

Welcome to LG Electronics

February 2002

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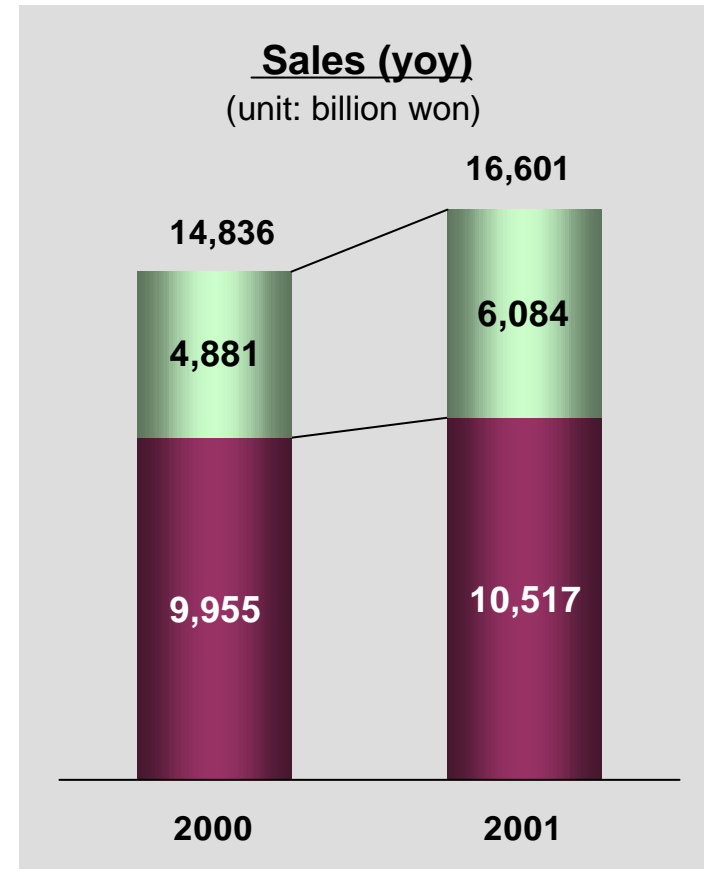
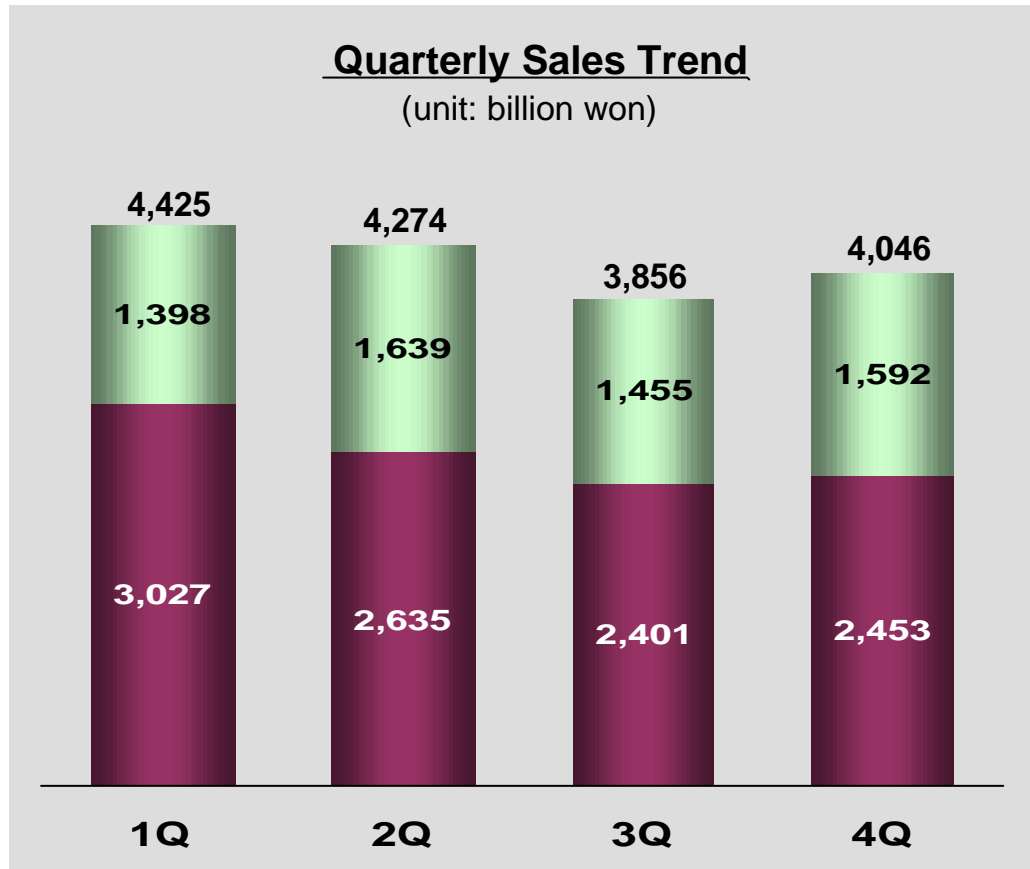
- Demerger
- Business Roadmap
- Future Businesses : PDP/DTV/OLED
- China



Business Review

Sales

- ◆ 4Q sales increased 5% to 4.05 tn won qoq, driven by strong domestic sales with a 9.4% growth
- ◆ FY01 sales was up 11.9% yoy to 16.6 tn won



Domestic Export

* See appendix for detail

Sales by Division

- ◆ Appliance sales were 1.06 tn won, similar to 3Q
- ◆ Sales increase in system and network sector led Telecom division growth with 5% qoq
- ◆ Display & Media division grew 8% qoq, due to sales growth in PC, optical storage and TV.
- ◆ Display & Media commanded 40% of total sales in 2001, Appliance 30%, and Telecom 24%

(unit: billion won)

	1Q	2Q	3Q	4Q	2001 Total	Portion
Appliance	1,417	1,415	1,076	1,056	4,964	(29.9%)
Telecom	866	911	1,042	1,090	3,910	(23.6%)
Dis. & Media	1,685	1,584	1,685	1,822	6,775	(40.8%)
Device	419	320	-	-	740	(4.5%)
Others	38	44	53	78	213	(1.2%)

* Others includes some of revenue from Korea Sales etc.

Profit

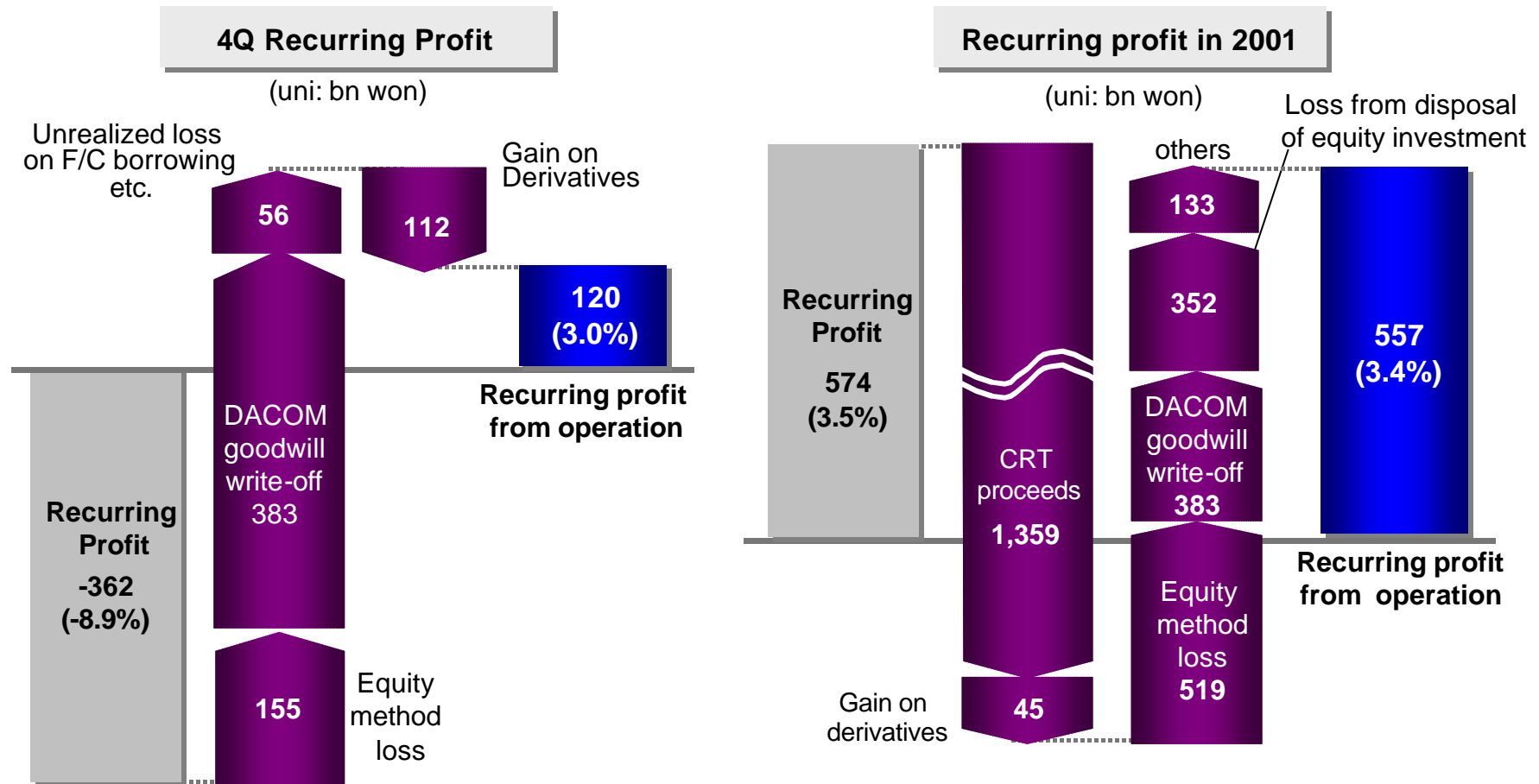
- ◆ Operating profit in 4Q decreased qoq due to restructuring cost and bad asset write-off.
- ◆ Cumulative operating profit was 796 bn won with 4.8% margin, while recurring profit was 573 bn won (margin 3.5%)

(unit: billion won)

	1Q	2Q	3Q	4Q	2001 Total
Gross Profit (%)	1,029 (23.3%)	974 (22.8%)	867 (22.5%)	816 (20.2%)	3,686 (22.2%)
Operating Profit (%)	343 (7.7%)	196 (4.6%)	154 (4.0%)	103 (2.6%)	796 (4.8%)
Recurring Profit (%)	168 (3.8%)	1,339 (31.3%)	-571 (-14.8%)	-361 (-8.9%)	575 (3.5%)
Net Income (%)	123 (2.8%)	1,046 (24.5%)	-417 (-10.8%)	-244 (-6.0%)	508 (3.1%)

Profit Analysis

- ◆ Recurring profit from operation in 4Q was 120 bn won with 3.0% margin, excluding equity method loss and goodwill write-off related to DACOM.
- ◆ Despite huge capital gains from CRT JV in 1H, recurring profit from operation in 2001 was 557 bn won with 3.4% margin, mainly due to equity method loss and loss from disposal of DACOM shares.

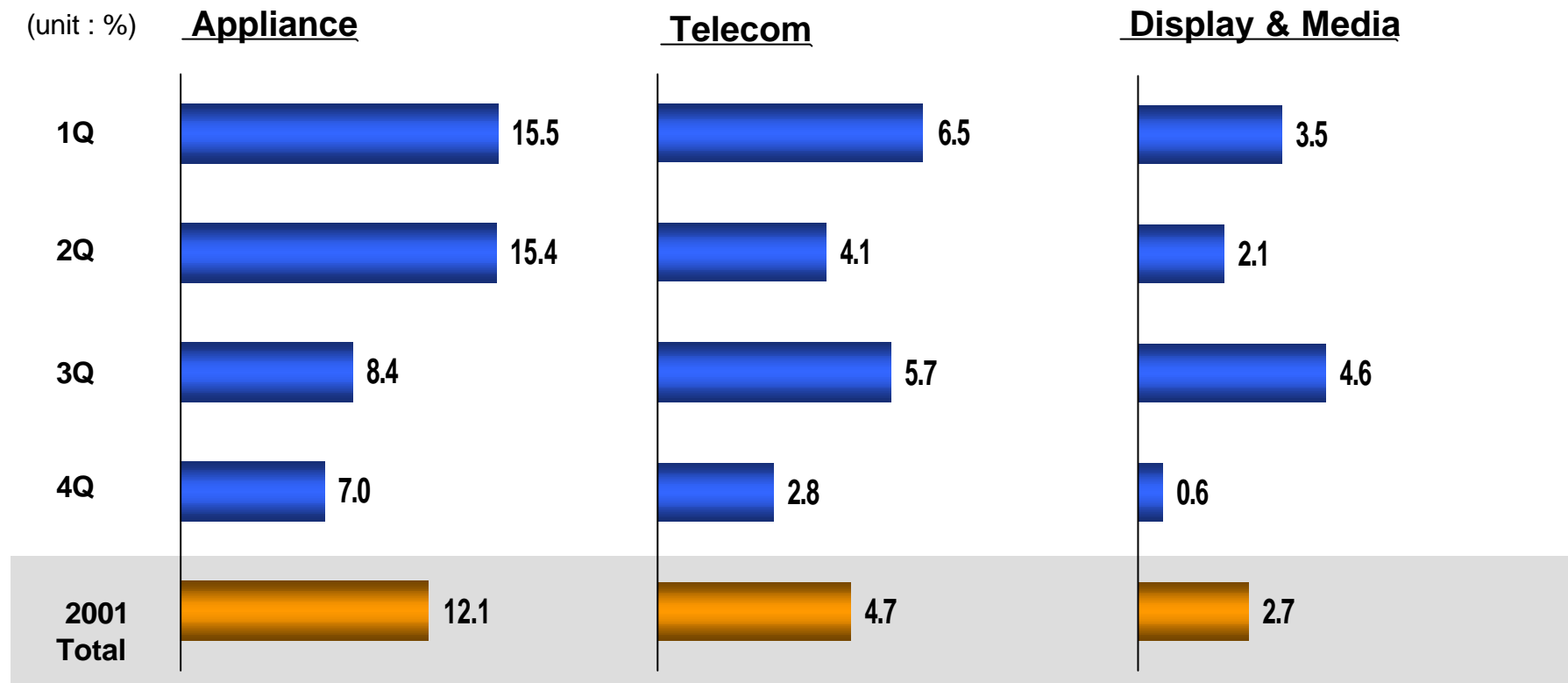


* others : Unrealized loss on F/X borrowing(109 bn won), Receivable write-off (25 bn won)

Operating Income by Division

◆ In 2001, Appliance division recorded 12.1% operating margin, Telecom division 4.7%, and Display & Media 2.7%.

- Restructuring of PCB and monitor sector lowered 4Q operating margin in Display & Media.
- Telecom division's operating margin declined due to temporary decrease in handset sales.



Debt

- ◆ Continued efforts to decrease debt lowered net debt down to 4 tn won in 2001. As a result, liability to equity ratio decreased 24%p to 172% with debt-equity ratio of 95%
- ◆ U\$1.1 bn from CRT JV was spent to pay down debt of 660 bn won and redeemable preferred shares of 544 bn won

(unit: bn won)

Type	2000		2001
Won	3,760	CASH IN	3,150
(Debenture)	(2,926)		<ul style="list-style-type: none"> • CRT Proceeds 1,340 • Disposal of equity investment 131 <ul style="list-style-type: none"> - DACOM 81 - LG Cable 22 - Shinsegi Telecom 28
Foreign	950		900
Total	4,710		4,050
Net debt	4,540	CASH OUT	4,000
L/E ratio	196%		<ul style="list-style-type: none"> • Payment of RPS* 544 • Debt payment 660 • Equity Investment 372 <ul style="list-style-type: none"> - LG Telecom 232 - Hankuk Electric Glass 92 - LG-EDS 48
D/E ratio	118%		95%

* RPS: Redeemable Preferred Shares



2002 Business Outlook

Business Outlook in 2002

Strong sales in Handset and Appliance continued, coupled with IT recovery expected in 2H

- ❖ Appliance: Stable sales led by high-end products (System A/C, "DIOS")
- ❖ Handset : Continued growth in CDMA (2.5G portion increase)
Full-scale advance into GSM markets
- ❖ Digital products like DTV, DVD will be fostered as a new growth driver
- ❖ Media products optical storage, monitor and AV products likely to recover in full

Focus on managing cash flow & profit-oriented business

- ❖ Intensive restructuring in slow businesses and portion expansion of high value-added business
- ❖ Early stabilization of new business like PDP, GSM handsets
- ❖ LCD JV improvement due to price pickup and loss down from CRT JV

Effective investment closely connected with market condition and operations

- ❖ Conservative yet flexible capex plan - 30% decrease yoy
- ❖ Selective R&D expansion for core business like PDP, GSM

TARGET

- ❖ Sales 17 tn. won
- ❖ OP margin 6~7%
- ❖ CAPEX 620 bn. won
- ❖ R&D 830 bn. won

* Opmargin : Operating margin

Outlook by Division

Appliance



- ◆ **10% sales growth yoy expected**
- ◆ **Operating margin likely to maintain 2001 level, due to sales increase and productivity innovation program like six sigma**
- ❖ **Air-conditioner business expected to continuously maintain global No.1 position in 2002**
- ❖ **Business expansion in N.America and Europe**
 - Sales increase to large customers like Whirlpool, Sears, Wal-Mart, GE
 - Selective but aggressive marketing of refrigerator and washing machine dealers in N.America and Europe
- ❖ **Expand market dominance in high growth markets like China and India**
 - Sales rise driven by being chosen as the CIS National Brand in 2001
 - Sales growth in premium products (DIOS, CAC, Drum W/M)
 - Brand awareness continued to increase in India
- ❖ **Rapid shift to high value-added business structure**
 - Launch of Home Networking products and technology-leading products
 - Production expansion in China for cost competitiveness
 - Continued cost innovation including 6 sigma, DMS*, and local sourcing from China
- ❖ **Strategic alliance with global major player**
 - Focus on Production and R&D

Outlook by Division

Mobile Handset



- ❖ **Sales target in 2002 : 15 mn units (50% growth yoy)**
 - CDMA 12.9M (27% up) / GSM 2.1M (200% up yoy)
- ❖ **Secure Product Leadership**
 - Introduce new design concept color handset, OLED handset, world first HDR handset
- ❖ **Increase sales portion of 2.5G Handset and Color Handset**
 - Domestic : Market leadership led by color handset sales
Color Handset demand: over 60% out of total handset demand.
 - Exports : Product customization for major customers contributes to 2.5G handset sales increase
2.5G Handset portion : over 65% out of total exports
- ❖ **Foster Chinese market as a strategic business base**
 - Achieve m/s 10% in Chinese cdma market by strengthening manufacturing, R&D, A/S in China through JV with Langchow
 - Expand presence in GSM markets through mid-high end products like GPRS
- ❖ **Successful advance into European markets with GPRS handsets**
- ❖ **Ongoing efforts for cost improvement**
 - Raw material cost decreased by shared components sourcing of CDMA/GSM and sourcing diversification
 - Cost innovation through modularization, standardization and six sigma

Outlook by Division

System



❖ **Fully prepare for 3G commercialization by cdma/w-cdma system development**

- Won No.1 in KTicom's W-CDMA BMT
- Aim to win World-Cup test service system and further secure commercial service order

❖ **Further expand export markets**

- Maintain global M/S No.1 in WLL (51%)
- Aggressive expansion of CDMA business
 - . Focus on strategic areas : India, China, US and Vietnam
 - . Activate alliance business : service carrier (SKT, LGT, KT), equipment maker (NEC etc)

❖ **Business realignment in switching & transmission business sector**

- Decrease sales portion of matured business like switching system and maintain superior position in network equipment
- Timely development and sales portion expansion of high-speed network equipment

❖ **Maintain market dominance in PBX and Keyphone**

- Maintain domestic no.1 (PBX : 45%, Keyphone : 68% in 2001)
- Expand overseas business (Keyphone : Global M/S 3% - 8th in 2001)
- Expand VoIP business by securing IP Telephony Solution

❖ **Performance in 2002 similar to 2001: yet rapid growth expected with full-scale 3G deployment**

Outlook by Division

Display & Media



◆ **5% sales growth expected in 2002 boosted by demand for “home” electronics products**

❖ **TV, A/V, PDP sales growth anticipated with strengthened new products line-up**

- TV : Sales improvement of Flat/LCD/Projection TV, larger demand expected from World-Cup soccer game
- A/V : DVD-Player and Digital products
- PDP: Sales increase with full product line-up(37/40/42/50/60”)

❖ **Slow recovery of IT industry expected**

- Optical Storage, PC, Monitor

❖ **Ongoing restructuring to streamline business**

- PCB : shift toward high value-added products
- Monitor : Line reallocation to overseas subsidiaries including China

❖ **Strengthen business competitiveness for future profitability**

- Speed up advance into China
 - : Sales expansion in China and line reallocation
- Reinforce new product base
 - : Home Network products (DTV, Digital products)
 - Mobile Network products (PDA, car navigation terminal)

Prospects for Joint Ventures

LG.Philips LCD



- ❖ Profitability further enhanced with rapid demand growth for larger LCD and continuing price rise
- ❖ Secure volume & cost leadership
 - World first 5th generation fab will start operation in 2002
 - Comprehensive manufacturing cost reduction by strengthening product development, procurement, manufacturing and marketing ability, while maximizing yield.

LG.Philips Displays



- ❖ IT industry recovery likely to contribute to improvement of profitability with price stabilization and sales increase (5% global market growth anticipated in 2002)
- ❖ Restructuring in process to realize synergy effects
 - more efficient and profitable entity
- ❖ Consolidation evident in industry
- ❖ Reinforce market dominance utilizing its highest economy of scale



Appendix

Sales

(units : bil KRW, %)

		1Q	2Q	3Q	4Q	2001	2000	YoY growth
Sales	Domestic	1,398	1,639	1,455	1,592	6,084	4,881	24.6%
	Export	3,027	2,635	2,401	2,453	10,517	9,955	5.7%
	Total	4,425	4,274	3,856	4,046	16,601	14,836	11.9%

Sales (Apple to Apple)	Domestic	1,370	1,610	1,455	1,592	6,026	5,655	6.6%
	Export	2,636	2,344	2,401	2,453	9,835	8,756	12.3%
	Total	4,006	3,954	3,856	4,046	15,861	14,411	10.1%

*** Apple to Apple Comparison :**

Excluded the CRT sales of 2001 and 1st half of 2001.

Included the sales of Communication Division before the merger in 2000.

Sales by Region

	1Q	2Q	3Q	4Q	Total
Asia	22%	24%	19%	17%	21%
China	14%	14%	12%	11%	13%
Europe	15%	13%	14%	18%	15%
N. America	31%	30%	36%	37%	33%
S. America	5%	7%	5%	5%	5%
Others	13%	12%	14%	12%	13%

* FOB base

Divisional Sales and Profits

(unit: bil KRW)

Sales		1Q	2Q	3Q	4Q	2001
Appliance	Domestic	419	670	543	578	2,210
	Export	998	745	533	478	2,753
	Subtotal	1,417	1,415	1,076	1,056	4,964
Device	Domestic	28	29			58
	Export	391	291			682
	Subtotal	419	320			740
Display & Media	Domestic	391	346	354	385	1,475
	Export	1,294	1,239	1,331	1,437	5,301
	Subtotal	1,685	1,584	1,685	1,822	6,775
Telecom	Domestic	521	551	507	565	2,144
	Export	345	360	536	525	1,765
	Subtotal	866	911	1,042	1,090	3,910
Others	Domestic	39	43	52	64	197
	Export	0	1	1	14	16
	Subtotal	39	44	53	78	213

Profit Margin		1Q	2Q	3Q	4Q	2001
Appliance	Gross Margin	31.4%	33.7%	29.3%	28.7%	31.0%
	Operating Margin	15.5%	15.4%	8.4%	7.0%	12.1%
	Recurring Margin	12.5%	13.3%	4.8%	4.9%	9.4%
Display & Media	Gross Margin	12.7%	13.8%	16.1%	12.6%	13.8%
	Operating Margin	3.5%	2.1%	4.6%	0.6%	2.7%
	Recurring Margin	0.3%	1.7%	1.6%	0.6%	1.0%
Telecom	Gross Margin	29.1%	27.0%	27.2%	24.1%	26.7%
	Operating Margin	6.5%	4.1%	5.7%	2.8%	4.7%
	Recurring Margin	2.1%	1.7%	1.9%	0.7%	1.6%

Capex and R&D

(unit : bil KRW)

	2001	2002	Growth rate
CAPEX	724	510	-29.6%
R&D Capex	152	110	-27.6%
Subtotal	876	620	-29.2%
R&D	745	830	11.4%
Total	1,621	1,450	-10.5%

Thank You



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