



# LG Electronics

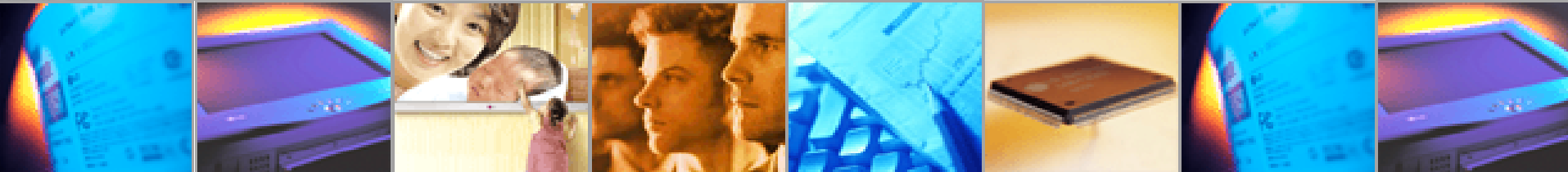
September 2007



**Disclaimer: This presentation was composed utilizing the data released on the dates shown, consequently reflecting management views according to the dates. All information in this presentation regarding the company's financial results has been prepared on a non-consolidated basis in accordance with the Korean GAAP. Sales information includes transactions of the company to and from its subsidiaries and affiliates, but excludes transactions of the Company's subsidiaries and affiliates to third parties. This presentation includes forecasting statements in regards to the company's outlook on the future, including projected sales. These forecasting statements are based on the company's results on a non-consolidated basis. These forecasting statements are subject to known and unknown risks and uncertainties that may arise, and actual results may vary. Risks and uncertainties aforementioned are not limited to risk factors noted in the company's earnings releases and company's filings with the Financial Supervisory Commission of Korea. The company assumes no obligation or responsibility to update the information provided in this presentations in correspondence to their respective dates.**

# Contents

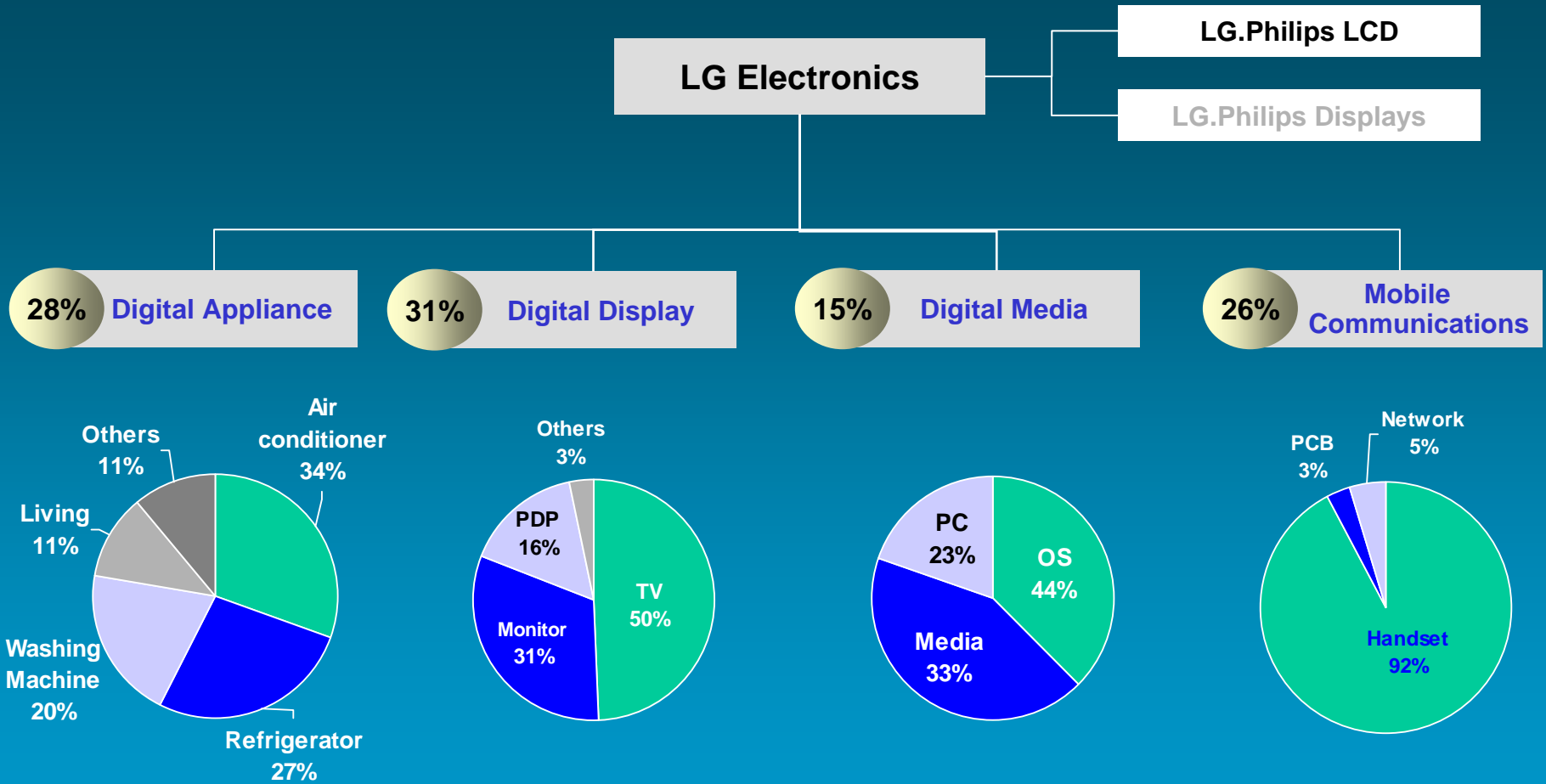
- I . Business Overview
- II . Charting New Directions
- III . Divisional Highlights



# I . Business Overview



# Business Domain



\*Based on LGE Global (LGE parent + overseas subsidiaries) sales in 2006

\*Digital Display breakdown by product is adjusted for PDP internal sales

## II. Charting New Directions



# Pillars of our strategy



- Focusing more on ROIC from growth-oriented perspective
- Managing portfolio to win
- Emphasizing on brand and design as well as technology

## Become the leading consumer electronics player in the world

- Enhancing customer value with innovation and design
- Delivering superior returns to shareholders
- Becoming a "benchmark organization"

1 Align strategy for growth and ROIC  
- Achieve 20% ROIC by 2010

2 Manage portfolio to win

3 Develop strategies for the  
"polarizing" consumer

4 Innovate through design, as well as  
technology

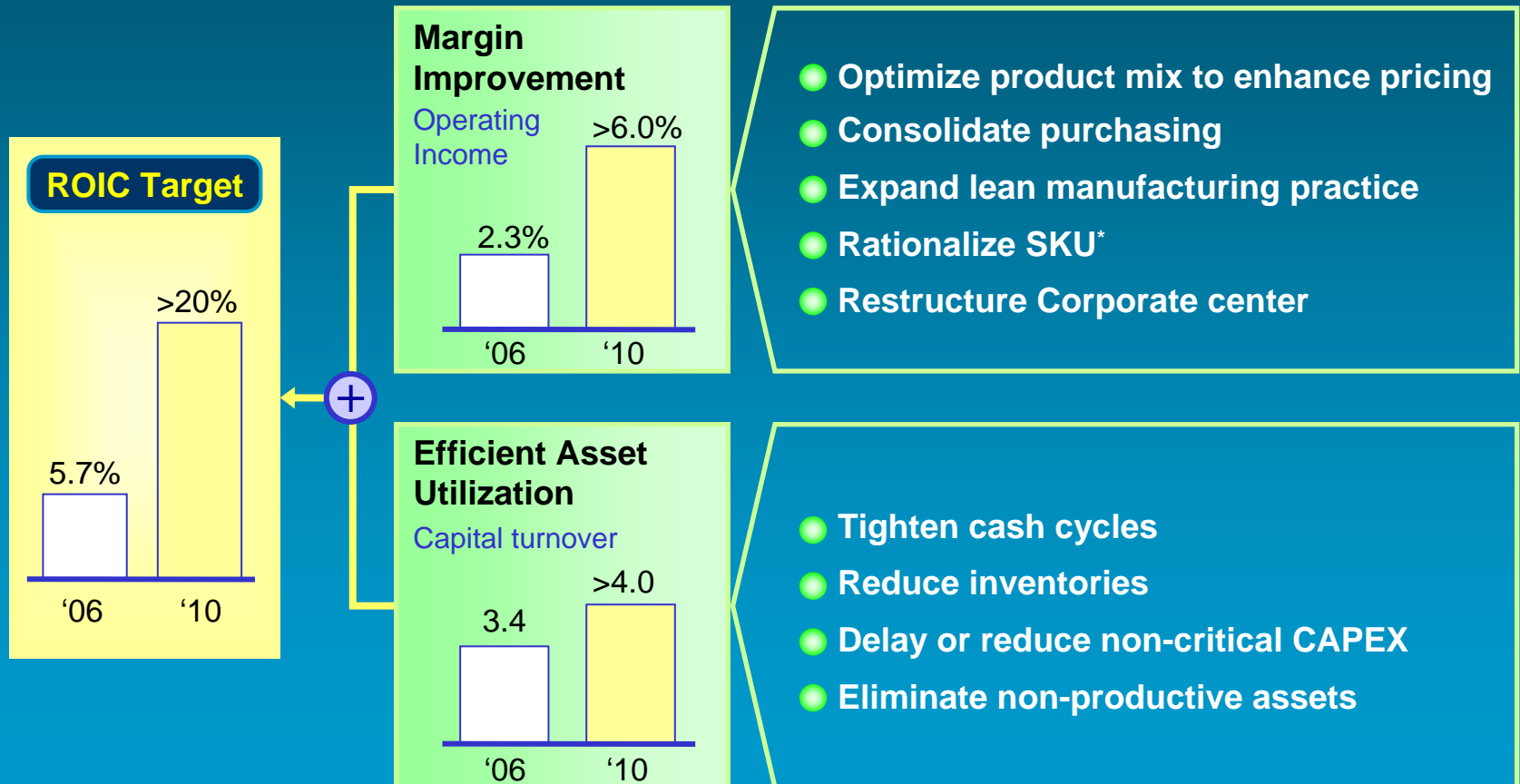
5 Invest in clear, global brand identity

6 Align and upgrade organization  
for the future

# ROIC – Aspiration for 2010



- 20% ROIC target through margin improvement & efficient asset utilization
  - Purchasing consolidation, SKU rationalization, corporate center restructuring, inventory reduction, asset disposal, etc.



# Manage portfolio to win



- Active management and restructuring of existing portfolio
- Managing portfolio for future opportunities

## Review our portfolio

- Focus on businesses where we can and should be in Top 3
- Considerations:
  - Size and growth of the market
  - Profit pool
  - Current competitive position

## Seek future opportunities

- Extend current core businesses
- Build momentum of emerging growth engines
- Secure options for future

## Actions likely to include

- Innovating go-to-market approaches in particular products and countries
- Bringing in partners resulting in mutual benefit
- Restructuring unprofitable businesses

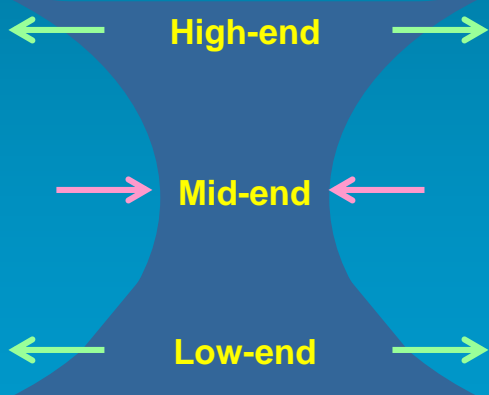
# Strategy for the polarizing customer



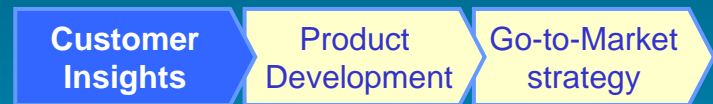
- **Polarization of consumer demand in many industries**
- Product development and positioning based on customer insights
- Positioning LGE in the premium segment and establishing “aspiration” in the low-end

## Demand Polarizing

- Polarization is clearly occurring in the consumer trends in many industries



## Strategy



- Product development based on customer insights
- Design effective channel/account strategy and ensure excellent front-line execution
- Position to play in the premium segment and establish “aspiration” in the low-end

# Brand, design and organization



- Position brand appeal in the premium segment and establish “aspiration” for other segments
- Cultivate design as key competitive edge
- Recruit and develop global talent in all areas

## New brand identity

- Brand repositioning and new communication strategy
  - not just about awareness, but real brand pull and emotional bond
- Reallocation of marketing resource

## Leading design & technology

- Aligning technology with business strategy and customer insight
- Improving design capability
- Developing design processes

## Building Best-in-class Capabilities

- Introducing world class talent and best practices
  - Recruit global talent C-level functional positions
- Creating and presenting individual development programs

# III. Divisional Highlights



## MOBILE

Mobile Products are opening up a more exciting and enjoyable world, a world that begins with "Dream-come-true" technology of LG Electronics.

## MOBILE

Mobile Products are opening up a more exciting and enjoyable world, a world that begins with "Dream-come-true" technology of LG Electronics.

## MOBILE

Mobile Products are opening up a more exciting and enjoyable world, a world that begins with "Dream-come-true" technology of LG Electronics.



# Divisional Initiatives



- **Delivering design-led, innovative products to enhance lives of consumers globally**
  - **Achieve top 3 performance in profitability and growth**

## Digital Appliance

- Continuous investment for innovative products (e.g. Stream fresh W/M)
- Improving profitability and ROIC
- Strengthening new products (e.g. CAC) for better competitive position

## Digital Display

- Improving product line-up, meeting customer demand and making profit
- Reprioritizing products & markets
- Reducing costs aggressively
- Reviewing various options for further restructuring of PDP

## Digital Media

- Rationalization of portfolio
- Improving profitability
- Executing innovative “Go-to-Market” strategy for targeted market

## Mobile Communications

- Accelerating growth through developing new products and penetrating new markets
- Strengthening product portfolio to keep generating mega hit models for GSM and WCDMA areas
- Actively developing profitable and desirable GSM low-cost products

# Appliance: Targeting No.1



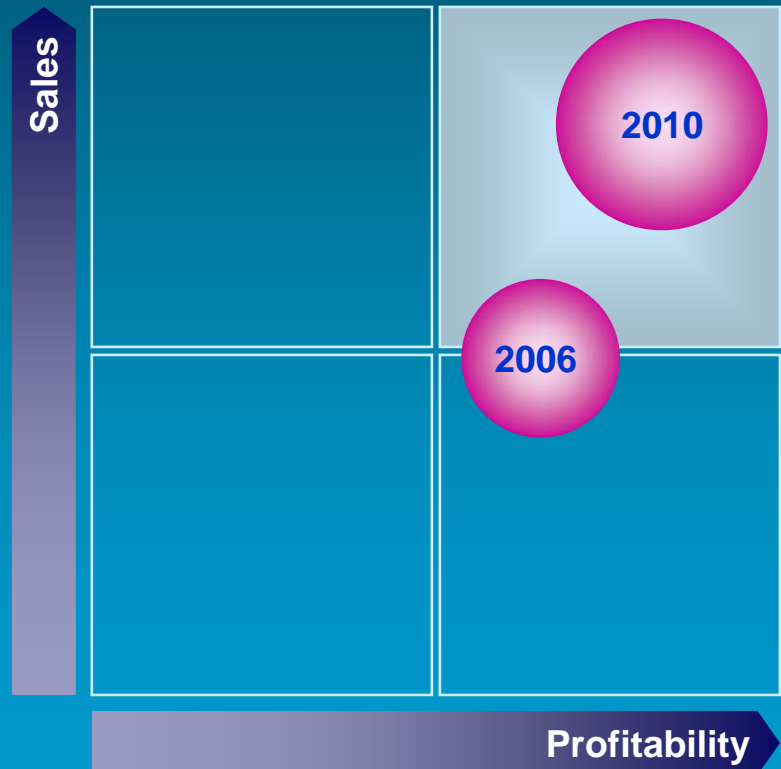
- Targeting to become #1 global appliance maker by 2010
- Strong position with continued growth in EM (Brazil, Russia, India, etc.)
- Incredible brand sales growth in N. America, Europe
- #1 global market share in RAC, rapid growth in the commercial A/C market

## New Market : Branding

- Building LG brand in North America
  - Joining forces with nationwide retailers
    - 2004 : Best Buy
    - 2005 : Home Depot
    - 2006 : Sears

## New Business : CAC

- Increasing sales of Commercial A/C
  - Employ competitive advantage from RAC
    - Set up new R&D center for CAC

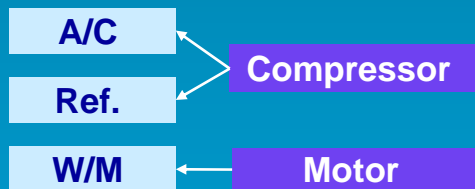


# Appliance: Success Factors

- Competitive edge – emphasis on R&D for innovative new products
- Highly efficient production base in low cost centers
- Key competitive high-end products

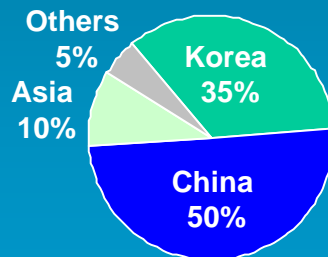
## Emphasis on R&D

- Emphasis on R&D  
→ product leadership
- Technological leadership generated by vertical integration of key components



## Global Production

- Producing only high-end products in Korea
- Utilizing China as low-cost production base



\* Based on quantity

## Focus on High-end

- Focusing on 3 Major profitable products
- Increasing premium product proportion



# Handset: Recent Performance



## MOBILE

Mobile Products are opening up a more exciting and enjoyable world, a world that begins with "Dream-come-true" technology of LG Electronics.

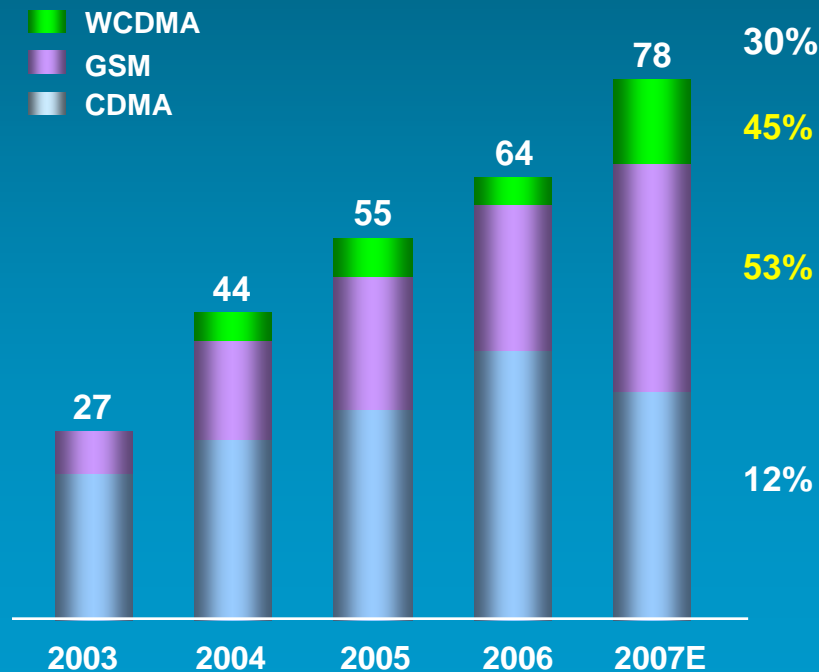
➤ Regaining momentum through successful launch of high-end products and expansion of 3G customers

### Shipment

(mn units)

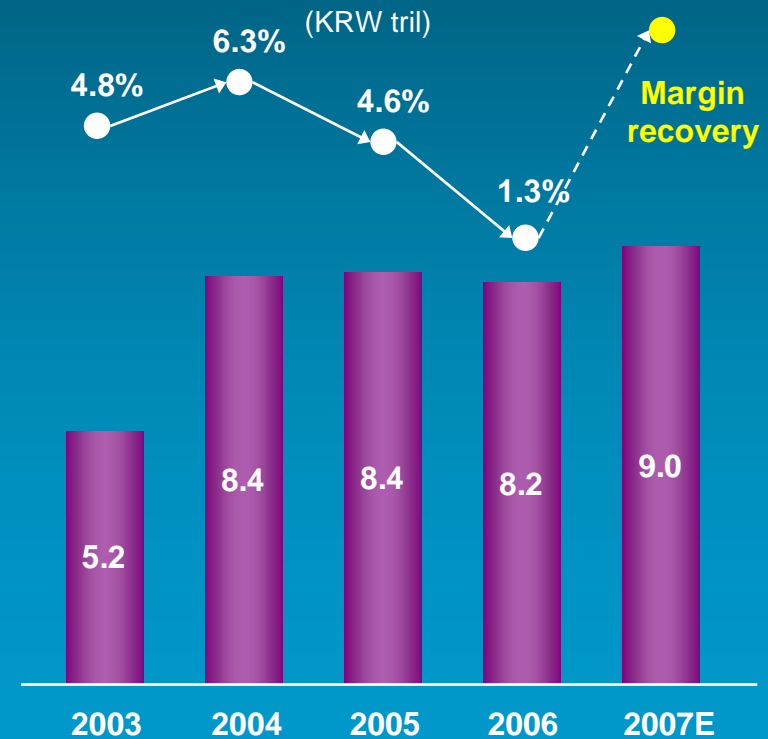
### CAGR

■ WCDMA  
■ GSM  
■ CDMA



### Sales & Margin

(KRW tril)



\* Source : Company data

\*\* CAGR : based on 2003 ~ 2007 except for WCDMA

\*\* based on LGE Parent sales and operating margin

# Handset: Stabilizing Business



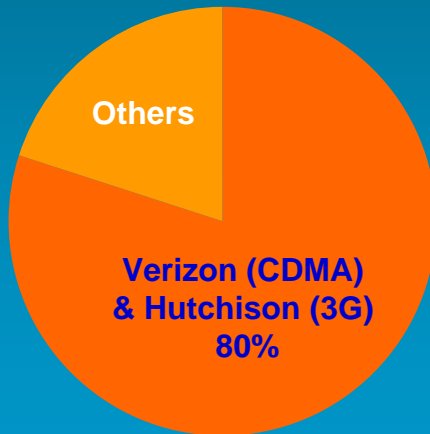
## MOBILE

Mobile Products are opening up a more exciting and enjoyable world, a world that begins with "Dream-come-true" technology of LG Electronics.

- Successful entry into GSM market with "Chocolate" and "Shine"
  - "Chocolate" shipment reached 7.1M units - 4M units in GSM/WCDMA
- Expansion of 3G customer base : Vodafone, AT&T, etc.

## Stabilizing & Diversifying Profit Portfolio

2005



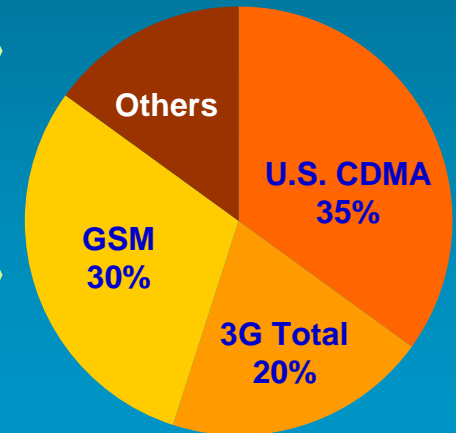
### Successful expansion in the premium market

- Chocolate 7.1M in 2006
- Shine in 2007

### Wider 3G customer base

- Vodafone, AT&T, 3, etc.
- Winner of GSMA's "3G for All" project

2007

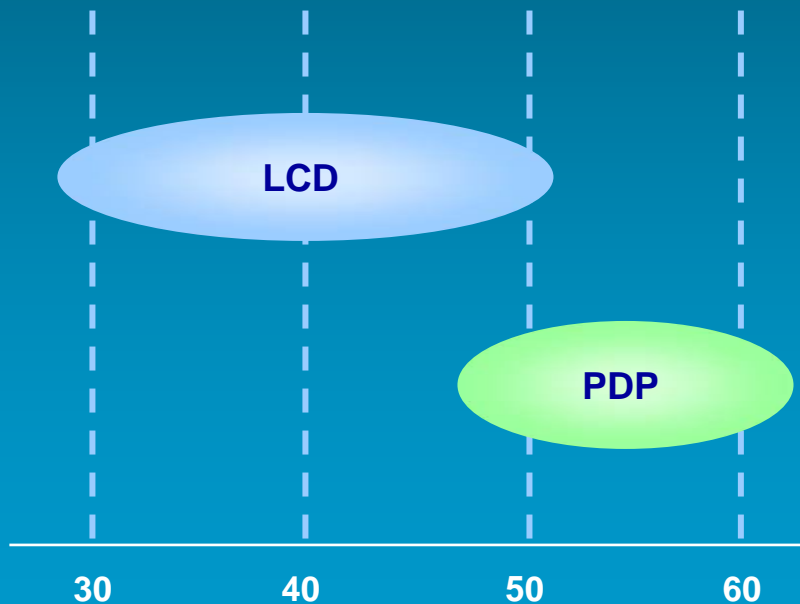


# Display: The battlefield

- Competition between PDP and LCD sorted out to a certain extent
  - LCD to focus on 40", PDP to shift over to 50"
- Competition exists in the 50" market, but PDP is expected to be more advantageous

## Technology Mapping

## PDP



- Shifting focus to 50 inches rapidly
- Realigning capacity plan in line with recent change of PDP demand forecast  
→ Delayed A3-3 investment
- Strengthening cost competitiveness of 50 inches Full HD

# Display: Future Strategy

- Stronger brand and competitiveness → Profitability improvement
  - Invest in Brand : Increase marketing expenditure in selective markets - US, EU
  - Strengthen competitiveness : Cooperative product design and development with affiliates, providing consumers with the best product portfolio

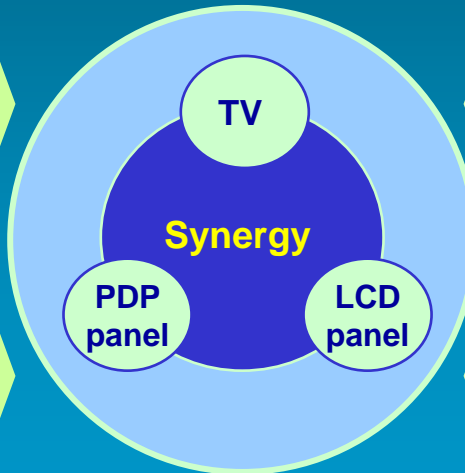
## Invest in Brand

### Build LG as premium TV brand

Increase marketing expenditure in selective markets : US, EU

### Premium pricing

Improve profitability of both TV sets and Panels



"Improve Profitability"

## Strengthen Competitiveness

### Product design and development

- Cooperation with LPL for LCD
- Cooperation with LG Micron for PDP

### Deliver optimized product lines

- LGE = PDP + LCD
- Competitive advantage



<http://www.lge.com>

(Unit :KRW bn)

		1Q'06	2Q'06	3Q'06	4Q'06	2006	1Q'07	2Q'07	QoQ	YoY
<b>DA</b>	Sales	1,563	1,529	1,363	1,283	5,738	1,819	1,789	-1.6%	17.0%
	Op. Profit (%)	159 (10.2%)	150 (9.8%)	58 (4.3%)	62 (4.9%)	430 (7.5%)	218 (12.0%)	173 (9.7%)		
<b>DD</b>	Sales	1,446	1,443	1,725	1,212	5,825	1,214	1,093	-10.0%	-24.3%
	Op. Profit (%)	30 (2.0%)	21 (1.4%)	43 (2.5%)	-147 (-12.1%)	-54 (-0.9%)	-194 (-16.0%)	-265 (-24.2%)		
<b>DM</b>	Sales	770	641	665	663	2,738	713	613	-14.1%	-4.4%
	Op. Profit (%)	23 (3.0%)	11 (1.8%)	8 (1.3%)	-20 (-3.1%)	22 (0.8%)	6 (0.8%)	-17 (-2.7%)		
<b>MC</b>	Sales	2,050	2,211	2,326	2,370	8,958	2,300	2,423	5.3%	9.6%
	Op. Profit (%)	-9 (-0.4%)	21 (0.9%)	98 (4.2%)	72 (3.0%)	182 (2.0%)	155 (6.7%)	265 (10.9%)		
<b>Handset</b>	Sales	1,855	2,032	2,149	2,204	8,240	2,136	2,253	5.5%	10.9%
	Op. Profit (%)	-31 (-1.7%)	-3 (-0.1%)	79 (3.7%)	58 (2.6%)	104 (1.3%)	141 (6.6%)	254 (11.3%)		
<b>Others</b>	Sales	-29	-28	-24	-7	-88	-12	-14		
	Op. Profit	-13	-12	-10	-10	-45	-11	-11		
<b>Total</b>	Sales	5,800	5,796	6,054	5,520	23,171	6,034	5,903	-2.2%	1.8%
	Op. Profit (%)	191 (3.3%)	190 (3.3%)	197 (3.3%)	-43 (-0.8%)	535 (2.3%)	173 (2.9%)	146 (2.5%)		

\* Divisional sales includes internal transaction between divisions

(Unit : KRW bn)

		1Q'06	2Q'06	3Q'06	4Q'06	2006	1Q'07	2Q'07	QoQ	YoY
<b>DA</b>	Sales	2,556	2,969	2,500	2,352	10,376	2,941	3,604	22.5%	21.4%
	Op. Profit (%)	117 (4.6%)	248 (8.3%)	107 (4.3%)	123 (5.2%)	594 (5.7%)	169 (5.7%)	292 (8.1%)		
<b>DD</b>	Sales	2,714	2,786	2,672	3,197	11,368	2,754	2,727	-1.0%	-2.1%
	Op. Profit (%)	44 (1.6%)	53 (1.9%)	70 (2.6%)	-97 (-3.0%)	70 (0.6%)	-262 (-9.5%)	-138 (-5.1%)		
<b>DM</b>	Sales	1,449	1,242	1,217	1,492	5,401	1,382	1,246	-9.8%	0.3%
	Op. Profit (%)	52 (3.6%)	11 (0.9%)	-4 (-0.4%)	13 (0.9%)	72 (1.3%)	11 (0.8%)	-4 (-0.3%)		
<b>MC</b>	Sales	2,186	2,302	2,533	2,764	9,786	2,509	2,865	14.2%	24.4%
	Op. Profit (%)	-30 (-1.4%)	9 (0.4%)	46 (1.8%)	128 (4.6%)	153 (1.6%)	121 (4.8%)	325 (11.3%)		
<b>Handset</b>	Sales	1,998	2,134	2,367	2,599	9,099	2,354	2,709	15.1%	26.9%
	Op. Profit (%)	-52 (-2.6%)	-15 (-0.7%)	26 (1.1%)	114 (4.4%)	74 (0.8%)	110 (4.7%)	313 (11.6%)		
<b>Others</b>	Sales	-45	-39	-53	-63	-201	8	-11		
	Op. Profit	-13	-12	-10	-10	-45	-11	-11		
<b>Total</b>	Sales	8,860	9,260	8,869	9,742	36,730	9,593	10,430	8.7%	12.6%
	Op. Profit (%)	171 (1.9%)	308 (3.3%)	208 (2.3%)	157 (1.6%)	844 (2.3%)	28 (0.3%)	464 (4.4%)		

\* Divisional sales pertains solely LG Electronics Korea and its overseas subsidiaries and includes internal transactions