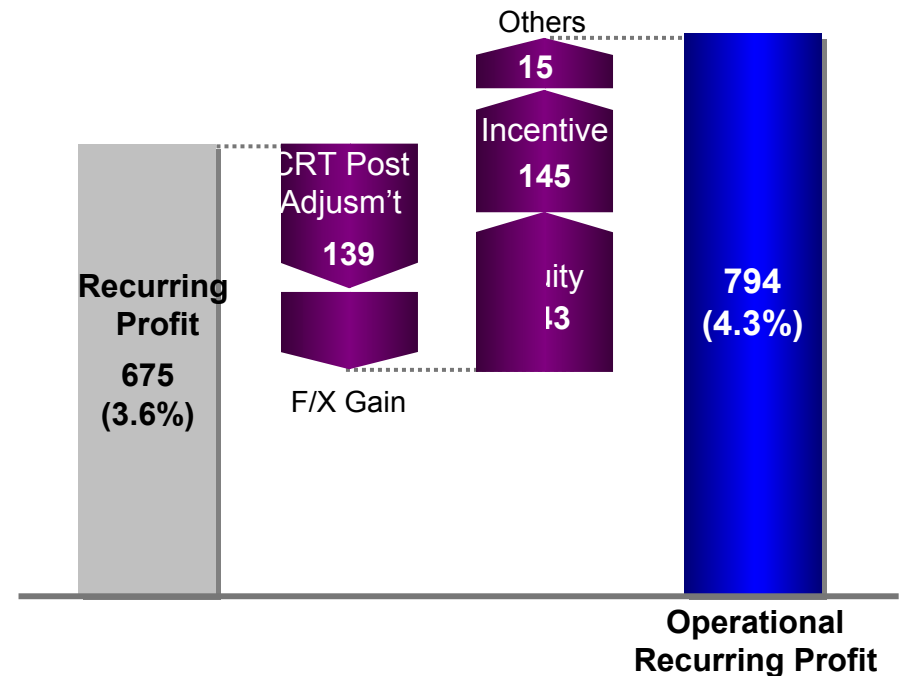
## 4Q 2002 Analysis

(in billion won)



## 2002 Annual Analysis

(in billion won)



# Profit by Division

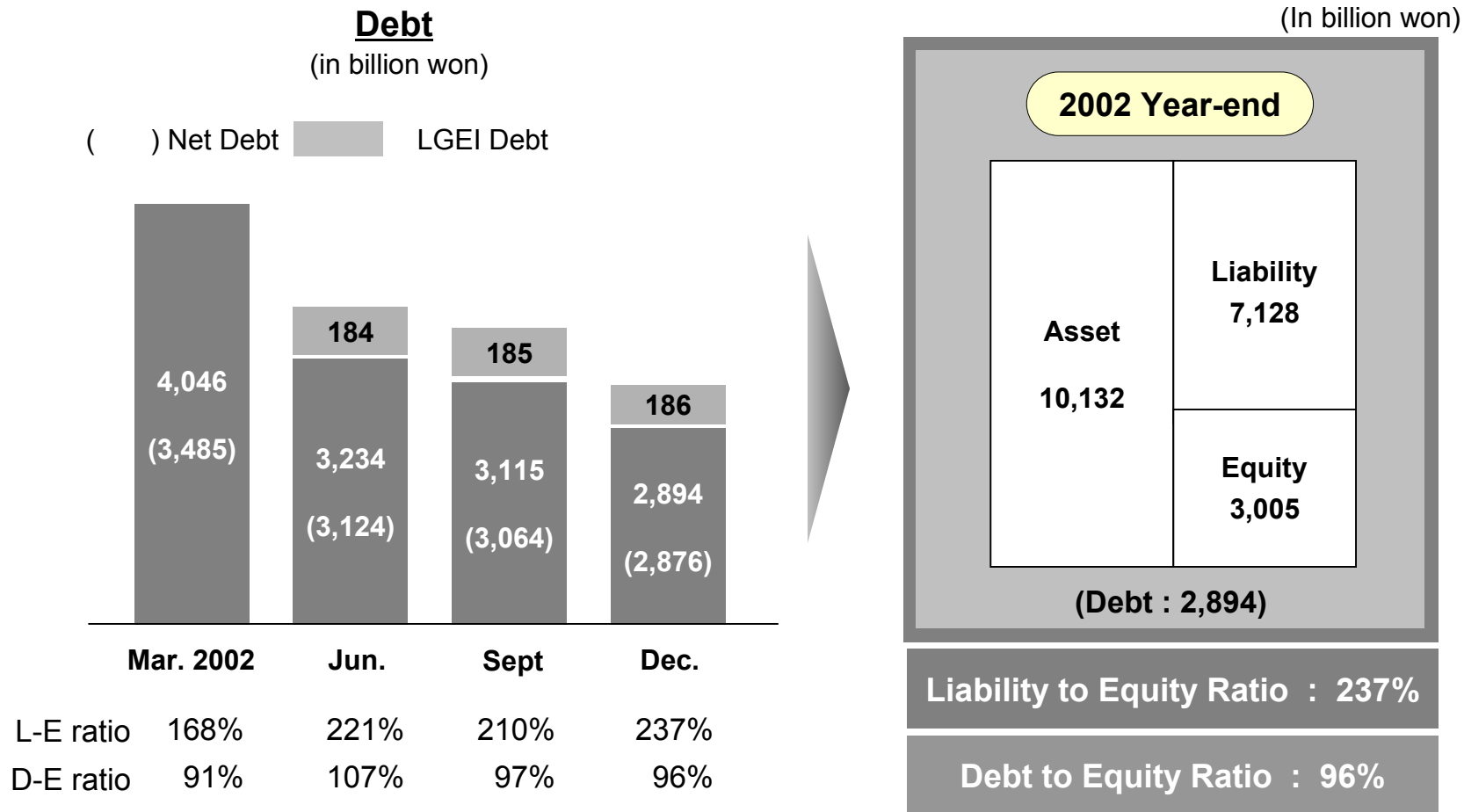
- ◆ 2002 OP margin: Appliance 10.0%, Display&Media 3.2%, Handset 9.7%, and System - 8.2%
- ◆ OP margin dropped mainly due to the incentive that is paid out accordingly with the divisional performance evaluation.

(in billion won)

	2002					2001	
	1Q	2Q	3Q	4Q	Annual	4Q	Annual
<b>Appliance</b> (%Sales)	<b>218</b> (13.0%)	<b>228</b> (13.3%)	<b>80</b> (6.3%)	<b>77</b> (5.6%)	<b>603</b> (10.0%)	<b>73</b> (7.0%)	<b>602</b> (12.1%)
<b>Dis. &amp; Media</b> (%Sales)	<b>117</b> (5.8%)	<b>134</b> (6.5%)	<b>49</b> (2.5%)	<b>- 42</b> (- 2.2%)	<b>258</b> (3.2%)	<b>- 10*</b> (-0.5%)	<b>100*</b> (1.5%)
<b>Handset</b> (%Sales)	<b>99</b> (12.7%)	<b>81</b> (10.1%)	<b>100</b> (10.5%)	<b>63</b> (6.3%)	<b>343</b> (9.7%)	<b>33</b> (5.1%)	<b>157</b> (6.5%)
<b>System</b> (%Sales)	<b>- 39</b> (-23.9%)	<b>- 5</b> (-2.1%)	<b>- 15</b> (-7.5%)	<b>-15</b> (- 5.1%)	<b>-74</b> (-8.2%)	<b>- 2</b> (-0.5%)	<b>26</b> (1.8%)

# Balance Sheet

- ◆ 2002 year-end borrowings were W2.9 tril. as W221 bil. was paid down during Q4.
- ◆ Although debt level went down, liability to equity ratio was up due to shrink in equity.



# 2002 Actual Audited Financial Report

- ◆ Due to Demerger, LGE was newly established company from April 1 of 2002. Therefore, the first official audited report only reflects the results from April to December.

## Summarized Income Statement

(1st Fiscal Period: April~December 2002)

(in billion won)

<b>Sales</b>	<b>13,905</b>
<b>Gross Profit</b>	<b>3,174</b>
<b>Operating Profit</b>	<b>662</b>
<b>Recurring Profit</b>	<b>399</b>
<b>Net Profit</b>	<b>278</b>

## Summarized Balance Sheet

(1st Fiscal Period: April~December 2002)

(in billion won)

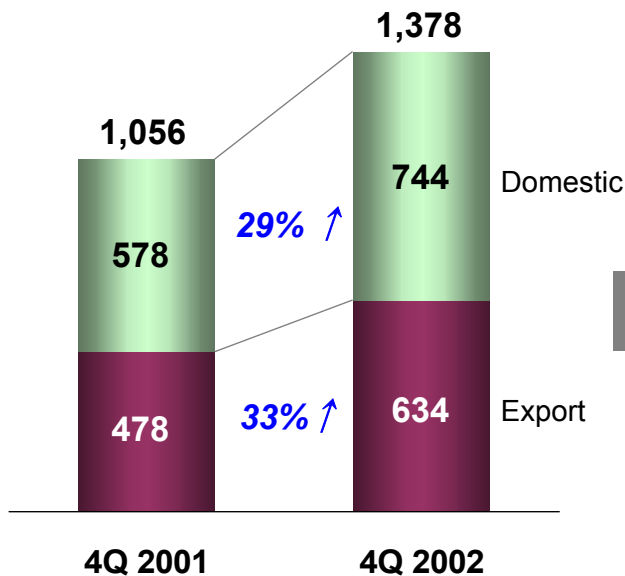
<b>Asset</b>	<b>10,133</b>
- Current Asset	2,963
- Fixed Asset	7,170
<b>Liability</b>	<b>7,128</b>
- Current Liability	4,737
- Fixed Liability	2,391
<b>Equity</b>	<b>3,005</b>
-Capital Stock	784



# Performance and Outlook by Sector

# Appliance

## Sales (Wbil)



## 2002 Performance

### ❖ 2002 Sales : W6.4 tril. with 22% yoy growth

- Visible takeoff of high-end appliances rendering stable growth
  - Domestic market : 33% yoy growth
    - Major products : TROMM, Cyking, DIOS, 1124
  - Overseas : 13% yoy growth
    - Major products: Side-by-side ref., Drum-type washing machine, Commercial A/C, Light Oven

### ❖ 4Q : 30% yoy growth

- Mainly driven by high-end products such as drum-type washing machine

## 2003 Outlook

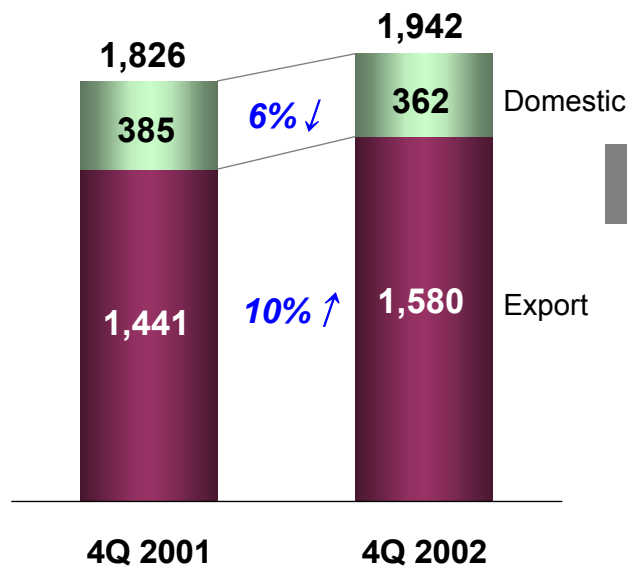
### ❖ Stable Growth

- Domestic market : Demand for high-end products continue to increase
- Overseas: Possible market contraction
  - Recovery expected in European market

### ❖ 1Q : Growth in domestic sales; export similar to last year

# Display & Media

## Sales (Wbil)



## 2002 Performance

### ❖ 2002 Sales : 17% yoy growth to W7.9 tril.

- High-end consumer electronics products such as Digital TV and DVD Combi led the growth overcoming IT industry slowdown (TV 42%, A/V 30%, Monitor 11%, PC 4% growth)

### ❖ 4Q : 6% yoy growth to W1.9 tril

- PDP, A/V, TV led the sales growth

## 2003 Outlook

### ❖ **Another difficult year ahead**

- IT : Slow market recovery, price drop in CD-RW and monitor
- Home Electronics : wide use of digital products may lead to price drop

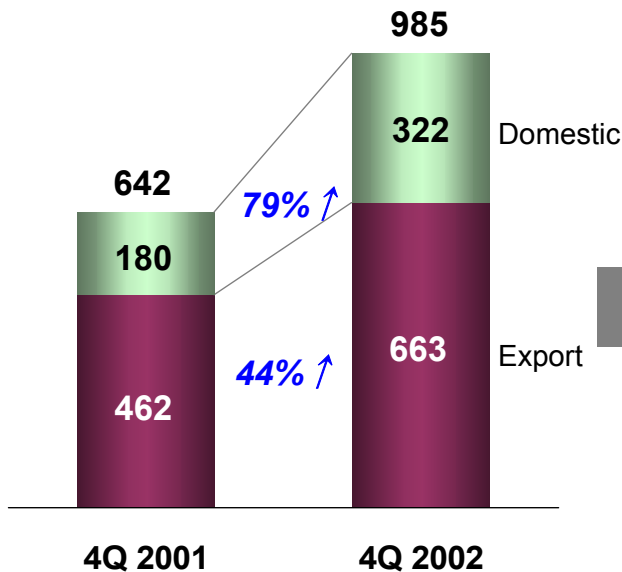
### ▶ **Overcome it by timely introduction of new products and expediting new sales channels.**

### ❖ 1Q : Similar to 1Q 2001

- Growth in DTV and combination products expected
- Launching of PDA, Tablet PC business planned

# Telecom E&H (Handset)

## Sales (Wbil)



## 2002 Performance

- ❖ **Sales : 46% yoy growth to W3.5 tril.**
  - Units grew 58% yoy to 16 million units
  - OP margin went up 3% point (7% in 01 → 10% in 02)
  - 54% qoq growth
- ❖ **Continuing market expansion in CDMA**
- ❖ **Significant sales growth in GSM sector**
- ❖ **China – able to sell under LG brand (CDMA)**  
**/ Visible takeoff of GSM bussiness**

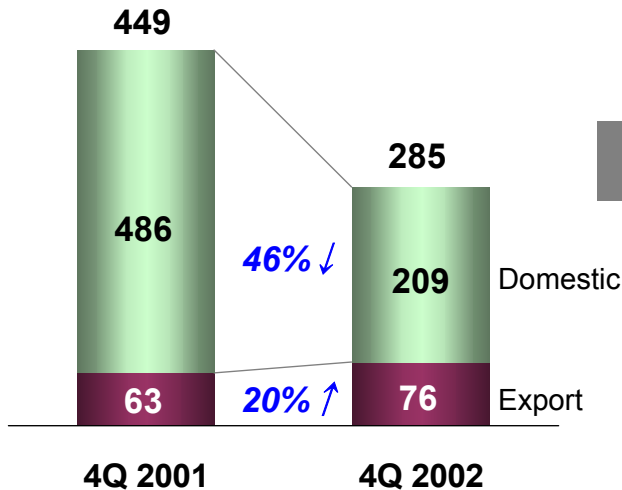
## 2003 Outlook

- ❖ **450 million unit market expected (6% yoy growth)**
  - Color, multimedia capability phones likely to boost demand
- ❖ **23 million units expected**
  - Market expansion in Korean high-end market
  - high growth in GSM market expected – 65% yoy growth in 1Q expected
  - Brand launching in Chinese GSM market



# Telecom E&H (System)

## Sales (Wbil)



## 2002 Performance

- ❖ **Sales : 39% yoy decrease to W 904 bil.**
  - Capex reduction by operators, fierce competition deepened
  - 37% yoy sales decrease in 4Q
- ❖ **Streamlining unprofitable businesses**
- ❖ **Secured growth potential**
  - Secured KTiCOM W-cdma equipment order
  - Co-working in developing KT Softswitch

## 2003 Outlook

- ❖ **Global market** - general slowdown continues
- Korean Market** - increase in spending on W-CDMA and NGN equipment expected
- ❖ **Restructruing likely to result in sales reduction**
  - Growth in W-CDMA equipment sales
  - Turnaround in profits expected

## LG.Philips LCD



### 2002 Performance

- ❖ **Sales : W 3.5 tril.      Operating Profit: W274 bil.**
  - Sales grew by 47% yoy while operating profit increased by W 578 bil.
  - Price rose in 1H, but the growing demand for monitor minimized the impact from the price drop in 2H
- ❖ **Maintain leadership in the large size LCD market**
  - No.1 in desktop monitor - M/S : 19%(01) → 22% (02)\*
  - No.2 in LCD TV - M/S : 9% (01) → 21%(02)\*
  - Rapid ramp-up of 5G has made LGPhilips LCD as No.1 supplier from '4Q02\*
- ❖ **4Q Sales : W864 bil. (27%up yoy)**

### 2003 Outlook

- ❖ **Sales growth expected with rapid demand growth for larger LCD monitor and TV**
  - Global market growth of 36% anticipated in 2003 (Monitor: 55%, TV : 121%)
  - Prices likely stabilized with slight downtrend in 1H
- ❖ **Enhance No.1 position**
  - Start operation at the 2<sup>nd</sup> 5G fab mainly for 17" desktop monitor
  - Strengthen position in LCD TV
  - Innovative cost reduction from Industry-best competitiveness

\* Source: DisplaySearch 'Q402 (E)

## LG.Philips Displays



### 2002 Performance

❖ **Sales : US\$ 4.4 bil.      Operating Profit \* : US\$165 mil.**

- Healthy sales in Asian\*\* and CPT market overcoming slow IT industry
- High demand growth in LCD monitor market

❖ **Restructuring continued**

- Relocation and shut-down of production sites for better cost structure  
:No. of CRT fabs: 16('01)→12('02)  
No. of component fabs: 36('01)→29('02, includ'g those under restructuring)
- Reliable ramp-up in new fabs and improve productivity in existing fabs

❖ **4Q Sales : US\$ 1.2 bil. (15% up yoy)**

### 2003 Outlook

❖ **Stable sales in CPT and slowness in CDT expected**

- Aim to further expand market share

❖ **Continue restructuring, but significant reduction in related charges anticipated in 2003**

\* Excluding restructuring cost and asset impairment

\*\* China included



## Major Issue

# 2003 Projections

## ◆ 2003 Sales Target : 3 ~ 5%\* growth to W18 ~18.3 tril.

*“Sales on raw material (outsourcing related sales)” will be eliminated from 2003 in accordance with amendment in Korean GAAP.*

### Outperformance by Handset and Appliance continues

- ❖ Handset: Visible take-off of GSM / Domestic M/S expansion
- ❖ Stable growth in high-end product and digital products
  - TROMM, System A/C, DIOS, DTV, PDP, Home Theater etc

### Profit Oriented Management

- ❖ Turnaround in GSM and System business
- ❖ Streamlining low profit business continues – Monitor, PC etc.

### Capex expansion in future businesses

- ❖ Capex increase in PDP, Handset, DTV, OLED

## 2003 Target

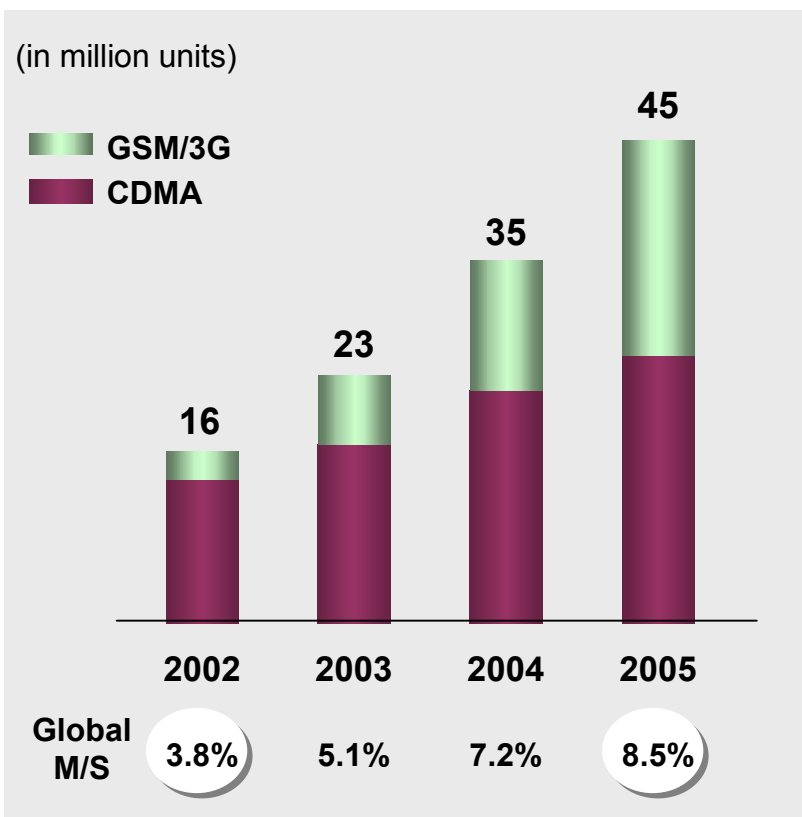
- **Sales: W18~18.3 tril.**  
(3~5%\* yoy growth)
- **CAPEX: W770 bil.**
- **R&D : W980 bil.**

•Apple to apple comparison by excluding “sales on raw material (outsourcing related sales)” of W1.2 tril. in 2002

# Handset Business – Going Forward

- ◆ Strengthening the market leadership in CDMA market
- ◆ Become global number 5 by 2003 through securing core competencies and expanding investment in GSM and 3G market

## Midterm Goal



## 2003 Target

- ❖ **Growth in GSM sales**
  - Securing Product Leadership
  - Focusing on major European operator
  - Expediting Chinese market
- ❖ **Strengthening position in CDMA market**
  - Focusing on high-end market in Korea
  - Pre-positioning in Chinese market while enhancing brand power
- ❖ **Strengthening core competencies in 3G**
  - Timely development of 3G handset for 3G market deployment
  - Strengthening relationship with 3G operators

# Highlights

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## ✓ Handset and Appliance as Growth Driver and Cash Generator

- Handset : 58% yoy growth in 2002 (16 million units); 46% yoy growth in 2003 (23 million units)
- Appliance : 22% growth in 2002; maintain profitability in 2003

## ✓ Pre-emptive Positioning in the Next Generation Digital Display Market

- Concentrate resources in DTV, PDP, LCD, OLED in a bid to strengthen market position
- Full product line-up of next generation products through vertical integration and technology leadership

## ✓ Continuing Streamlining the Low-margin Businesses in 2003

- Business rationalization in monitor, PC and IT related businesses
- Turn-around in System Division and significant profit improvement in PDP business

## ✓ Investment Expansion in Future-star Businesses Despite the Uncertainties in 2003

- Conservative management strategy except for growing businesses such as handset, PDP, and OLED



# APPENDIX



◆ Sales Growth

	'02. 4Q	'02. 3Q	QoQ	'02. 4Q	'01. 4Q	YoY	2002	2001	YoY
Domestic	1,643	1,624	1.2%	1,643	1,592	3.2%	6,655	6,084	9.4%
Export	2,967	2,778	6.8%	2,967	2,453	21.0%	11,948	10,517	13.6%
Total	4,610	4,402	4.7%	4,610	4,045	14.0%	18,603	16,601	12.1%

◆ Apple to Apple

	'02. 4Q	'01. 4Q	YoY	2002	2001	YoY
Domestic	1,643	1,592	3.2%	6,655	6,036	10.3%
Export	2,967	2,453	21.0%	11,948	9,875	21.0%
Total	4,610	4,045	14.0%	18,603	15,911	16.9%

\* 2001 Sales: 1Q 2001 and 2Q 2002 without CRT Sales (Spinned-off from 3Q)

◆ Sales by Region

	2002				
	1Q	2Q	3Q	4Q	Acc
ASIA	19%	18%	19%	21%	20%
CHINA	13%	16%	14%	18%	16%
EUROPE	16%	11%	10%	11%	12%
N.AMERICA	35%	37%	37%	32%	35%
CS.AMERICA	5%	4%	3%	2%	2%
M.EAST	7%	7%	6%	6%	6%
OTHERS	5%	7%	11%	10%	9%
	100%	100%	100%	100%	100%

## ◆ Sales by Division

		'02. 4Q	'02. 3Q	QoQ	'02. 4Q	'01. 4Q	YoY	2002	2001	YoY
Appliance	Domestic	744	683	8.9%	744	578	28.7%	2,933	2,210	32.7%
	Export	634	579	9.5%	634	478	32.6%	3,109	2,753	12.9%
	Total	1,378	1,262	9.2%	1,378	1,056	30.5%	6,042	4,963	21.7%
Display& Media	Domestic	362	422	-14.2%	362	385	-6.0%	1,743	1,475	18.2%
	Export	1,580	1,506	4.9%	1,580	1,441	9.6%	6,200	5,305	16.9%
	Total	1,942	1,928	0.7%	1,942	1,826	6.4%	7,943	6,780	17.2%
Handset	Domestic	322	338	-4.7%	322	180	78.9%	1,170	942	24.2%
	Export	663	612	8.3%	663	462	43.5%	2,354	1,473	59.8%
	Total	985	950	3.7%	985	642	53.4%	3,524	2,415	45.9%
System	Domestic	209	128	63.3%	209	386	-45.9%	655	1,203	-45.6%
	Export	75	74	1.4%	75	63	19.0%	249	292	-14.7%
	Total	284	202	40.6%	284	449	-36.7%	904	1,495	-39.5%

## ◆ Summarized Income Statement

	2,001								2,002							
	1Q	2Q	3Q	4Q	합계	1Q	2Q	3Q	4Q	합계						
Sales	4,425	4,274	3,856	4,045	16,601	4,698	4,894	4,402	4,609	18,603						
COGS	3,396	3,300	2,989	3,230	12,915	3,523	3,651	3,396	3,684	14,254						
Gross P	1,029	974	867	815	3,686	1,175	1,243	1,006	925	4,349						
SG&A	687	778	713	712	2,890	808	814	816	883	3,321						
Operating	343	196	154	103	796	367	429	190	42	1,029						
Non OP	174	1,497	122	352	2,145	247	319	151	3	720						
NON OE	349	354	847	817	2,367	337	259	172	305	1,074						
RecurringP	168	1,339	-572	-362	574	276	490	169	-260	675						
Tax	46	294	-154	-118	66	56	149	53	-81	178						
Net Profit	123	1,046	-417	-244	507	220	341	116	-179	498						

\* 1Q 2001, 2Q 2001 numbers include CRT sales

◆ BS by Quarter

	2001				2002			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<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>	<b>10,133</b>
C Asset	3,200	3,251	3,283	2,485	3,342	2,648	2,757	2,963
Fixed Asset	9,181	9,417	9,014	9,108	8,641	7,086	7,202	7,170
Investment	4,705	5,409	5,036	5,113	4,767	3,312	3,395	3,304
PP&E	3,397	2,944	2,926	2,924	2,842	2,775	2,843	2,893
Intangible Ass	1,079	1,063	1,051	1,071	1,031	1,000	964	973
<b>Liability</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>	<b>7,128</b>
Current Liabilities	5,580	5,307	5,317	4,614	4,932	4,393	4,320	4,737
Fixed Liabilities	2,588	2,510	2,405	2,714	2,583	2,317	2,423	2,391
(Debt)	4,738	4,780	4,512	4,049	4,046	3,234	3,115	2,894
<b>Capital</b>	<b>4,212</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>	<b>3,005</b>
Capital	1,031	1,031	1,031	1,031	1,031	784	784	784
Capital Surplus	2,354	2,354	2,354	2,354	2,357	1,876	1,876	1,876
Retaining Earning	1,797	2,336	1,915	1,452	1,749	341	457	278
Capital Adjustment	-970	-870	-725	-572	-670	23	99	67

***Kamsahamnida***

***- Thank You***

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