

Welcome to LG Electronics

May 2001



Digitally yours

DEVICE

CRT
PDP
CRT components

APPLIANCE

Air Conditioner
Refrigerator
Washing machine
Cooking appliance

DISPLAY & MEDIA

TV / Monitor
CD-ROM
DVD products
VCR / PC / PCB

TELECOMMUNICATIONS

Switching & transmission system
Mobile system
Telephone & Mobile handset
Network devices



1Q 2001 Performance

Risks and Opportunities

Risks

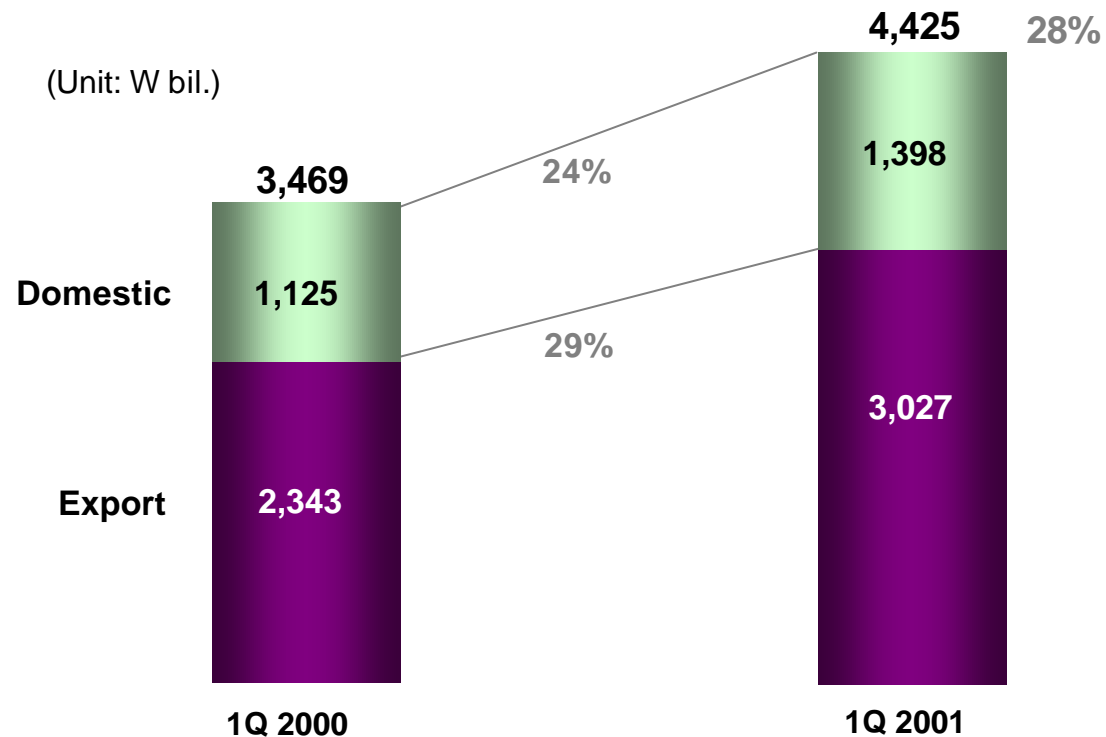
- ◆ **Global market slowdown**
 - US economy slowdown
 - Continuing recession in Japan
- ◆ **Demand decrease in domestic market**
 - Expected 1H GDP growth under 3%
- ◆ **Deteriorating IT industry**
 - Lower-than-expected sales to US and Asian market

Opportunities

- ◆ **Won depreciation vs.USD**
- ◆ **Lower interest rates**
- ◆ **High prospects for new Markets such as India, Latin America and China**
- ◆ **Roll-out of new products such as GSM handset and PDP**

Sales

- ◆ 1Q 2001 sales : W4.4 trillion. (28% yoy)
- ◆ Export : W3 tril. Domestic sales : W1.4 tril
- ◆ Contributor: Air Conditioner, refrigerator and handset exports



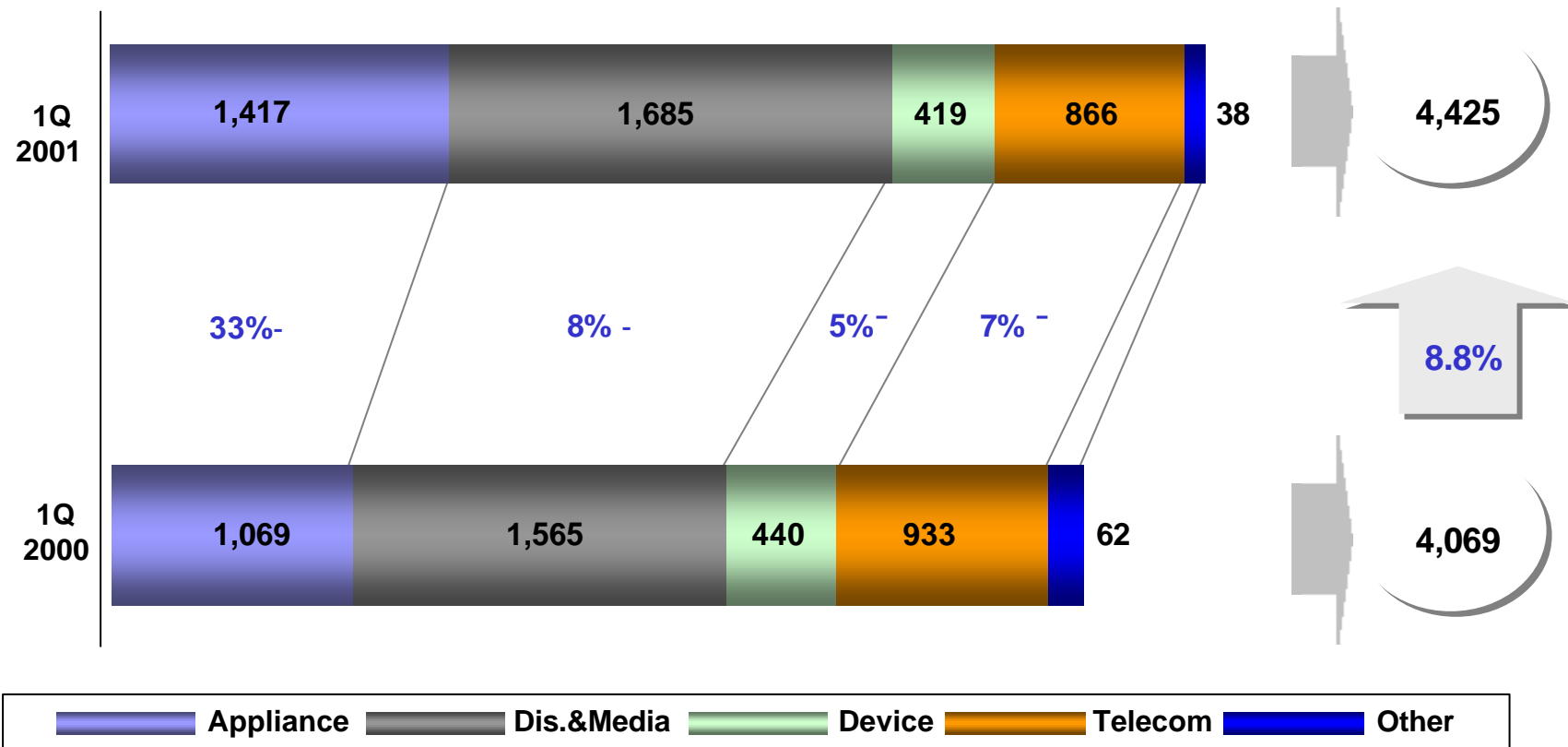
* Sales grew 8.8% under apple to apple basis;
- Including LGIC's sales, 1Q 2000 sales would be W 4.1 tril.

(Export: W2.5 tril., Domestic sales : W1.6 tril.)

Divisional Sales

- ◆ Appliance Division led the stable growth.
- ◆ High growth in handset export offset lower-than-expected system sales.

Divisional (apple to apple comparison) (Unit:W bil.)



Profits

- ◆ Operating profits : 19% decrease yoy, 99% increase qoq to W343 bil. (margin: 7.7%)
- ◆ Recurring profits : 52% decrease yoy, 137% increase qoq to W168 bil. (margin: 3.8%)

(Unit : W bil.)

	1Q 2001	4Q 2000		1Q 2000*	
		Amount	Growth	Amount	Growth
Gross Profit Margin	1,029 (23.3%)	881 (20.5%)	17%	990 (24.3%)	4%
Operating Profit Margin	343 (7.7%)	173 (4.0%)	99%	424 (10.4%)	(19%)
Recurring Profit Margin	168 (3.8%)	71 (1.7%)	137%	349 (8.6%)	(52%)

Operating profit dropped yoy because

- System Division with high profit margin under-performed
- Depreciation and R&D expense increased W79 bil.

Recurring profit dropped yoy because

- Equity method loss increased W38 bil. to W16bil
- F/X translation loss increased W52 bil. to W33 bil.
- Unrealized loss on derivatives increased W44 bil. to W41 bil.

* Apple to apple comparison

Profits by Division

- ◆ Appliance : highest operating and recurring margin
- ◆ Other divisions : decrease in operating profit yoy.

	Appliance		Dis. &Media		Telecom		Device*	
	1Q 2001	1Q 2000	1Q 2001	1Q 2000	1Q 2001	1Q 2000	1Q 2001	1Q 2000
Sales (W trill.)	1.4	1.1	1.7	1.6	0.9	0.9	0.6	0.5
Gross Margin	31.4%	27.5%	12.7%	15.9%	29.1%	27.5%	17.9%	22.4%
Operating Margin	15.5%	14.0%	3.5%	6.2%	6.5%	14.6%	7.0%	12.8%
Recurring Margin	12.5%	10.6%	0.3%	4.2%	2.1%	8.5%	5.9%	12.5%

Major Attributes	Air Conditioner Refrigerator	Optical storage PC	System Handset	Flat CPT Flat CDT
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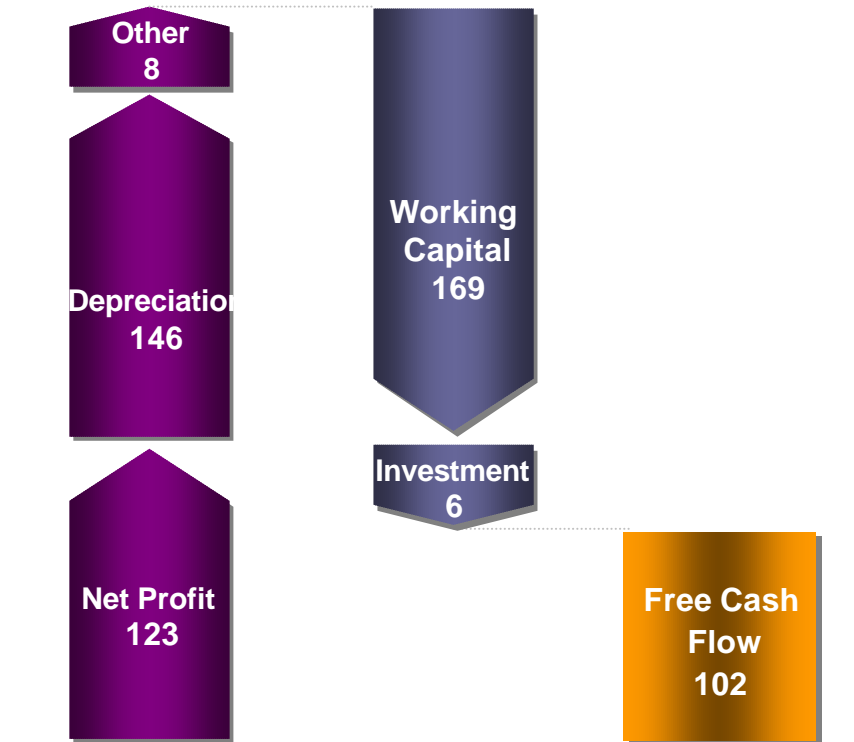
* Internal sales of W200 bil. (1Q 2001) and W100 bil. (1Q 2000) included

Cash Flow

- ◆ Cash flow from operation was W108 bil., and cash flow from investing activity was minus W6 bil., generating W102 bil. in free cash flow in 1Q.

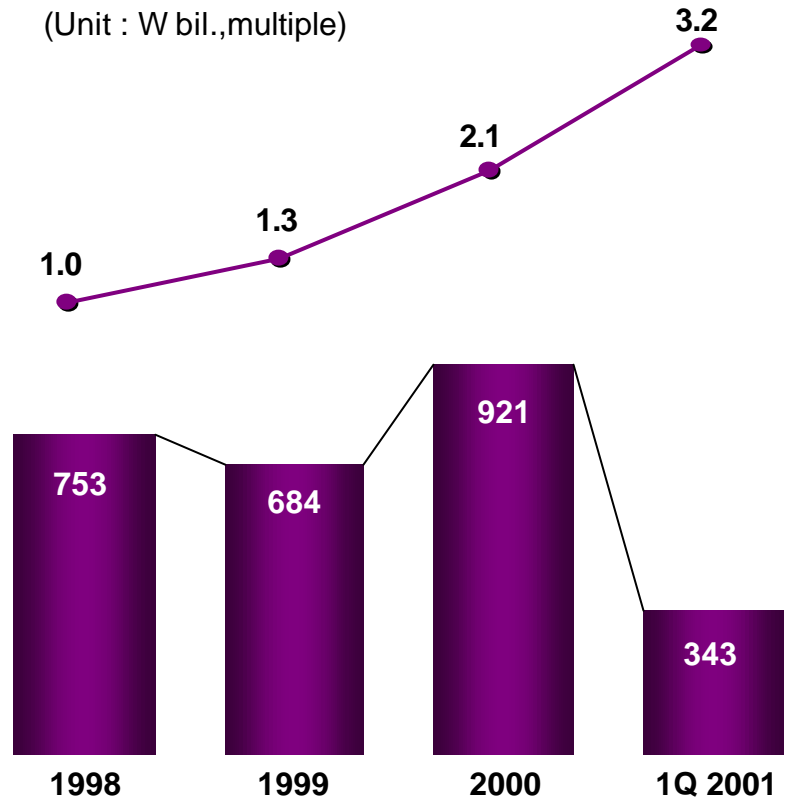
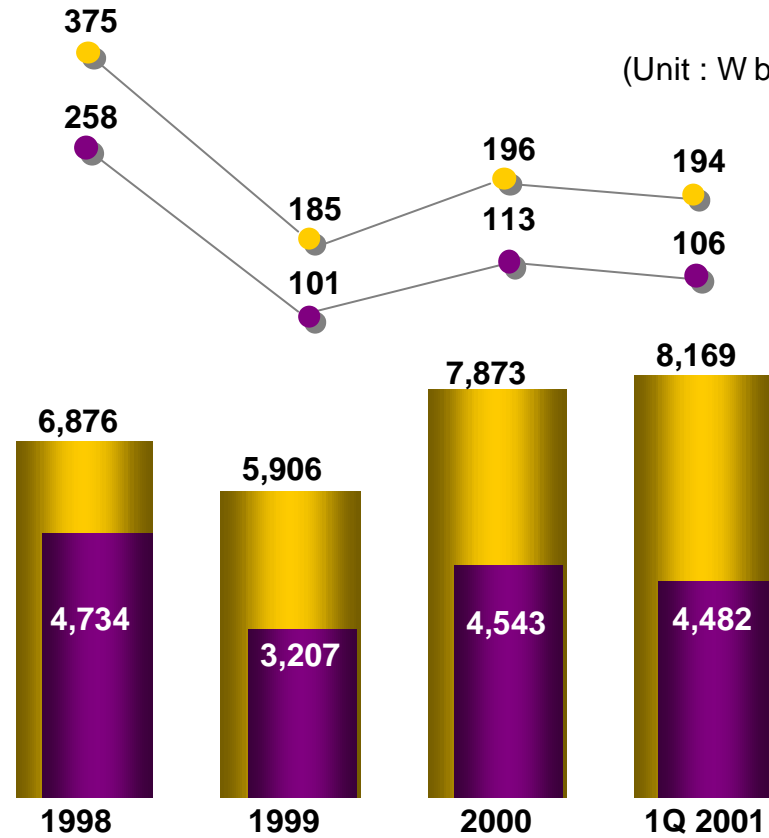
Free Cash Flow (Unit : W bil)

1Q 2001	
Net Profit	123
Depreciation	146
Change in working capital	(169)
Other	8
Cash flow from operating activity	108
Cash flow from investing activity	(6)
Free Cash Flow	102



Debt Position

- ◆ Liability to equity ratio : 194% Interest coverage ratio : 3.2x
- ◆ Net debt decreased W61 bil. during 1Q



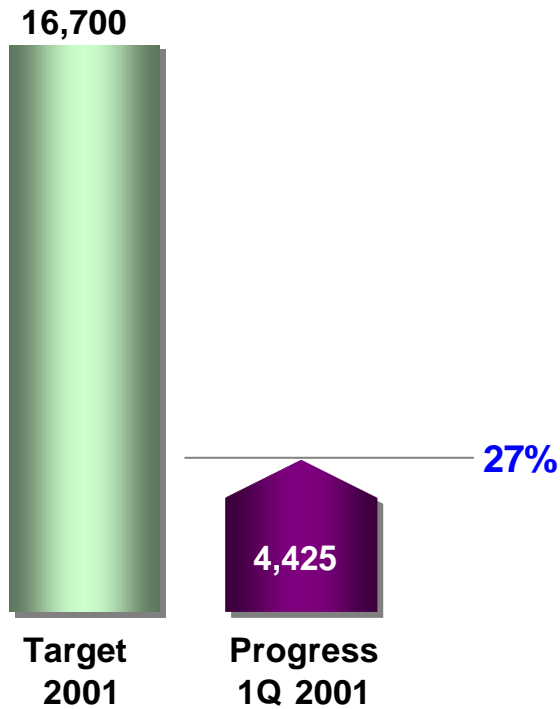
* Interest coverage ratio: Operating Profit / Interest expense

* Net Debt : Debt – Cash and cash equivalents

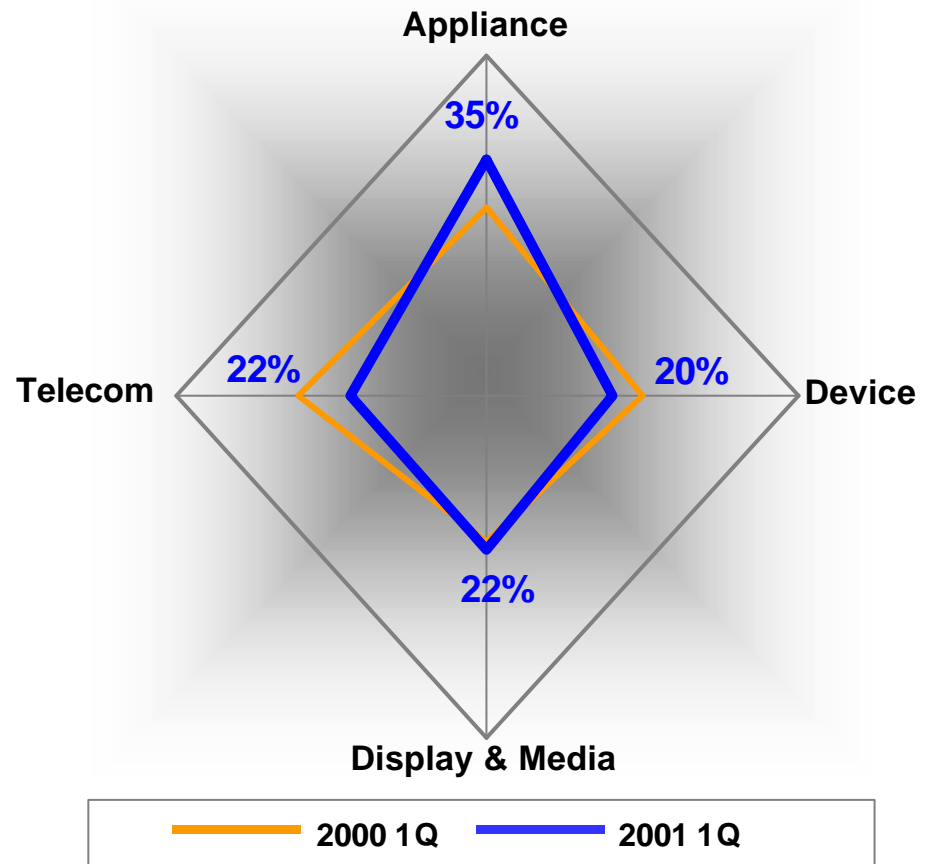
Progress

- ◆ Attained 27% of 2001 sales target during 1Q.
- ◆ Appliance Division ahead of Telecom and Device Divisions in making progress.

Company Progress (Unit :W bil.)



Divisional Progress





2001 Environment & Strategy

Appliance



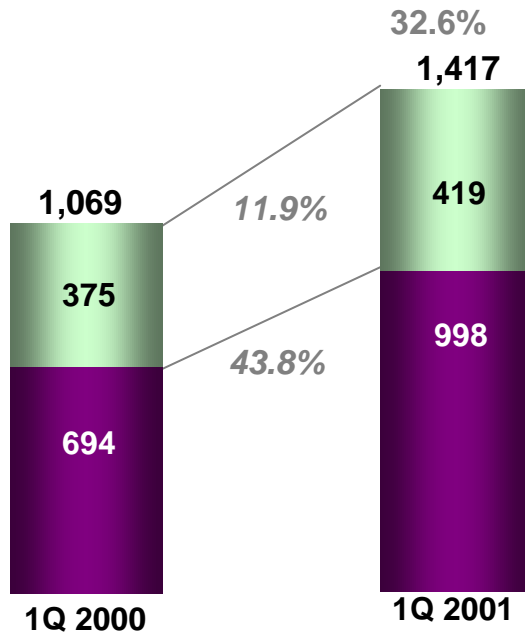
- Price competition by major global players
- Challenges from Chinese maker
- Japanese maker extending its presence in Korea



- Demand increase for high-end items
- Appliance industry less vulnerable to economic fluctuation

1Q Sales

(Unit : W bil.)



Strategies

- **Extend production site to China**
(Refrigerator, Air Conditioner, MWO)
- **Continue cost cutting measures**
→ cut down 30% in manufacturing cost
- **Raise brand sale**
: 54% in 2000 → 65% in 2001
- **Air Conditioner**
 - Increase system air conditioner revenue
 - Further market dominance through global alliance with Matsushita
- **Refrigerator**
 - Domestic Market (M/S 47%),
 - Overseas market (M/S 4%)

Display & Media

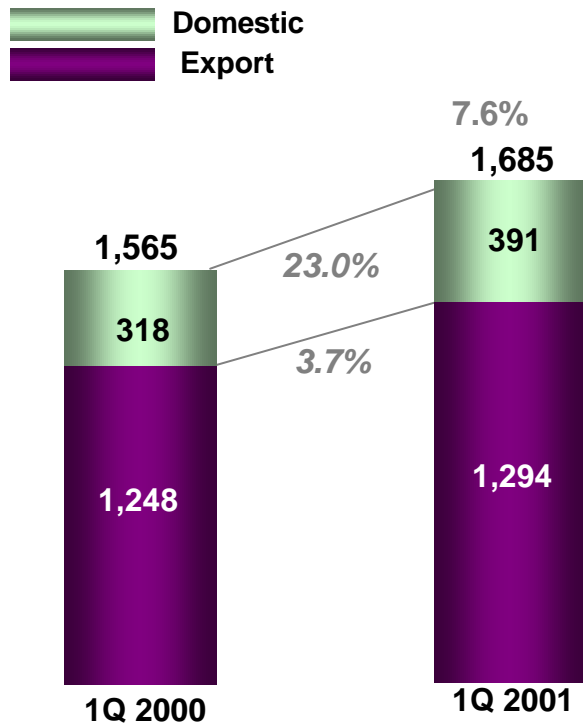


- Demand shrink for PC due to slowdown of US economy



- Laptop unit sales growth of 10% yoy (Major growth in Asian countries)
- Multimedia home entertainment Demand increase for Digital Video, DVD Player, CD-RW, and LCD monitor

1Q Sales (Unit : W bil.)



Strategies

- **Monitor**
 - M/S No.1 in Europe and Asia
 - Raise Flat/LCD monitor sales portion for higher profitability
- **PC**
 - Strengthening relationship with existing customers while expediting new accounts
- **Optical Storage**
 - Enhance operation and R&D through co-establishment of new entity with Hitachi
 - Secure No.1 position with focusing on CD-RW
- **Digital TV**
 - Pre-positioning in American DTV market
 - Utilize Zenith brand and VSB technology

Telecommunications

Risks

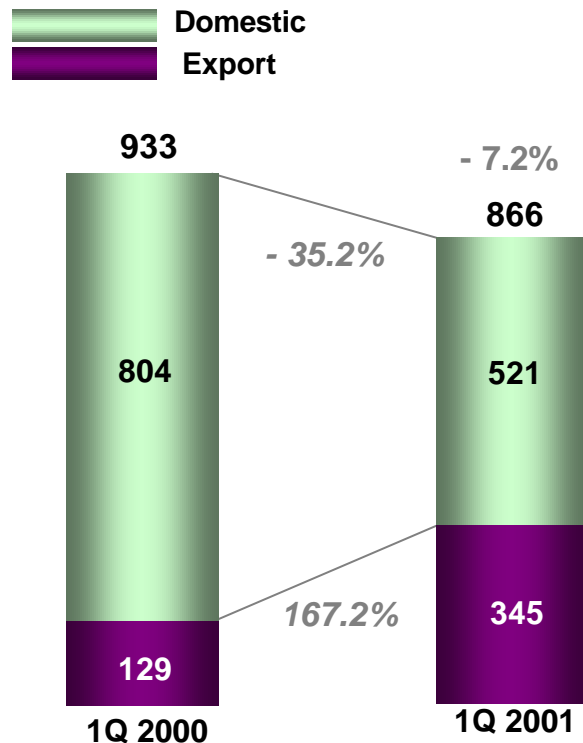
- Demand shrinks in domestic market
- Failure to win the first round CDMA system bidding in China

Opportunities

- High demand growth for data service and wireless internet
- Large WLL market in India and Latin America
- CDMA service launching in China

1Q Sales

(Unit : W bil.)



Strategies

- **30% M/S in domestic handset market :**
 - first in Korea to launch IS-95C color LCD phone
- **Strengthen partnership with large US accounts :**
 - stable earning base on long term contracts
- **Roll-out of GSM Phone in May**
- **Raise WLL System and handsets**
 - India : obtained U\$ 240 mil.
 - Vietnam : obtained U\$ 17 mil.
 - Belize : U\$ 24 mil. expected
- **Entry into Chinese CDMA market**
 - Handsets : targets 7% M/S this year
 - System : focus on additional bidding in China

Device

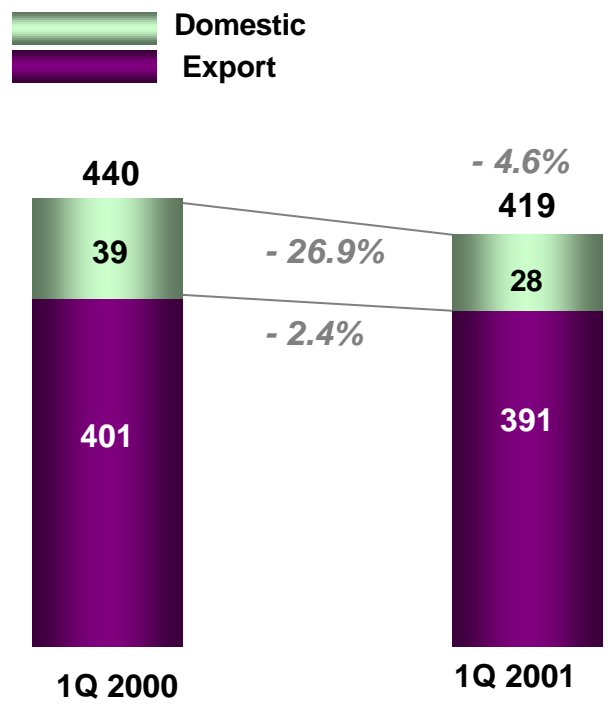


- CRT business being matured
- Demand shift to LCD due to its price erosion



- Large demand for high value-added products like flat TV and flat monitor
- Increasing demand for new display including PDP

1Q Sales (Unit : W bil.)



Strategies

- Successful launch of CRT joint venture leading to market dominance
- Improve profitability by focusing on Flat CRT
 - Increase sales of flat CRT : 30% in 2000 → 45% in 2001
 - Maximize profitability of flat products → targets 10% ~15% cost reductions
- Market pre-positioning by stabilizing PDP production line
- Start operation of OLED pilot line



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