

## 2008 Highlights

### LG ELECTRONICS' 50<sup>TH</sup> ANNIVERSARY

LG Electronics was founded as Goldstar, Korea's first electronics company, in 1958 and has since grown to become an influential global corporation. In commemoration of its 50<sup>th</sup> anniversary, which fell in March 2008, LG Electronics put together a book called *50 years of LG Electronics*, a four-volume series that looks at the company's history from its earliest days when it was just entering the electronics industry to today. LG Electronics will only get more competitive as it moves one step closer to becoming one of the world's top companies. At the same time it will not relent in its pursuit of developing new original technologies, building on 50 years of tried and tested business capabilities.

### RECORD-HIGH BUSINESS PERFORMANCE

With KRW 49,333 billion in sales and KRW 2,133 billion in operating profit (consolidated), LG Electronics set a record-high performance in 2008. These outstanding results were made possible thanks to LG Electronics' best performance ever in the mobile phone sector and its sustained efforts to explore new markets, expand investment in R&D, brands and design, and reduce costs despite the global economic slump.

### ACTIVELY SEEKING NEW GROWTH ENGINES

LG Electronics hired new R&D personnel in its solar cell business unit under Chief Technology Officer, Woo Hyun Paik, in late April of 2008 and is currently working on turning a part of its PDP production line in Gumi, Gyeongsangbuk-do into a solar cell business. Also, the existing four companies at LG Electronics have been reorganized into five in order to strengthen LG Electronics' health care business and its B2B solution business, as well as to support new businesses at LG Electronics.

### 19 YEARS OF DISPUTE-FREE NEGOTIATIONS ON WAGES AND COLLECTIVE AGREEMENTS

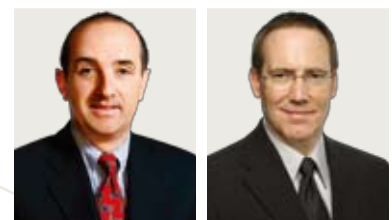
According to 2008's "Collective Negotiations for Renewing Wages and Collective Agreements," LG Electronics' labor union agreed to a wage freeze for two straight years. Both labor and management have done their best to achieve transparent management and bring about a dispute-free workplace in an effort to create new jobs and stabilize employment based on growth. The two sides also agreed to give back KRW 100 million to society from the money not spent on wage hikes. As such, LG Electronics has been able to continue its proud tradition of dispute-free negotiations for the past 19 years.

### RECRUITING TOP FOREIGN MANAGEMENT

Since the start of Dermot J. M. Boden's tenure as Executive Vice President (CMO) in December 2007, a total of five foreign executives have been brought in at the top management level (CPO, CSCO, CHO, CGTMO), exemplifying the company's drive to become a global corporation in every aspect — from corporate culture and work process to corporate capabilities — with 50,000 of the company's 80,000 employees currently working overseas and as much as 80 percent of sales made abroad.

### REVISION AND DISTRIBUTION OF CODE OF ETHICS IN 14 LANGUAGES

After the creation and declaration of the LG Group's 1994 "Code of Ethics" LG Electronics updated and merged its "Code of Ethics-Guidelines for Practice" and "Explanation of LG Code of Ethics-Guidelines for Practice" both of which provide guidelines for employees and suppliers on corporate ethics, into one book for use by the LG Corporation in 2004. This was then translated and distributed in 14 languages including English and Chinese. In addition, Jeong-do Management training was given to over 12,000 employees at sites in Korea and abroad, and an "Code of Ethics" put in place for employees at LG Electronics and suppliers. There are plans to revise this "Code of Ethics" in 2009 to reflect recent changes in the management environment.



**ANNOUNCEMENT OF GREENHOUSE GAS EMISSIONS REDUCTION PLAN**

At the last Consumer Electronics Show (CES), held in Las Vegas in January 2009, LG Electronics announced a plan to reduce its greenhouse gas emissions. LG Electronics' eco-friendly policy, pursued in tandem with the company's "Life's Good when it's green" program, aims to reduce 150,000 tons of greenhouse gases in manufacturing and 30 million tons of greenhouse gases in products by 2020. For products, the emissions will be gradually cut throughout the whole life cycle of products, from raw materials to disposal.

**DECLARATION OF SUBCONTRACTOR FAIR TRADE AGREEMENT**

LG Electronics has been pursuing a win-win partnership with subcontractors based on its "principle of global partnership" since May 2007. In November 2008, the company held a special ceremony to announce its subcontractor fair trade agreement, making it clear that it will strengthen trust and cooperation between itself and its subcontractors through transparent management. LG Electronics is helping its suppliers to improve their competitiveness by providing training for employees and technical support, professional support when necessary, and financial support. Moreover, it will advance the period of payment from the previous 60 days (from delivery to payment) to 30 days and always pay in cash.

**ESTABLISHING NEW DIRECTION OF SOCIAL CONTRIBUTION PROGRAMS**

In order to match its status as a global corporation which focuses on environmental and poverty issues, LG Electronics decided to increase its community contributions. To raise awareness about environmental pollution and climate change, there are also plans to support 'Champions of the Earth,' the key environmental awards program of the United Nations Environment Programme (UNEP), as well as holding international conferences by 2012. Furthermore, in cooperation with the World Food Programme (WFP) we will help lay a foundation for the underprivileged to help themselves starting with efforts to famine alleviation in Africa.

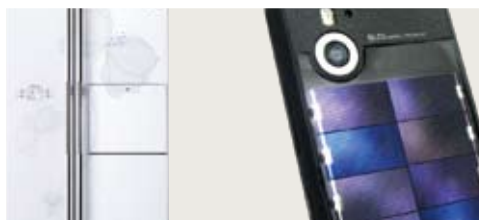
**RECIPIENT OF 2008 CES INNOVATIONS AWARDS IN 13 CATEGORIES AND DESIGN AWARDS IN 11 CATEGORIES**

In January 2008, LG Electronics received CES Innovations Awards for 13 products including its flat screen TVs (5 categories), mobile phones (4), home electronics (2), audio products (1), and video products (1). In total LG Electronics has now been the recipient of 79 Innovations Awards since 2003. CES Innovations Awards are given to approximately 300 products (in 30 categories) which demonstrate superior excellence in technology and design at the annual Las Vegas Consumer Electronics Show by the Consumer Electronics Association (CEA) and the Industrial Designers Society of America (IDSA). In addition, 11 LG Electronics products received 'iF Design Award 2008' and 'Red dot Design Award 2008' respectively.

**DEVELOPING GREENER PRODUCTS AND PRODUCTS TO BRIDGE THE DIGITAL DIVIDE**

When it comes to developing new products, LG Electronics is at the forefront of protecting the environment. Examples of this include our Linear Compressor refrigerator, LED BLU notebook, and solar-powered mobile phones and accessories. In fact, our innovative refrigerator has been awarded with a prestigious Energy Winner prize by Consumers Korea for three consecutive years. To put this in perspective, our Linear Compressor refrigerator saves 39% more energy a year than existing products, while our LED BLU notebook laptop saves 73% more energy a year than similar products out there on the market because of its LED backlights.

LG Electronics is also developing products to close the digital divide and help benefit the underprivileged. Good examples of this include our first- and second-generation book-reading phones for the visually impaired, which were developed in September 2006 and July 2008, respectively. With this cell phone, users can access the LG Digital Talking Book (DTB) Library, a virtual library for the visually impaired run by LG Sangnam Library, and download thousands of audio books. Users can also have menu items and text messages read out to them as well.



# About LG Electronics

Since it started operations as Goldstar in 1958, LG Electronics has been leading the electronics industry in Korea and overseas with its innovative technology and products. In order to position itself as a leader in the electronics industry and usher in a new era, with the goal of becoming one of the top electronics corporations in the world through accomplished design management and strengthened R&D, LG Electronics has been producing some of the world's best products—often before anyone else—for more than 50 years.

## [OVERVIEW OF LG ELECTRONICS]

As of December 31, 2008 / ( ): Change in figures compared with the previous year  
Unit: KRW billion

<b>ORGANIZATION NAME</b>	LG Electronics
<b>LOCATION OF HEADQUARTERS</b>	LG Twin Towers, 20, Yeouido-dong, Yeongdeungpo-gu, Seoul, Korea
<b>INDUSTRY</b>	Manufacturing
<b>MAIN BRANDS</b>	XCANVAS, CYON, WHISEN, TROMM, DIOS, XNOTE, CYKING, FLATRON
<b>MAIN PRODUCTS</b>	TVs, Mobile Telecommunications Devices, Air Conditioners, Washing Machines, Refrigerators, Notebook PCs, Monitors, Optical Storage
<b>CEO</b>	Yong Nam
<b>DATE OF ESTABLISHMENT</b>	October 1, 1958

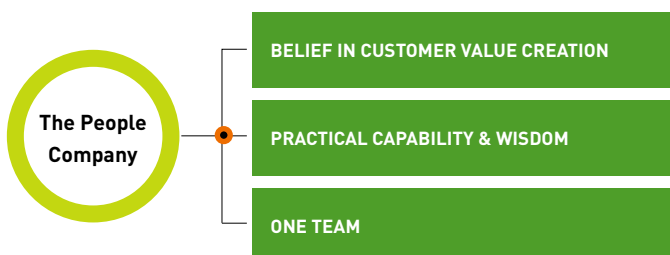
<b>NO. OF EMPLOYEES</b>	84,090 (Korea: 27,087/ Overseas: 57,003)
<b>TOTAL ASSETS</b>	17,337.9 (+3,001.3)
<b>TOTAL LIABILITIES</b>	8,931.1 (+1,804)
<b>SALES</b>	<b>PARENT</b> 27,638.5 (+4,136.6) (Domestic: 6,445.2 / Exports: 21,193.3)
	<b>CONSOLIDATED</b> 49,333 (+8,485.1)
<b>OPERATING PROFIT</b>	<b>PARENT</b> 1,226.9 (+662.3)
	<b>CONSOLIDATED</b> 2,133.0 (+899.3)
<b>CREDIT RATING</b>	AA- (Domestic), Baa3 (Moody's), BBB (S&P)
<b>NO. OF SHAREHOLDERS</b>	143,713
<b>NO. OF SHARES</b>	161,833,806

## [ ORGANIZATIONAL CHART ]



## [ VISION ]

"The People Company" is, where a company achieve outstanding performance by one team with talented individuals, who are obsessed with customer value creation and who attain the world's best practical capability and wisdom.



## [ SIX STRATEGIC INITIATIVES ]

1. ENHANCEMENT OF PERFORMANCE MANAGEMENT
2. BUSINESS PORTFOLIO RESHAPING
3. CUSTOMER CENTRIC PROCESS
4. BUILDING PREMIUM BRAND
5. INNOVATION
6. GLOBALIZATION



*The perfect harmony of stylish design & smart technology.*



Home Entertainment

[BUSINESS DOMAINS]

**HOME ENTERTAINMENT (HE)** • LG Electronics wants to make life more enjoyable for consumers with its home entertainment equipment, which is easy to use and full of emotional appeal. LG Electronics produces the most eye-catching LCD TVs and PDP TVs, home theater systems with unbelievably crisp sound quality, cutting-edge high-definition Blu-ray players, and optical disk drives such as the Super Multi Blue, Super Multi, CD-RW, and DVD-ROM drives.

**HOME APPLIANCE (HA)** • By analyzing consumers' living patterns and understanding exactly what they want at home, LG Electronics is leading the world's home electronics market with a steady supply of premium brand home appliances. LG Electronics is constantly launching new trends in appliances for the home by creating artistic products that are as functional and technologically advanced in use as they are stylish in design.

**BUSINESS SOLUTIONS (BS)** • LG Electronics is unveiling a new future alongside its customers as it grows its B2B business, providing a wide range of monitors with distinctive features and unforgettable designs that B2B display customers can see in hotels, hospitals, and other public places, as well as car infotainment solutions for the telematics and audio systems which will be installed in futuristic cars.

**MOBILE COMMUNICATIONS (MC)** • A leading provider of mobile products in the global marketplace, LG Electronics has never stopped producing the latest telecommunication technology ever since it released the world's first CDMA phone. With its sophisticated design and top-of-the-line features, LG Electronics has long captured the imagination of consumers around the world, creating new trends with each new model it releases.

**AIR CONDITIONING (AC)** • With its internationally recognized world-class technology and design, LG Electronics will become one of the world's top HVAC equipment manufacturers & suppliers by 2012. In order to meet this goal, and to establish itself as a total HVAC provider in the truest sense, LG Electronics will not relent in its exploration of uncharted territories in the industrial HVAC equipment field, including central HVAC systems, HomNet networks, building management solutions (BMS), and the renewable energy.



Mobile Communications



Home Appliance



Air Conditioning



Business Solutions

[DOMESTIC SUBSIDIARIES]				
Unit: KRW billion				
CORPORATION NAME	MAIN INDUSTRIES	CAPITAL	SALES	TRANSACTIONAL RELATIONSHIPS
		(PERCENTAGE OF OWNERSHIP)	(2008)	
LG Innotek	Electronics Machinery and Instruments	60.1 (50.06%)	1,415.6	Parts Supply
LG Micron	Electronics Parts Manufacturing	53.9 (52.02%)	895.3	Parts Supply
Hiplaza	Wholesale & Retail of Electronics Products	37.2 (100%)	784.3	Product Sales
Hi Logistics	Logistics Management Service	3.6 (100%)	290.9	Logistics Service

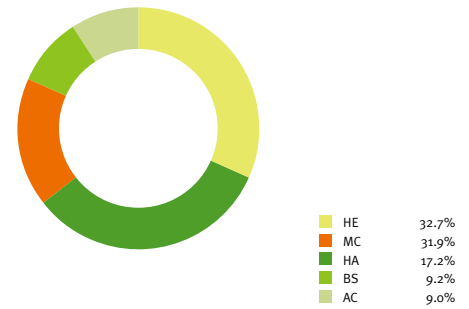
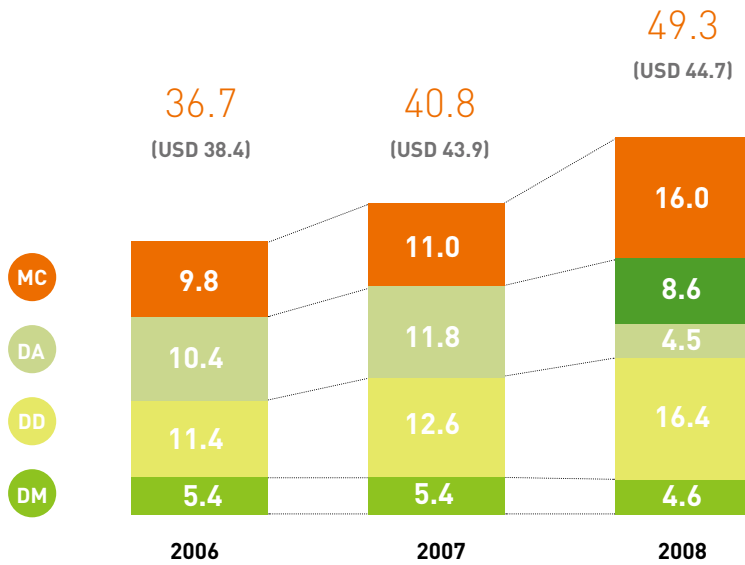
# Economic Performances

Due to a deterioration in the external business environment stemming from a global economic recessions, a rise in raw material prices, and intensified competition in the global marketplace, 2008 was a challenging year for LG Electronics. Despite these difficulties, the company made significant progress in cost-saving measures, while improving productivity in all sectors of operations including R&D, marketing, customer service and corporate support. Furthermore, the worldwide growth of LG Electronics' premium products and a rising exchange rate against other major currencies resulted in an 18% increase in sales over the previous year for the company, bringing total sales to KRW 27.64 trillion. Exports accounted for 77% of total revenue, or KRW 21.19 trillion, while domestic sales were KRW 6.44 trillion. Operating profit rose to KRW 1.23 trillion because of improved performances in the corporate's main business, especially its mobile handsets and LCD/PDP TVs. When its overseas corporations were taken into account, LG Electronics also witnessed a record year for sales and operating profit, which reached KRW 49.33 trillion and KRW 2.13 trillion, respectively.

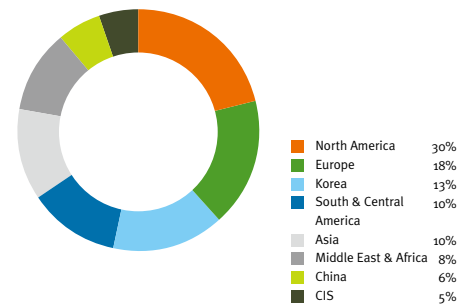
[GLOBAL SALES]

Unit: KRW trillion (USD billion)

[SALES BY COMPANY]



[SALES BY REGION]



▶ 1 USD = KRW 955 (2006) / KRW 929 (2007) / KRW 1,103 (2008)

▶ Sales amounts per company are calculated before deductions and account for inter-company trade, with total sales (KRW 49.33 trillion) in 2008 calculated after deducting the amount of inter-company trade (KRW 83.67 billion) from the total sales amounts of all LGE companies.

▶ Up until 2007, sales were divided among the existing four companies: Digital Appliances (DA), Digital Display (DD), Digital Media (DM), and Mobile Communications (MC)

[CURRENT STATUS OF SALES (PARENT)]

Unit: KRW billion

CATEGORY	2006	2007	2008
Total	23,170.7	23,501.9	27,638.5
Sales			
Domestic	5,947.3	6,520.4	6,445.2
Exports	17,223.4	16,981.5	21,193.3
Recurring Profit	261.8	1,486.9	515.0

[GLOBAL MARKET SHARE OF MAIN PRODUCTS]

Unit: %

PRODUCT	2006	2007	2008	OTHERS
Mobile Handsets	6.4	7.2	8.6	SA
Air Conditioners	6.4	6.6	6.8	In-house Estimation
Monitors	6.9	9.2	9.4	Display Search
LCD TVs	6.9	8.0	9.5	Display Search
Washing Machines	9.8	10.0	10.1	Gfk/Stevenson Data
Refrigerators	10.4	11.2	11.6	Gfk/Stevenson Data

## Creation and Distribution of Economic Value

In 2008, LG Electronics recorded KRW 27.64 trillion in sales (parent), its highest amount ever. This remarkable performance was the result of a growth in sales of innovative products based on consumer insight, as well as a rise in the Korean exchange rate against other major currencies. Although the cost of labor showed no significant changes from the previous year, capital costs dropped dramatically because of loan repayments based on better sales performances. Taxes and dues also increased in line with a rise in corporate taxes due to a sales increase and changes in tax law, while there was a drop in the amount of money the company donated compared to the previous year. In addition, LG Electronics received government subsidies in 2008 when it joined a series of national research projects and invested in certain facilities, with the company's total amount of investment-related corporate tax exemptions reaching KRW 127.3 billion.

## Flow of Economic Value among Stakeholders

LG Electronics wants to fulfill its economic responsibility by giving back the economic value generated through its business activities to various stakeholders, including shareholders, partners, and employees, as it vows to continue distributing more value by further improving profitability and securing new growth engines in the future.

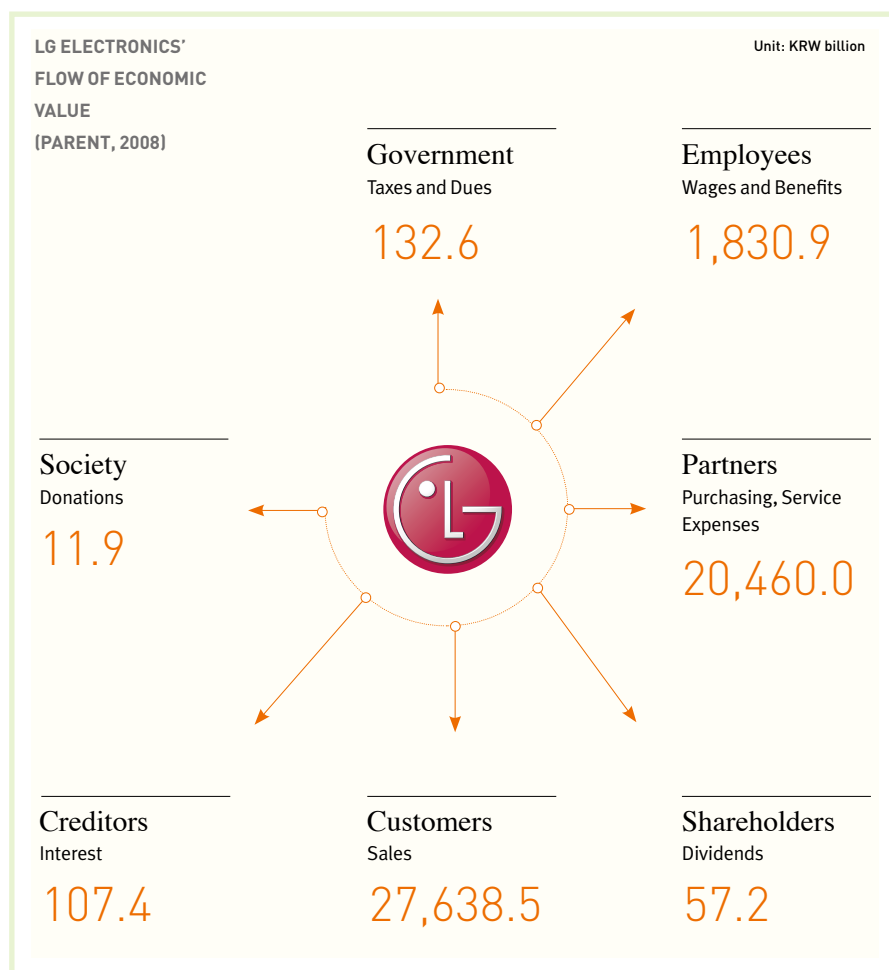
### [ECONOMIC VALUE CREATED AND DISTRIBUTED]

Parent / Unit : KRW billion

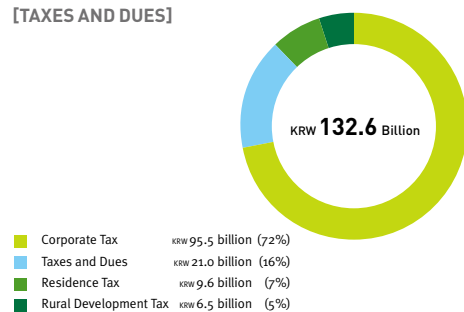
CATEGORY	2006	2007	2008
<b>Economic Value Generated</b>	<b>23,925.1</b>	<b>25,365.1</b>	<b>30,309.0</b>
Revenue	23,170.7	23,501.9	27,638.5
Non-Operating Income	754.4	1,863.2	2,670.5
<b>Economic Value Distributed</b>	<b>24,824.2</b>	<b>25,083.5</b>	<b>28,551.6</b>
Operating Expenses	22,635.8	22,937.3	26,411.6
Wages and Benefits	1,818.1	1,826.9	1,830.9
Capital Costs	271.7	256.8	164.6
Taxes & Dues	82.9	47.2	132.6
Donations	15.7	15.3	11.9
<b>Economic Value Retained</b>	<b>-899.1</b>	<b>281.6</b>	<b>1,757.4</b>

▶ Operating expenses consist of sales costs and administrative expenses.

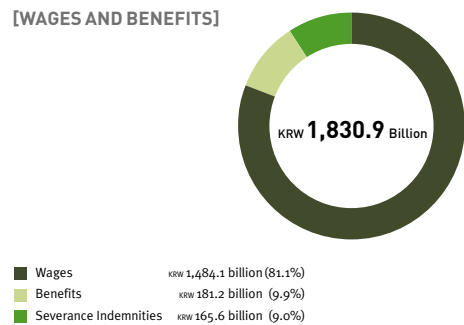
▶ Taxes & dues consist of corporate taxes, public dues, resident tax, and a special tax for rural development.



### [TAXES AND DUES]



### [WAGES AND BENEFITS]



### [DIVIDENDS]

CATEGORY	2006	2007	2008
Net Income (KRW billion)	239.2	1,222.4	482.8
Earnings Per Share (KRW)	148.0	758.4	299.2
Total Dividends Paid (KRW billion)	121.7	137.8	57.2
Dividend Payout Ratio (%)	50.86	11.27	11.85

▶ Net income and net income per share in 2006 were recalculated by applying revised accounting standards.