

Welcome to LG Electronics

July 2002

The 2Q 2002 earnings of the Company in this presentation have not been reviewed by an auditor. Some information is subject to change and updates during future audits. The data and information containing certain forward-looking statements reflects the current market condition and LGE's management strategy, but may be revised according to changes in the market and management strategy






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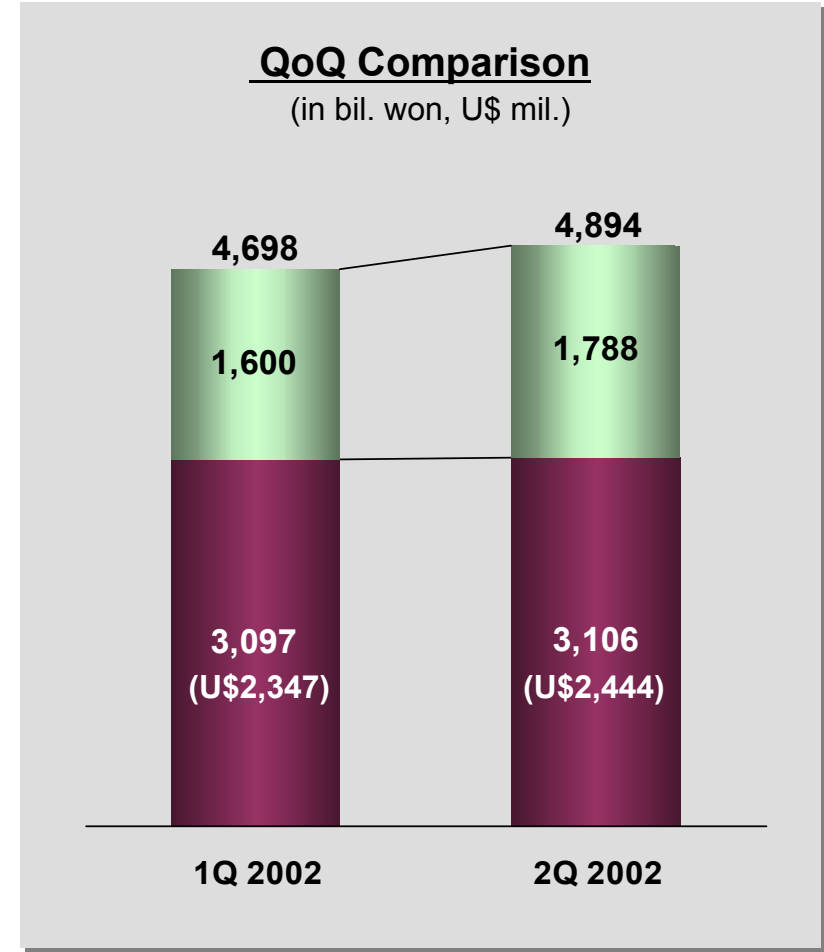
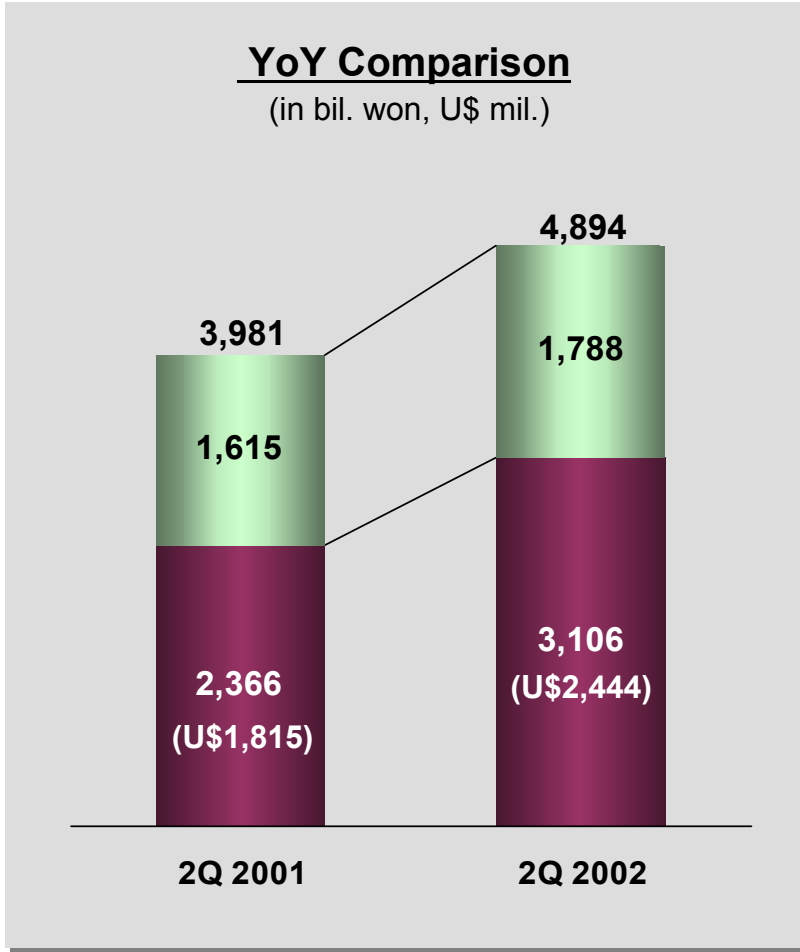
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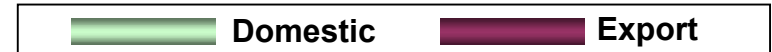
2Q 2002 Results

Sales

- ◆ Sales grew 23% yoy to W4.9 trillion excluding CRT sales (31% export & 11% domestic growth)
- ◆ Sales grew 4.2% quarter on quarter (growth : 0.3% export & 11.7% domestic)



* CRT sales of 294 bil. Won in 2Q 2001 excluded.



Sales by Division

- ◆ Appliance Division sales increased 21% due to strong domestic sales.
- ◆ IT and consumer electronics led a 30.1% growth in Display & Media Division sales.
- ◆ Handset Division sales grew 53.2% due to continued strong CDMA handset sales.
- ◆ Slow mobile system market led to a 33.8% decrease in sales for the System Division.

(W bil., %)

	Sales	Sales Contribution	Growth	
			YoY	QoQ
Appliance	1,718	35.1%	21.4%	1.9%
Display & Media	2,061	42.1%	30.1%	2.4%
Mobile Handset	807	16.5%	53.2%	3.0%
Telecom System	255	5.2%	- 33.8%	56.3%

Profits

- ◆ Recorded operating profit of W429 billion (8.8% margin), a 119% yoy or 18% qoq growth.
- ◆ Achieved W489 billion in recurring profit (10.0%) and W341 billion in net profit (7.0% margin).

(W bil., %)

	2Q 2002		2Q 2001		1Q 2002	
		% Sales		% Sales		% Sales
Gross Profit	1,243	25.4%	974	22.8%	1,175	25.0%
Operating Profit	429	8.8%	196	4.6%	367	7.8%
Recurring Profit	489	10.0%	1,339*	31.3%	276	5.9%
Net Profit	341	7.0%	1,046	24.5%	220	4.7%

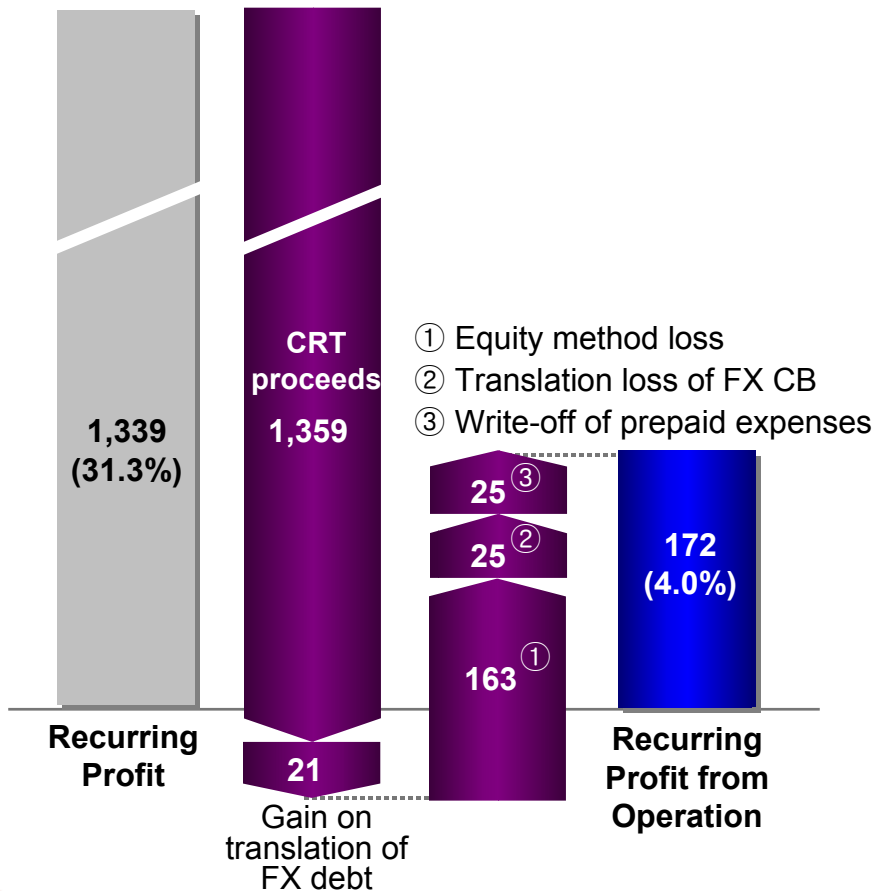
* CRT proceeds of 1,359 bil won in 2Q 2001 included.

Profit Analysis

- ◆ Recurring profit from normal operations increased 100% to W344 bil (7.0% margin).
- ◆ W120 bil in equity method gain, W41 bil in F/X gain and W15 bil loss from disposal of PPE.

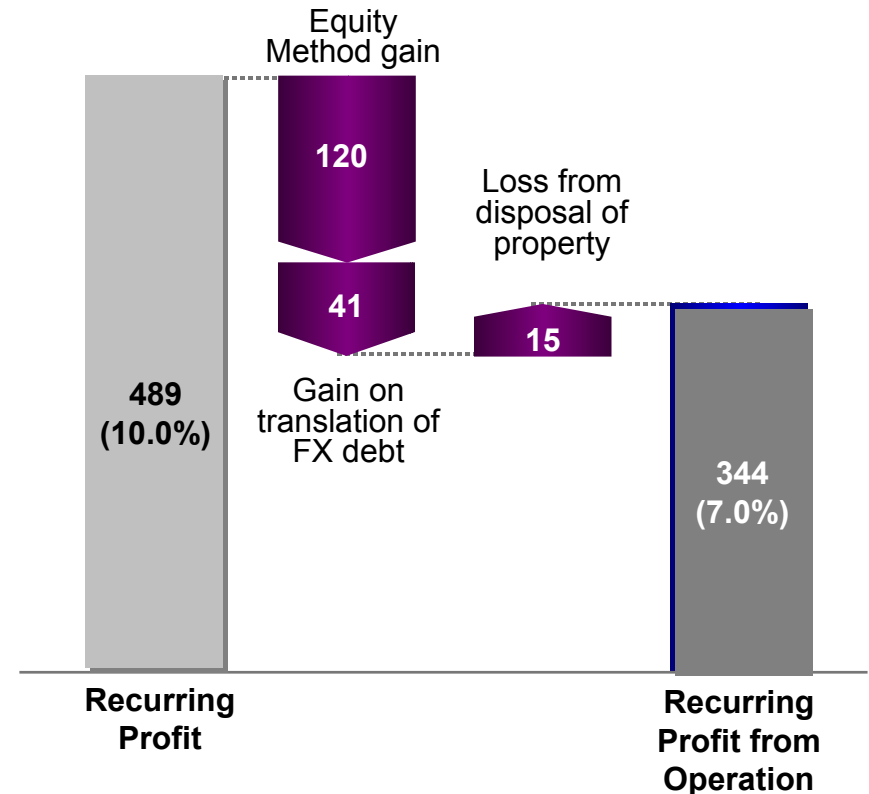
Profit Analysis in 2Q 2001

(in bil. won)



Profit Analysis in 2Q 2002

(in bil. won)



Profit by Division

◆ **OP margins: Appliance 13.3%, Display & Media 6.5%, Handset 10.1%, System -2.1%**

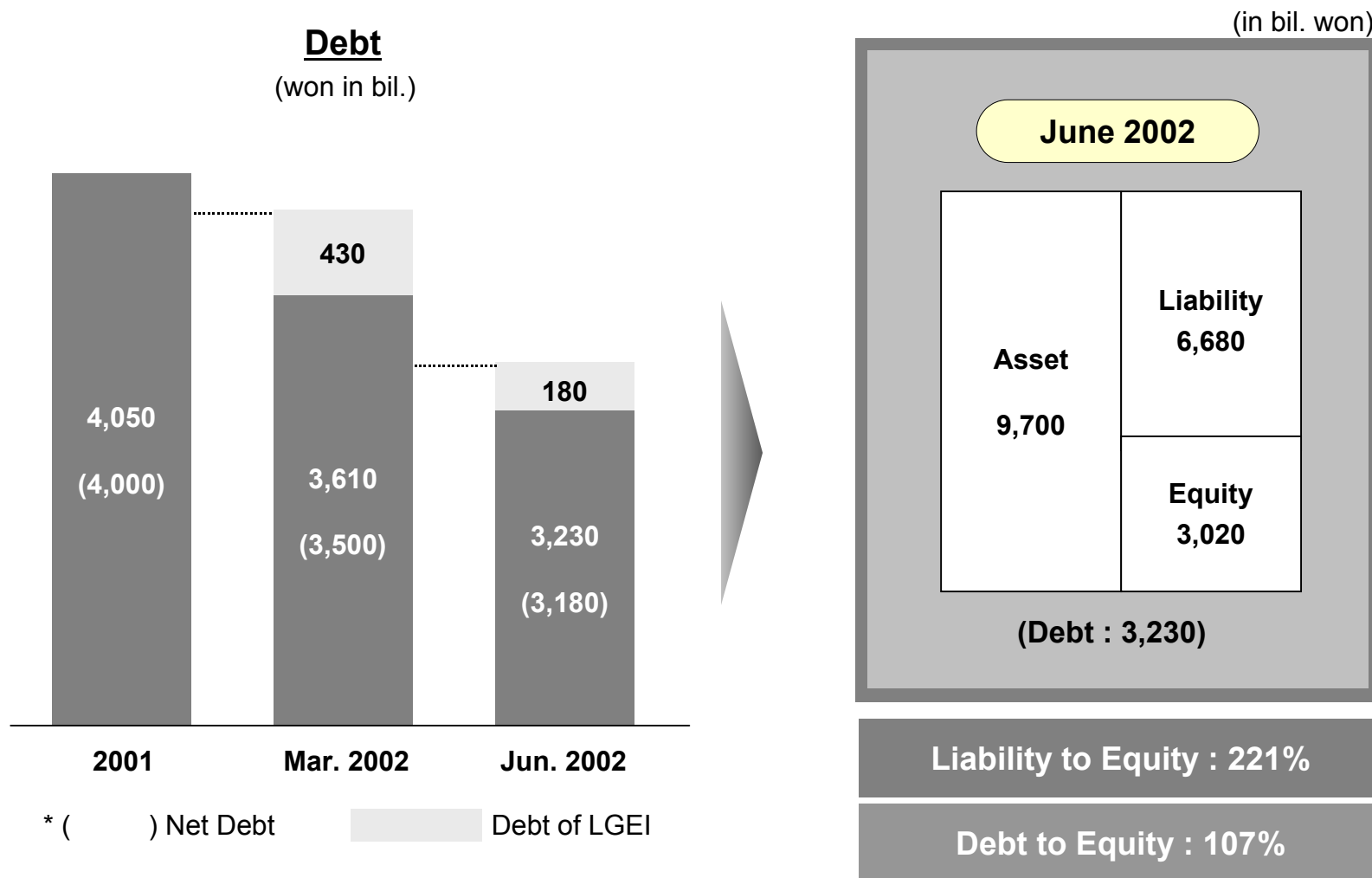
- Aggressive brand marketing in overseas markets decreased Appliance margins
- Sales of digital products (high-end TV, CDRW, DVD etc.) raised profitability for Display & Media
- Tougher regulation on subsidies lowered margin in the domestic CDMA market.
- Restructuring and higher system sales improved profitability in System.

(W bil., %)

	2Q 2002		2Q 2001		1Q 2002	
		Margin		Margin		Margin
Appliance	228	13.3%	218	15.4%	218	13.0%
Display & Media	134	6.5%	33	2.1%	117	5.8%
Mobile Handset	81	10.1%	31	5.8%	99	12.7%
Telecom System	- 5	- 2.1%	7	1.7%	- 39	- 23.9%

Financial Structure

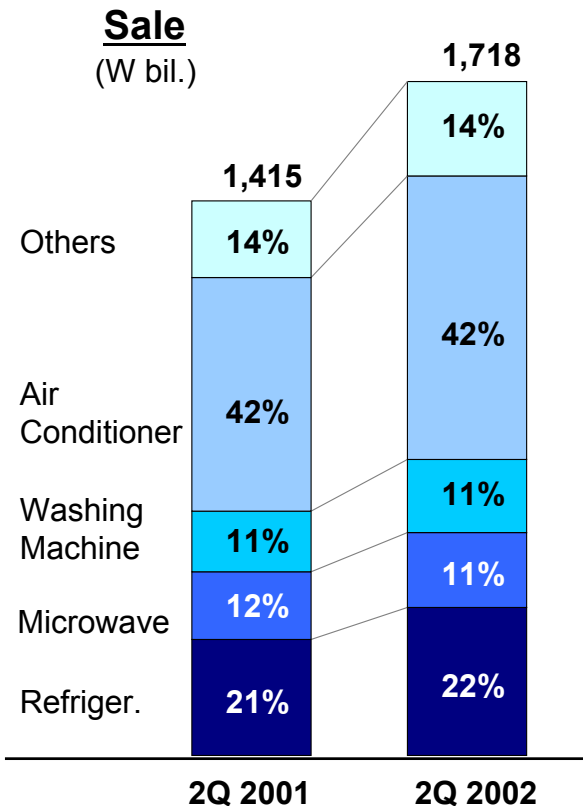
- ◆ Strong operations led to reduction of W380 billion in debt (compared to 1Q)
- ◆ Gearing level as of June 30th is 107%, a 21 %pt decrease from the point of Demerger





Performance and Outlook by Sector

Appliance



2Q Performance

❖ Sales grew 21% yoy to W1.7 trillion

- High-end appliance including air conditioner and large-size refrigerators led the sales growth.

- Domestic market : 25% growth yoy
 - Air conditioner(19%), refrigerator (24%), Washing machine (26%)
- Export : Recorded \$600 million sales
 - Air conditioner(33%), refrigerator(23%), Washing machine(14%)

3Q Outlook

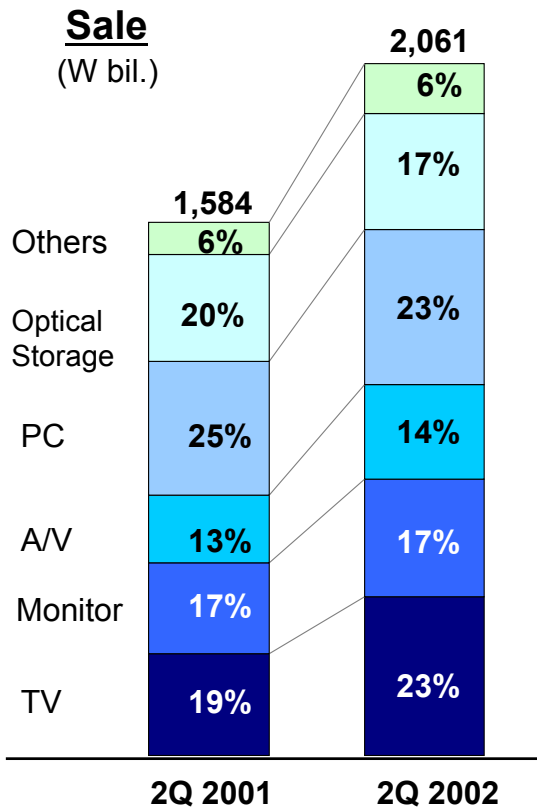
❖ Lower sales in 3Q expected on QoQ base

- Slow Season for air conditioners
- > Historically, Appliance explains 20% and 10% of total 3Q sales and profits respectively

❖ Target to achieve sales growth about 15% yoy through more aggressive marketing

- Focusing on the high-end products
- Brand marketing in the US market

Display & Media



2Q Performance

❖ Sales grew 30% yoy to W2 trillion

- Biggest beneficiary of Worldcup (well-performance by large-size TVs)
- Gradual improvement in IT products
- Aggressive marketing and product leadership led to out-performance:
 - IT products: (PC 13%, Optical Storage 9%, Monitor 40%)*
 - Consumer electronics : (TV 61%, AV 30% growth)*

*FOB base

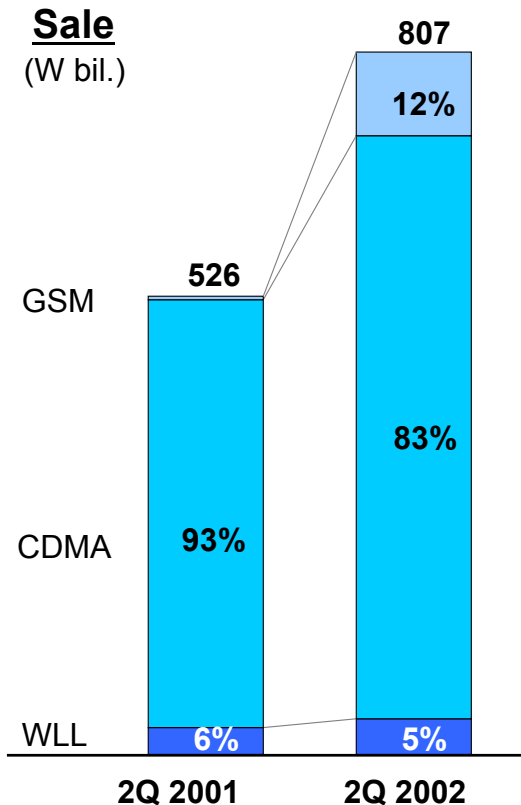
3Q Outlook

❖ **Sales and profits likely to slow down in 3Q**

- Optical Storage, PC : Major clients price pressure (New HP etc.)
- Monitor : Price decline (LCD monitor), Relocation of production base
- TV : Slow season, WorldCup effect fades down

❖ **Intend to overcome such negative factors through a timely release of new products, procurement and expanding sales line**

Mobile Handsets



2Q Performance

❖ Sale grew 53% yoy to W807 billion

- Sold 3.7 million units during 2Q (72% yoy) :
3.2 mil CDMA and 0.5 GSM
- 63% yoy growth to 6.8 million units in 1H total

3Q Outlook

❖ Market

CDMA

- Korea :Tougher regulation, more color handsets launched 1x-EVDO service expected
- Overseas: full-scaled 95C service in US, Slow CDMA market in China expected

GSM

- full-scaled GPRS service in Europe, GPRS phone released by major producers
- Market expansion in China

❖ CDMA

- New 1X phones in US market; market diversification

❖ GSM

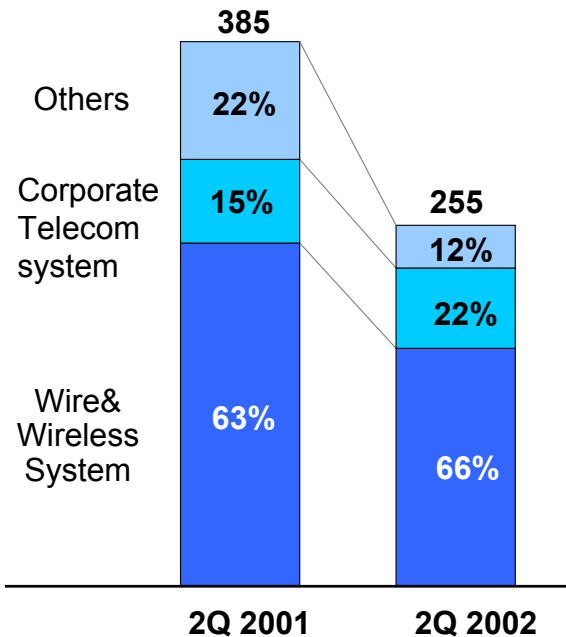
- New GPRS phone, full-scale marketing in Europe

❖ 3Q sales expected 4.3 million units (37% growth yoy)

System

Sales

(W bil)



2Q Performance

- ❖ **Sales declined yoy**
 - Reduction in Capex spending by operators
- ❖ **Secured leadership in w-cdma systems market**
 - Qualified as a negotiation candidate with priority
 - Conducted Worldcup trial service
 - Succeed in global roaming with KTiCOM and J-phone
- ❖ **Expedited new overseas market**
 - Sale of CDMA equipment to Vietnam
 - Order of ADSL from Japan and Malaysia

3Q Outlook

- ❖ **Expected to win orders for W-CDMA and CDMA2000 system**
 - Orders for KTF 1x EV-DO for metropolitan area
 - Orders for KTiCOM W-CDMA metropolitan area
 - 2nd benchmark test from SKIMT W-CDMA equipment during Sept.
- ❖ **Continue to expand WLL equipment client base**
 - BSNL in India / Romtel Rumania

LG.Philips LCD



2Q Performance

- ❖ Sales :W1.1 tril. Operating Operating : W193.7 bil.
- ❖ Average price rose by 10%~20% and sales units by 17% respectively by size on qoq base
- ❖ Net income increased by 352% qoq
- ❖ Able to provide large size product with very good yield within 3 months after production of world first 5G Fab.

3Q Outlook

- ❖ Although price will be determined by supply & demand in the market, sales shall be stable with the traditionally strong PC demand in 2H
- ❖ Full production & early stabilization in 5G. Fab
 - Number 1 position in production (3Q 2002 according to DisplaySearch)
 - Create large size market (18", 17"W) market
 - maximize sales and profits

LG.Philips Displays



2Q Performance

- ❖ Sales : US\$1 billion Operating Profits: US\$ 8 mil.*
- ❖ Slowdown in Europe offset by strong Asian markets, resulting in higher operating profits
-> turn profit in 2Q excluding restructuring
- ❖ Completed \$125 million cash injection from each parent company.

* Excluding restructuring cost

3Q Outlook

- ❖ Marginal growth in sales and profit expected due to slow recovery in the IT industry
- ❖ Continuing restructuring
 - ◆ Relocation of manufacturing sites to low-cost regions and achieve reliable yield
 - ◆ Restructuring in component business : DY, FBT, etc.
 - ◆ Rationalizing manpower

2002 Outlook

◆ Sales of W18.1 ~ 1W8.4 trillion with 7% operating profit margin targeted

- 1H results : Sales W9.6 tril., operating profit margin: 8.3%
- 2H Outlook: Sales W8.5 tril. ~ W8.8 tril., operating profit margin: 5~6% level

1H Performance

- ❖ Visible growth in all divisions except System
- ❖ Strong domestic sales in Appliance
- ❖ Profit improved from volume increase and cost savings

2H Outlook

- ❖ Sales
Seasonality and F/X movement to exert pressure on sales; but still expect 8~10% YoY growth.
- ❖ Operating Profit
80~90% YoY growth.

2002 Full Year Expectation

- Sales : W18.1 ~ W18.4 tri.
(14% ~ 16% yoy growth)
- Operating Profit : W1.2 tril. ~ W1.3 tril.
(55% ~ 65% yoy growth)
- Recurring profit : Gains from equity method expected
(Equity method loss : W901.5 tril. in 2001)

(base on CRT -excluded in 2001)



Major Issues

Share transaction within LG Affiliates

- ◆ Share trading under going holding company structure are as follows ; no additional trade expected
- ◆ Trade are based on synergies between businesses.

**LG Innotek
(June 28)**

❖ **Background**

- To foster component business such as Tunor, Motor and Saw Filter for Handsets
- LG Cable separating from LG Group

❖ **Change in ownership** : 53.4% → 69.8%

❖ **Price determined by Inheritance Law in Korea**

**LG Micron
(Timing undecided)**

❖ **Background**

- To foster business such as shadow Mask, photo mask for display devices
- LG Innotek cannot own LG Micron because they are grandson companies of LGEI according to Fair Trade Act in Korea

❖ **Acquisition method** : In market (within non-trading hour)

**LGIS
(Timing undecided)**

❖ **Reason to sell** : Should sell within 2 years (Fair trade Law)

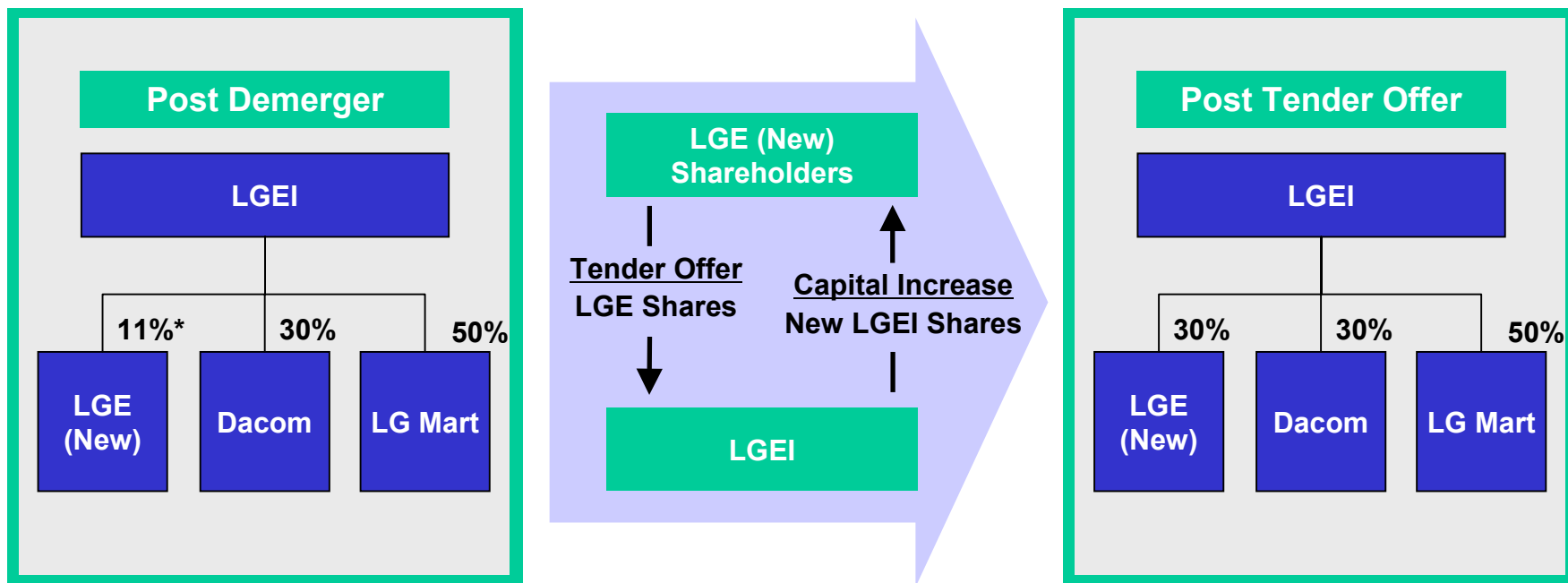
❖ **Current ownership** : 7.15% (10,180,531 shares)

※ Tender offering : LGEI will decide on adequate timing considering the market situation

☞ LGEI share in LGE : 10.75%

Share Restructuring Scenario

- ◆ Tender offer is an option to secure 30% ownership required by the Fair Trade Act in Korea. Other alternative methods will also be reviewed.
- ◆ Share restructuring will consolidate LG affiliates' holdings in LGE to the LGEI holding company, creating a clean operating company shareholding structure.
- ◆ The timing and mechanism of the share restructuring has not been decided



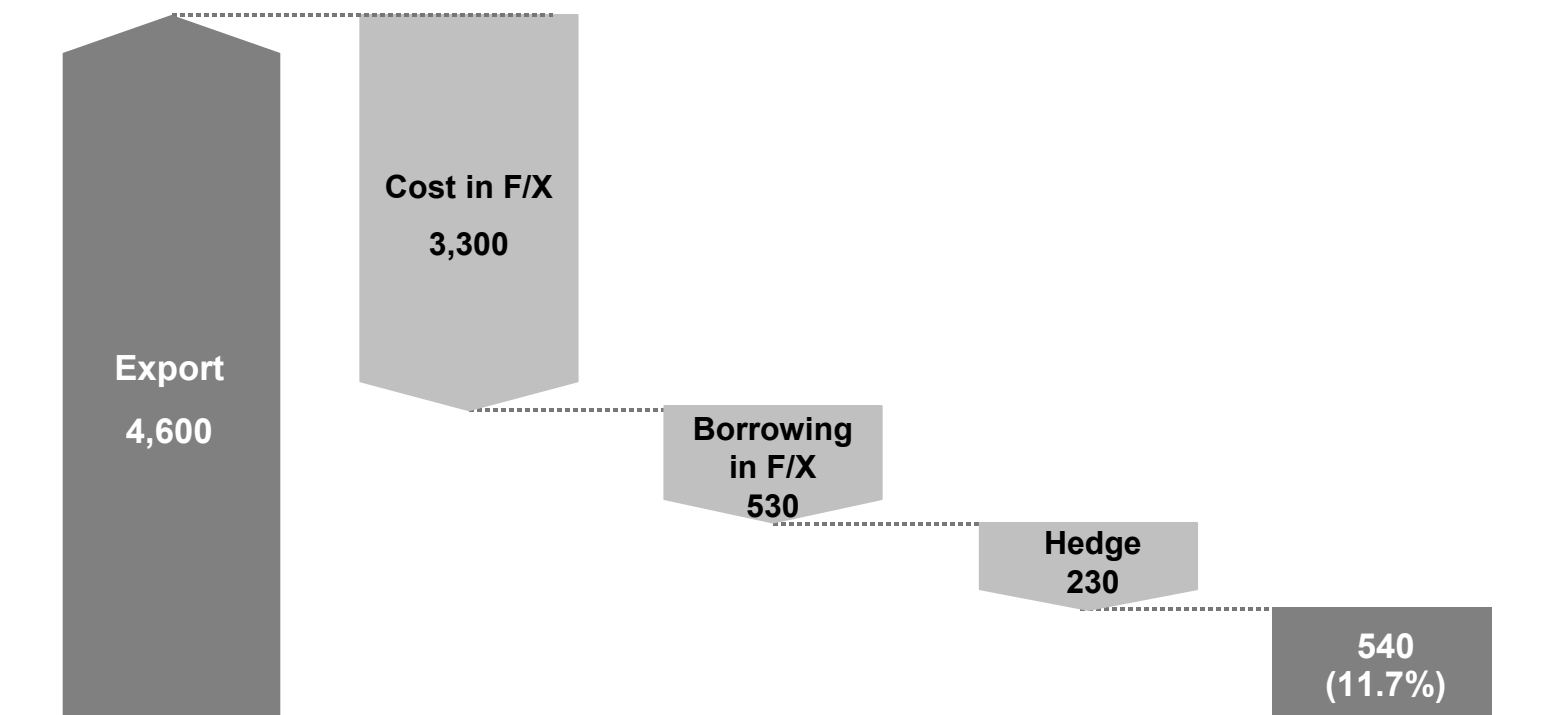
* Based on common shares

Risk Management - Exchange Rate

- ◆ Taking into account the F/X debt and hedged portion, actual exposition will be U\$ 540million
- ◆ We minimize the negative impact from possible won appreciation in 2H by managing F/X debt level as conducting hedging exercises

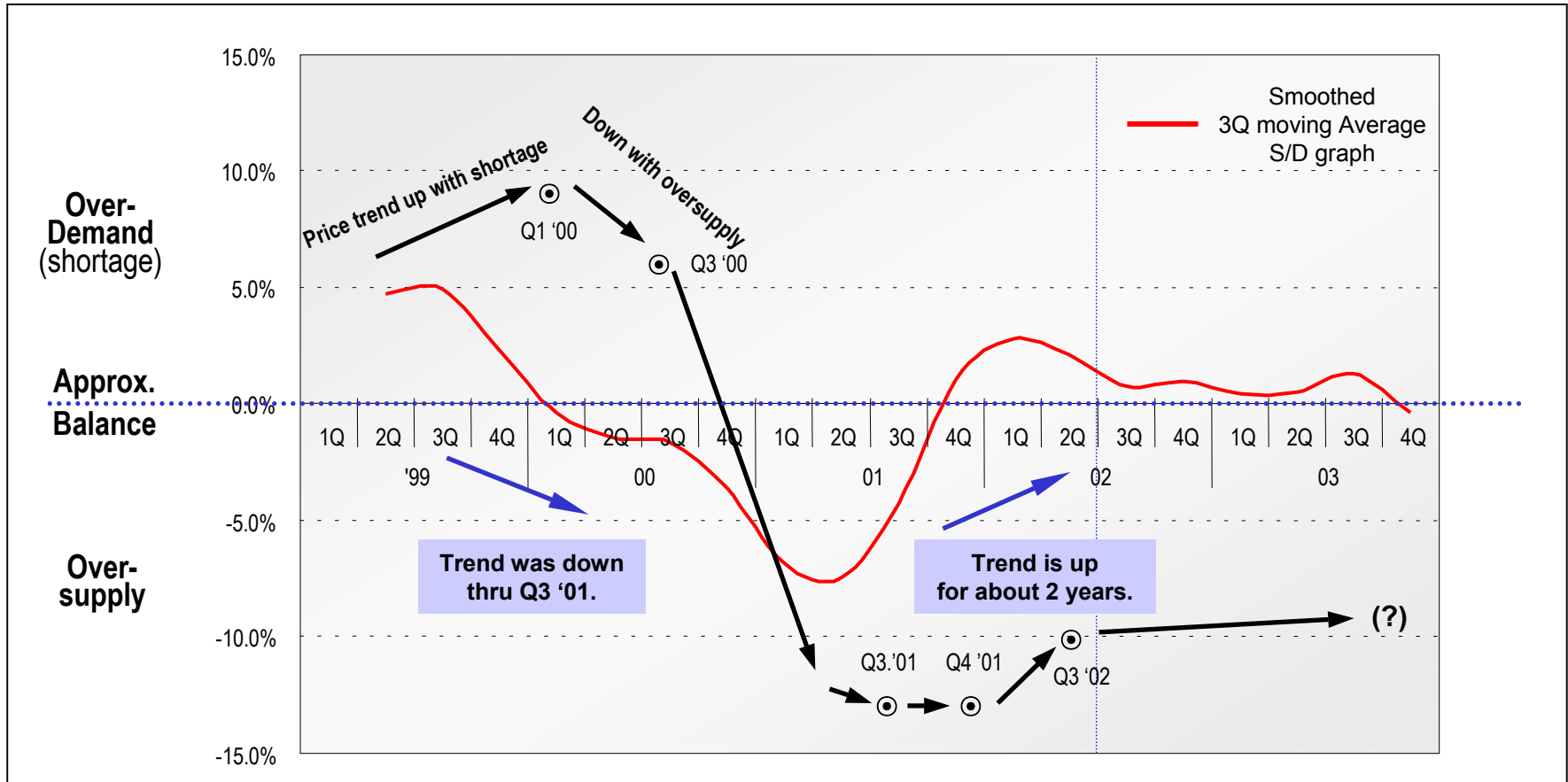
Net Exposure in 2H 02(E)

(Units : U\$ mil.)



LCD Supply&Demand / Price Outlook

- ◆ Price increased by 10%~20% with supply&demand in market on QoQ base.
- ◆ Price is likely to stabilize in a mid and long term base.



* Source : DisplaySearch Q2 '02, IDC Q1 '02, SRI Q2 '02
 LG.Philips LCD Marketing Q2 '02

Key Summary

✓ **Appliance is undoubtedly the strong cash cow with high growth and profitability**

- Sales has shown 22% CAGR growth since 1998 with more than 12% OP margin

✓ **CDMA Handset is clearly a thrust product with excellent growth and profitability**

- 22% Sales growth, OP margin 10% expected in 2002 (2nd in M/S → 1st in 2005 targeted)

✓ **GSM has strong potential to be shoulder to shoulder with CDMA business**

- GSM handset material cost lower than that of CDMA

✓ **Advent of new digital product lines renders new prospects for growth in sales and profits**

- Projection TV, LCD TV, LCD Projection TV, PDP, DVD Player, Home Theater

✓ **Continuing restructuring caused unprofitable businesses to turn black**

- Operating profit in Monitor (2001 : -4% → 2002: 2.6%), PCB (2001 -22% → 2002 1%)

✓ **System business, a strong cash generator in the past is under serious market slowdown. It expects a brighter prospects from 2003 with possible 3G deployment.**



APPENDIX

Sales

(Unit : W bil, %)

		2Q 2002	1Q 2002	Growth	2Q 2002	2Q 2001	Growth
Sales	Domestic	1,788	1,600	11.7%	1,788	1,639	9.1%
	Export	3,106	3,097	0.3%	3,106	2,635	17.9%
	Total	4,894	4,697	4.2%	4,894	4,274	14.5%

		2Q 2002	2Q 2001	Growth	1H 2002	1H 2001	Growth
Sales (Apple to Apple)	Domestic	1,788	1,615	10.7%	3,388	2,989	13.4%
	Export	3,106	2,365	31.3%	6,204	5,021	23.6%
	Total	4,894	3,980	23.0%	9,592	8,010	19.8%

* Apple to Apple Comparison : CRT sales of W294 bill and W690 bil excluded 2Q and 1H respectively

Sales by Region

	1Q2001	2Q2001	1H 2002	1Q2002	2Q2002	1H 2002
Asia	22%	24%	23%	19%	18%	18%
China	14%	14%	14%	13%	16%	15%
Europe	15%	13%	14%	16%	11%	14%
North America	31%	30%	31%	36%	37%	36%
Latin America	5%	7%	6%	5%	4%	4%
Other	13%	12%	12%	11%	14%	13%

* FOB base

Sales by Division

(Unit : bil, %)

		2Q 2002	1Q 2002	Growth	2Q 2001	Growth
Appliance	Domestic	846	661	28.0%	670	26.2%
	Export	872	1,025	-14.9%	745	17.1%
	Total	1,718	1,686	1.9%	1,415	21.4%
Display & Media	Domestic	495	464	6.7%	346	43.2%
	Export	1,566	1,548	1.1%	1,239	26.4%
	Total	2,061	2,012	2.4%	1,584	30.1%
Mobile Handset	Domestic	208	302	-31.1%	280	-25.5%
	Export	598	481	24.4%	247	142.5%
	Total	807	783	3.0%	526	53.2%
Telecom System	Domestic	192	126	52.2%	271	-29.2%
	Export	63	37	70.4%	113	-44.7%
	Total	255	163	56.3%	385	-33.8%

(Unit : bil, %)

		1H 2002	1H 2001	Growth
Appliance	Domestic	1,507	1,089	38.3%
	Export	1,897	1,742	8.9%
	Total	3,404	2,831	20.2%
Display & Media	Domestic	959	737	30.2%
	Export	3,114	2,532	23.0%
	Total	4,073	3,269	24.6%
Mobile Handset	Domestic	511	494	3.3%
	Export	1,079	535	101.7%
	Total	15,90	1,029	54.5%
Telecom System	Domestic	318	578	-44.9%
	Export	99	170	-41.5%
	Total	417	748	-44.1%

Profits by Quarter

	FY 2001				FY 2002	
	1Q	2Q	3Q	4Q	1Q	2Q
Sales	4,425	4,274	3,856	4,046	4,698	4,894
Domestic	1,398	1,639	1,455	1,592	1,600	1,789
Export	3,027	2,635	2,401	2,453	3,097	3,106
COGS	3,396	3,300	2,989	3,230	3,523	3,651
Gross Profit	1,029	974	867	815	1,175	1,243
<i>Gross Margin</i>	23.3%	22.8%	22.5%	20.1%	25.0%	25.4%
SG&A	687	778	713	712	808	814
Operating Profit	343	196	154	103	367	429
Non-Operating Income	175	1,497	122	352	247	317
Non-Operating Expense	349	354	847	817	338	257
Recurring Profit	168	1,339	-572	-362	276	489
<i>Recurring Margin</i>	3.8%	31.3%	-14.8%	-8.9%	5.9%	10.0%
Tax	46	294	-154	-119	56	149
Net Income	123	1,046	-418	-244	220	341
<i>Net Margin</i>	2.8%	24.5%	-10.8%	-6.0%	4.7%	7.0%

Profits by Division

		1Q 2002	2Q 2002	1H 2002	1Q 2001	2Q 2001	1H 2001
Appliance	GP Margin	30.4%	31.6%	31.0%	31.4%	33.7%	32.5%
	OP Margin	13.0%	13.3%	13.1%	15.5%	15.4%	15.5%
	RP Margin	12.5%	11.8%	12.2%	12.5%	13.3%	12.9%
Display & Media	GP Margin	17.4%	17.5%	17.5%	12.7%	13.8%	13.2%
	OP Margin	5.8%	6.5%	6.2%	3.5%	2.1%	2.8%
	RP Margin	4.7%	6.3%	5.5%	0.3%	1.7%	1.0%
Mobile Handset	GP Margin	32.2%	30.9%	31.6%	26.9%	27.2%	27.1%
	OP Margin	12.7%	10.1%	11.3%	6.4%	5.8%	6.1%
	RP Margin	11.1%	9.3%	10.2%	2.1%	3.5%	2.8%
Telecom System	GP Margin	20.9%	25.5%	23.7%	32.0%	26.8%	29.3%
	OP Margin	-23.9%	-2.1%	-10.6%	6.7%	1.7%	4.2%
	RP Margin	-31.4%	-7.5%	-16.9%	2.1%	-0.8%	0.6%

* Display & Media : 2002 1Q include PDP performance

Balance Sheet

(unit : W bil)

	2002 March	After Demerger	2002 June
Current Asset	3,342	2,609	2,615
Quick Asset	2,487	1,754	1,781
Inventory	855	855	834
Fixed Asset	8,641	6,835	7,083
Investment	4,767	3,011	3,313
PP&E	2,842	2,793	2,774
Intangible Asset	1,031	1,031	996
Total Asset	11,983	9,444	9,698
Current Liabilities	4,932	4,232	4,352
Fixed Liabilities (Borrowings)	2,583 4,046	2,396 3,613	2,325 3,234
Total Liabilites	7,515	6,628	6,677
Capital	1,031	784	784
Capital Surplus	2,357	1,876	1,872
Retained Earning	1,749	-	342
Capital Adjustment	△ 670	156	23
Total Capital	4,468	2,816	3,021
Total Liabilites and Capital	11,983	9,444	9,698
Liabilities to Equity Ratio	168.2%	235.4%	221.0%
Debt to Equity Ratio	90.6%	128.3%	107.1%

Thank You



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