



# LG Electronics

February 2008



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 parent (unconsolidated) and/or global (consolidated) basis as indicated, 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 parent (unconsolidated) and/or global (consolidated) basis as indicated. 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.

I . Business Overview

II . Home Appliances

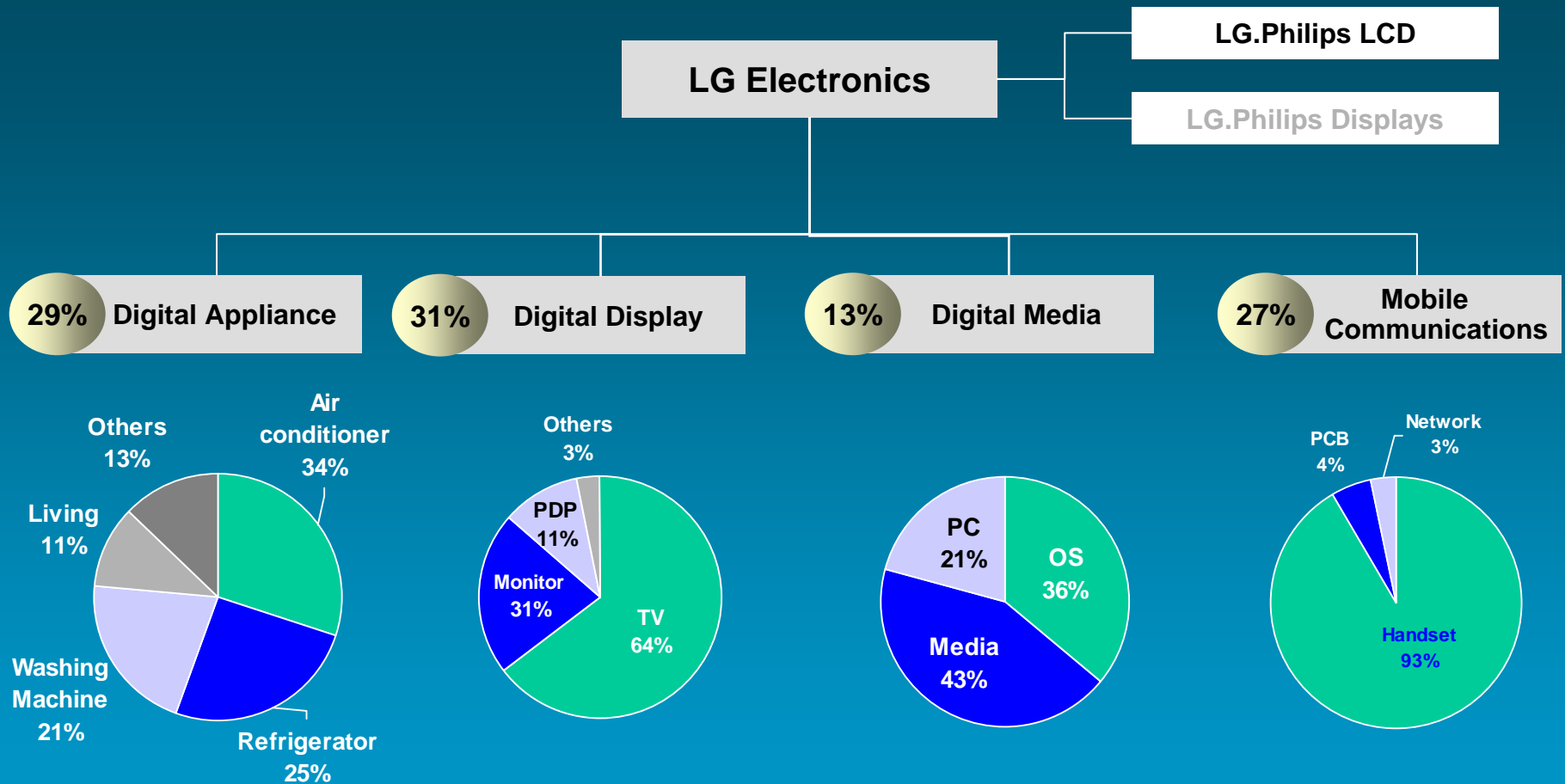
III . Mobile Handset

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# I . Business Overview



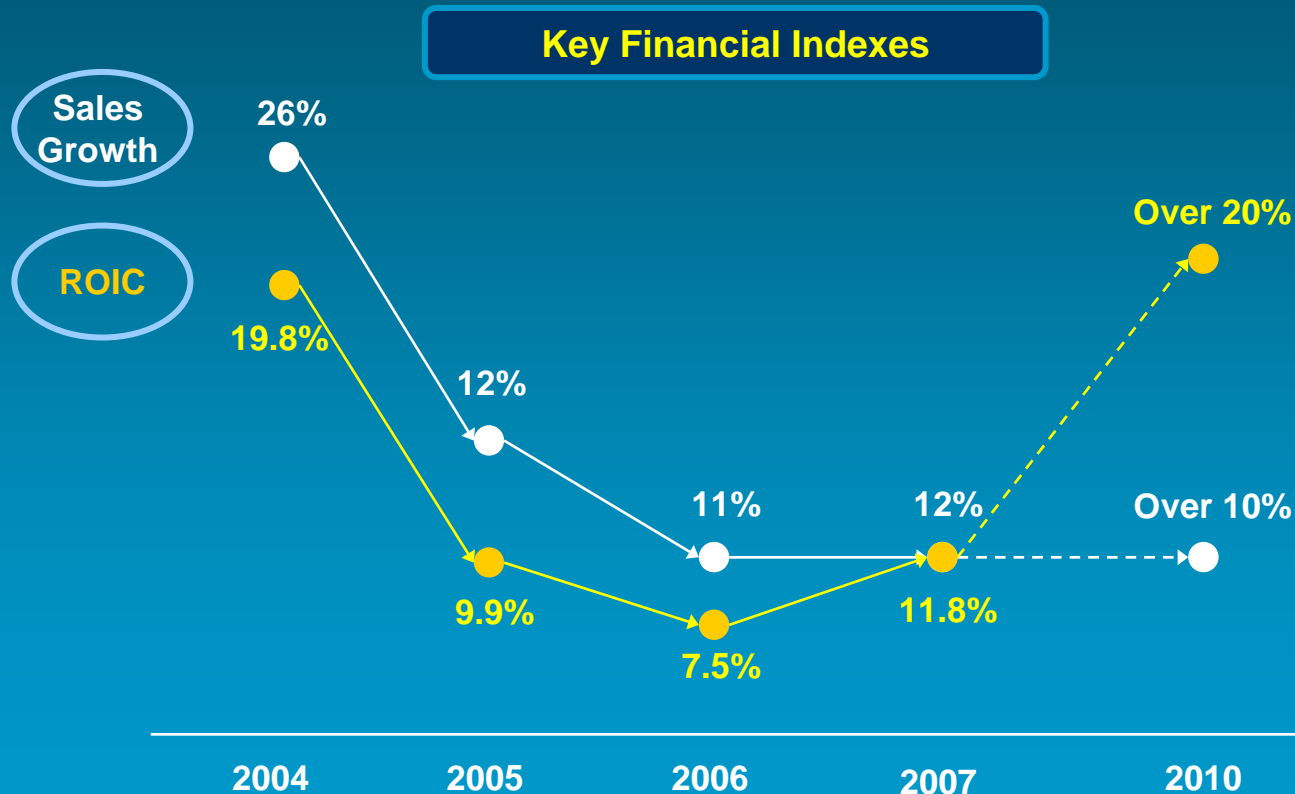
# LGE Business Domain



\*Based on LGE Global (LGE parent + overseas subsidiaries) sales in 2007

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

- Goal is to improve ROIC to over 20% by year 2010
- Various ways to improve ROIC:  
Improve profitability, discard unnecessary assets, increase efficiency, etc.



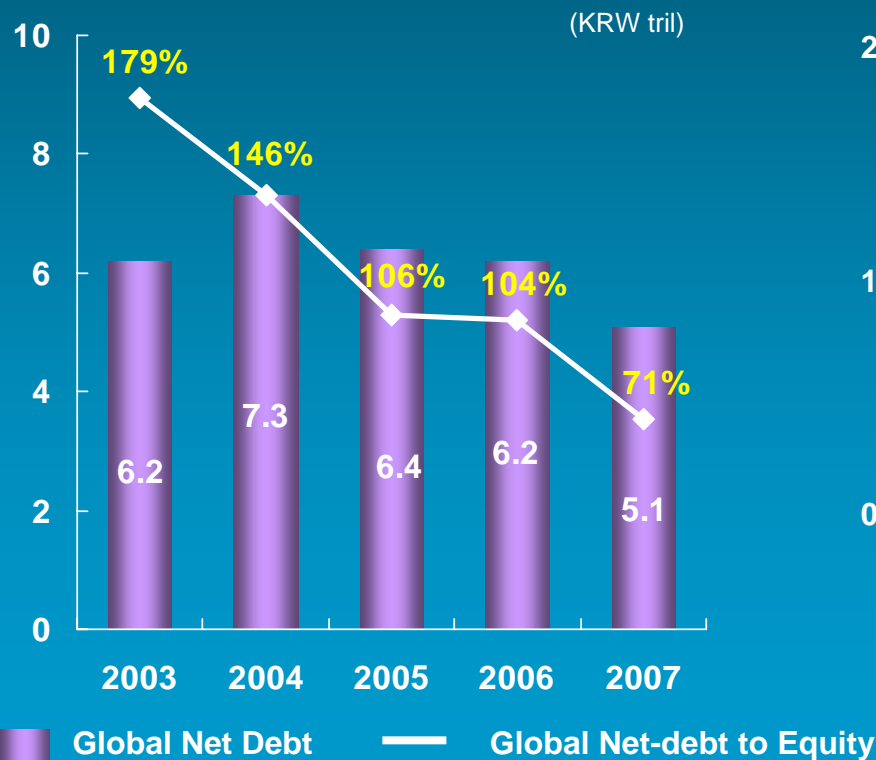
\* Sales Growth based on LGE Global (LGE Parent and LGE overseas subsidiaries) in USD.

\* ROIC is Based on LGE parent

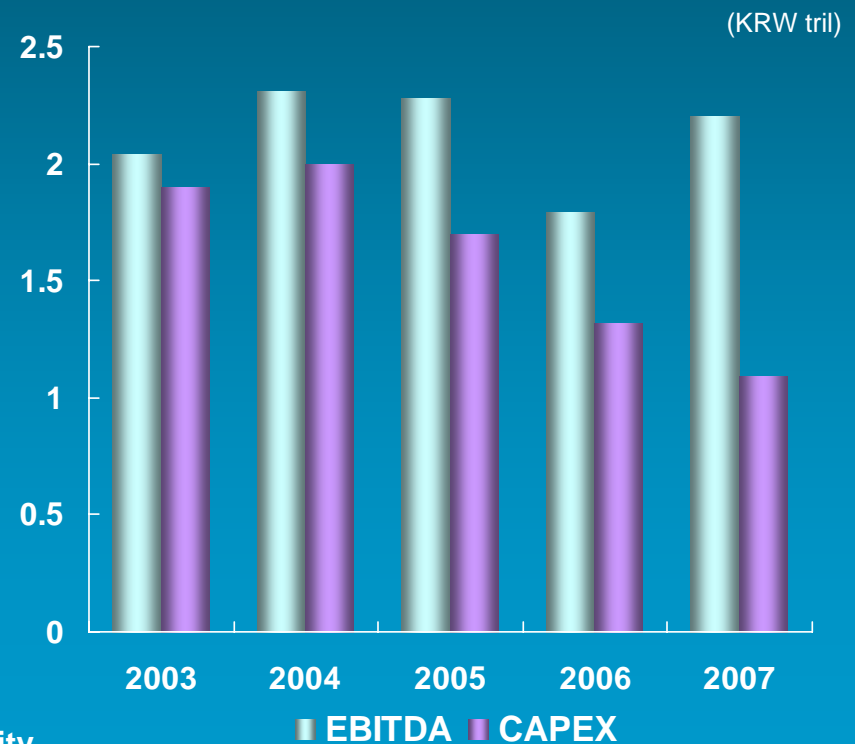
# Improvements in Financials

- Great improvements in capital structure
- Cash flow used for debt reduction
- Goal is to reduce global net-debt to equity ratio to below 70%

### Net Debt Trend



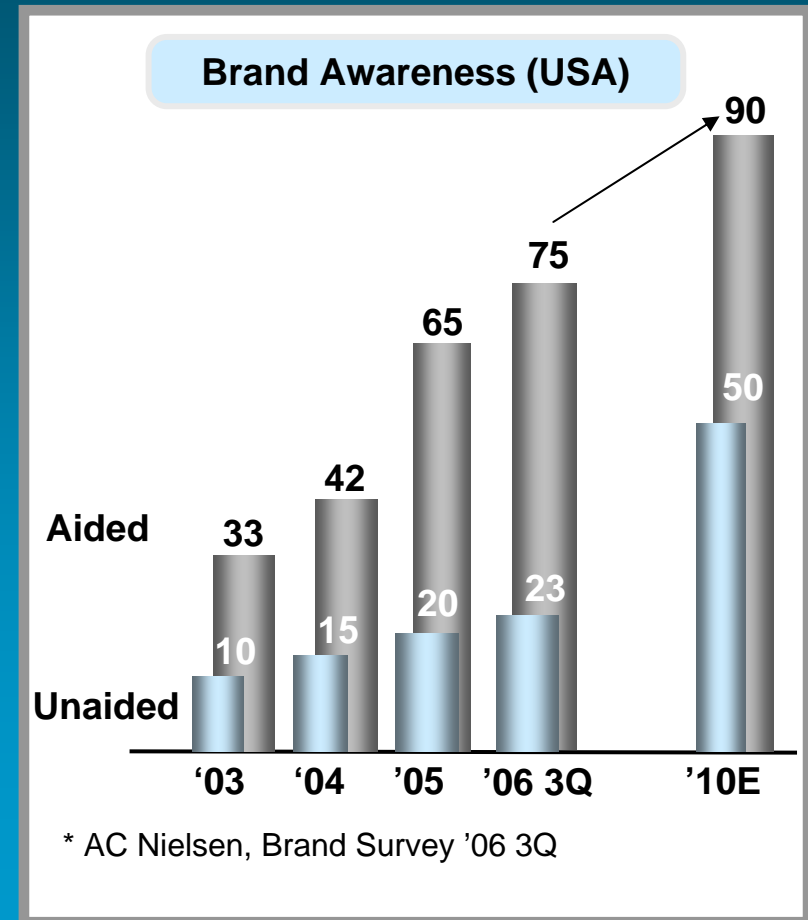
### EBITDA / CAPEX



\* Based on LGE Global

# Building Brand Awareness

- Redefining “LG Electronics” brand to premium markets
- Product-led marketing strategy: Handsets → Appliances → TV



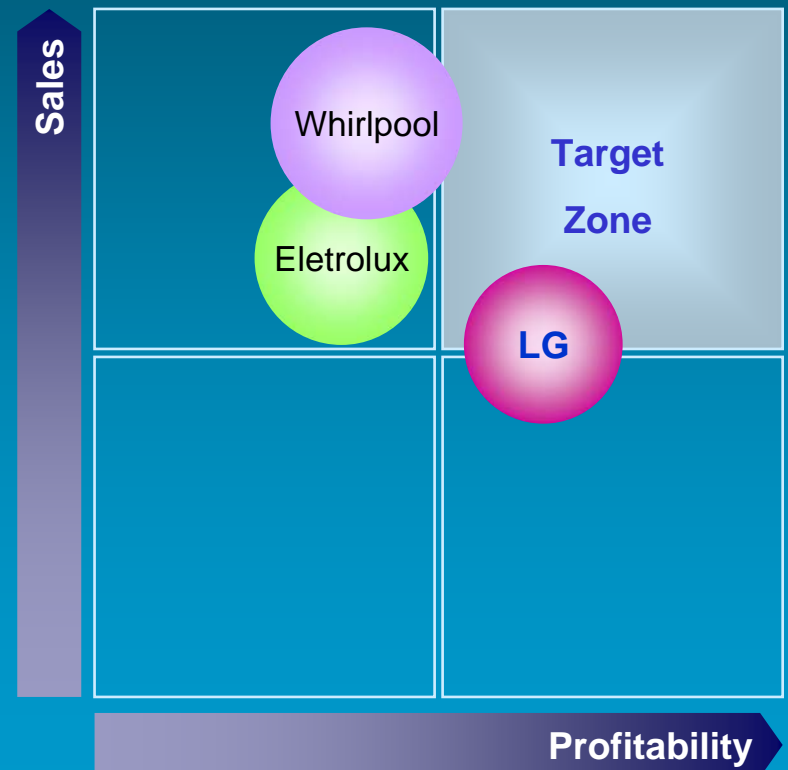
# Π. Home Appliances



# LGE: Leading Global Appliances



- Sales growth over 16% CAGR
- “Innovative products with great design”
- LGE is global #3 in terms of sales but #1 in terms of profitability



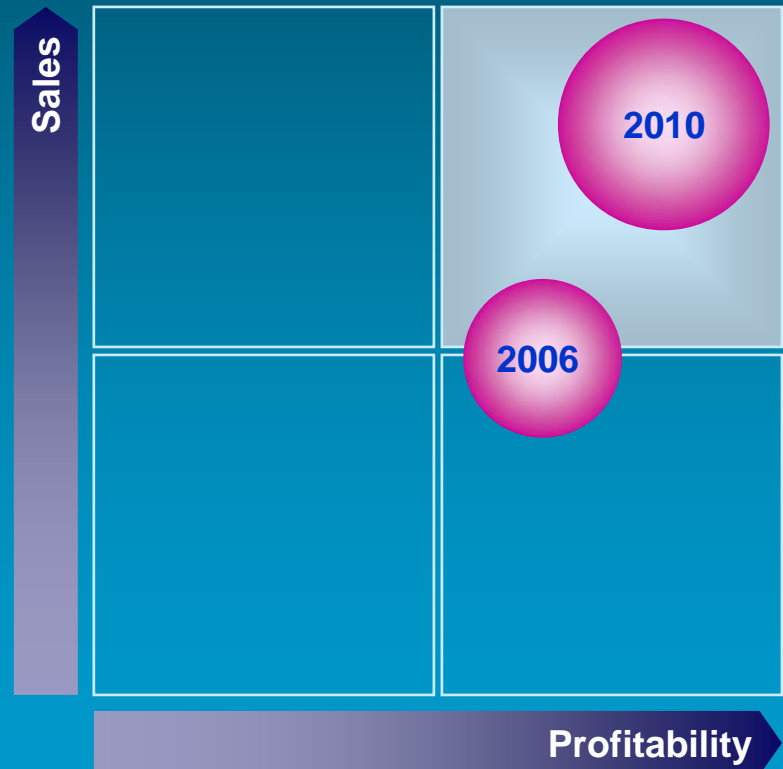
- Targeting global #1 in appliances
- Steadily growing in developed markets (U.S., Europe)
- Strong leader in emerging markets

## U.S. Distribution Channels

- Joined forces with U.S. nationwide retailers
  - 2004 : Best Buy
  - 2005 : Home Depot
  - 2007 : Sears
  - 2008 : Regional Channels

## Europe & others

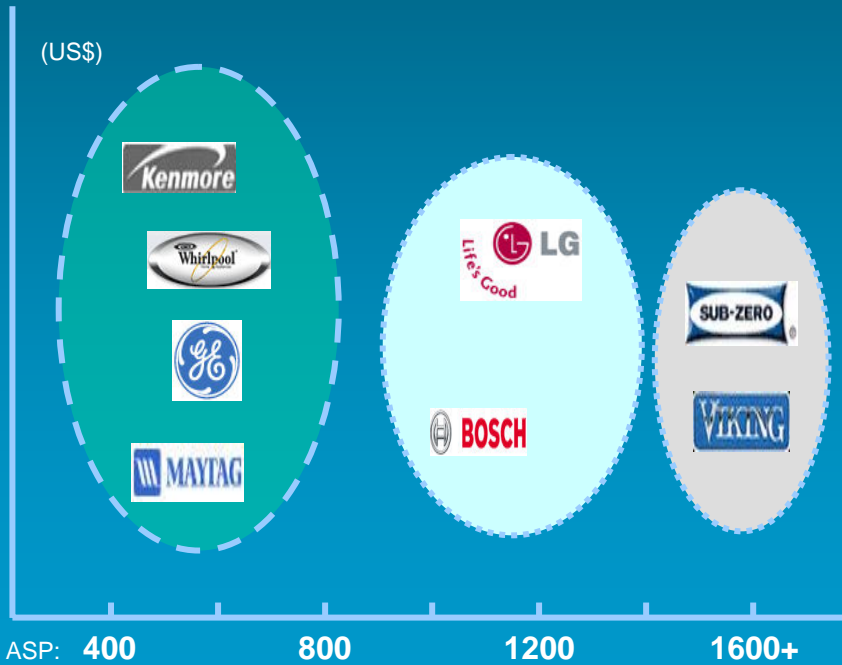
- EU channels: DSGi, KESA, etc.
- Market share in emerging countries
  - India: 27%
  - CIS: 11%
  - Brazil: 5%



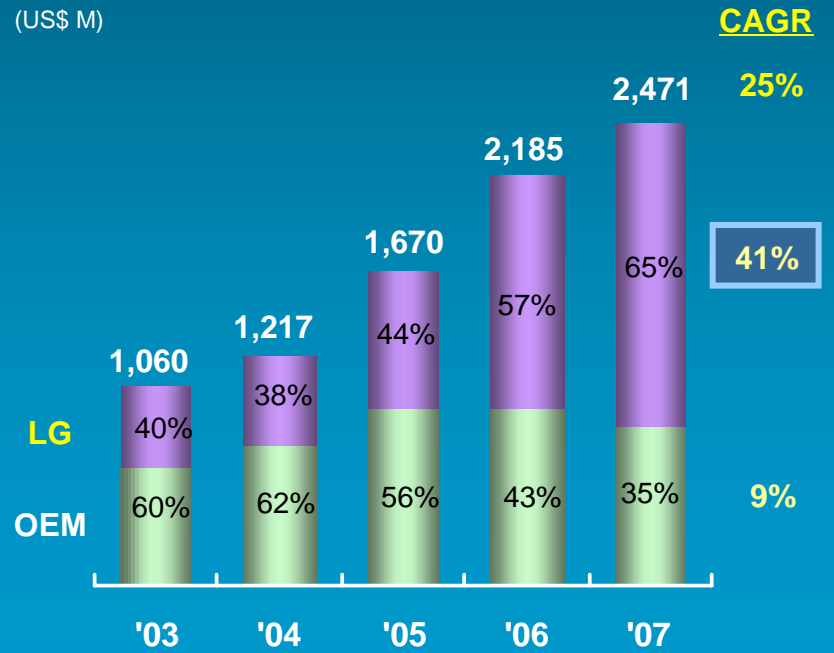
# Success in the U.S.

- LGE is positioned in the mass premium market (ASP \$1000~\$1400)
- Growth from Sears, Home Depot and Best Buy entry - major U.S. distributors
- Innovative products: Allergy care steam washing machines in various colors, etc.

## U.S. Appliance Market



## LGE U.S. Appliance Sales



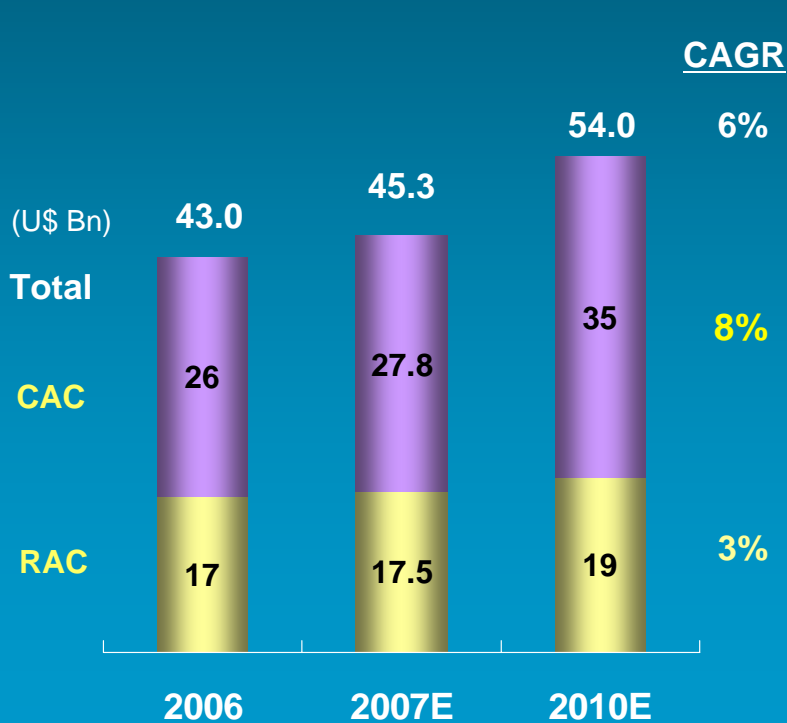
Source: Stevenson '06 1Q

# Expanding our CAC Business



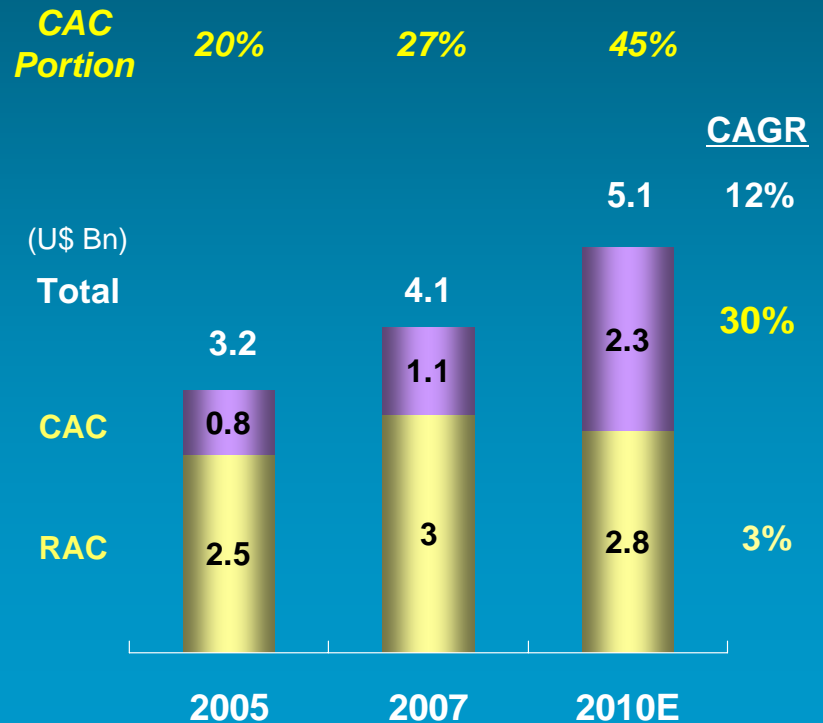
- Commercial Air Conditioner - new market for LGE
- B2B business, infrastructure and after service is important
- CACs using new energy solutions: Eco-design, reducing environmental impact

Global A/C Market



Source: Company data

LGE A/C Sales

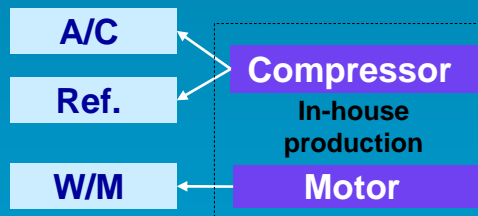


Source: Company data

- Emphasis on R&D → Innovative new products
- Highly efficient low cost production bases (China, India)
- Focusing on three major premium products: A/C, washing machines and refrigerators

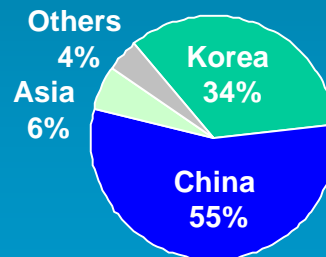
## Emphasis on R&D

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



## Global Production

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



\* Based on quantity, 2007

## Focus on High-end

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



# III. Mobile Handset



## 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

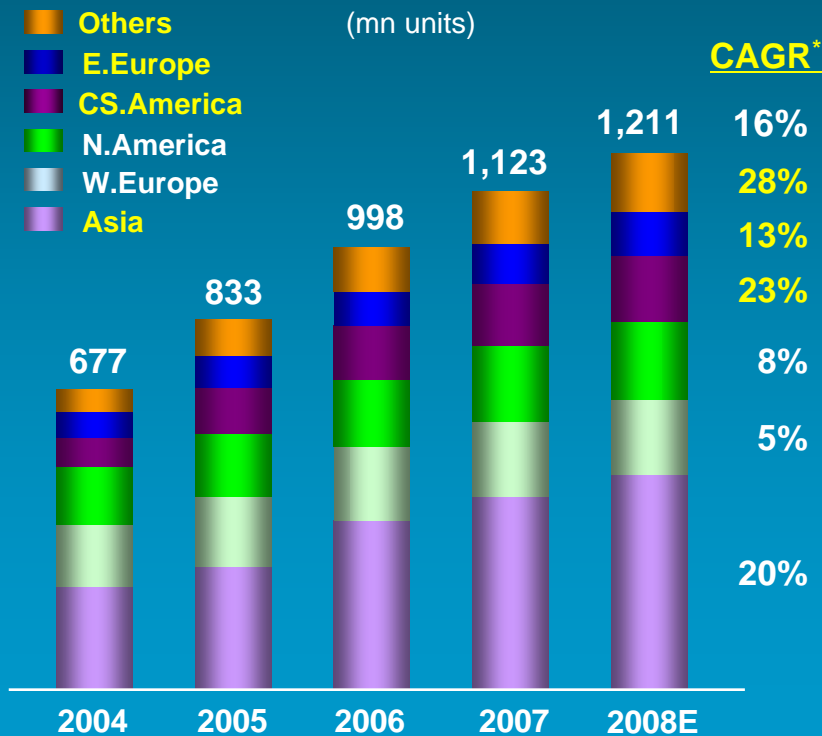
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## MOBILE

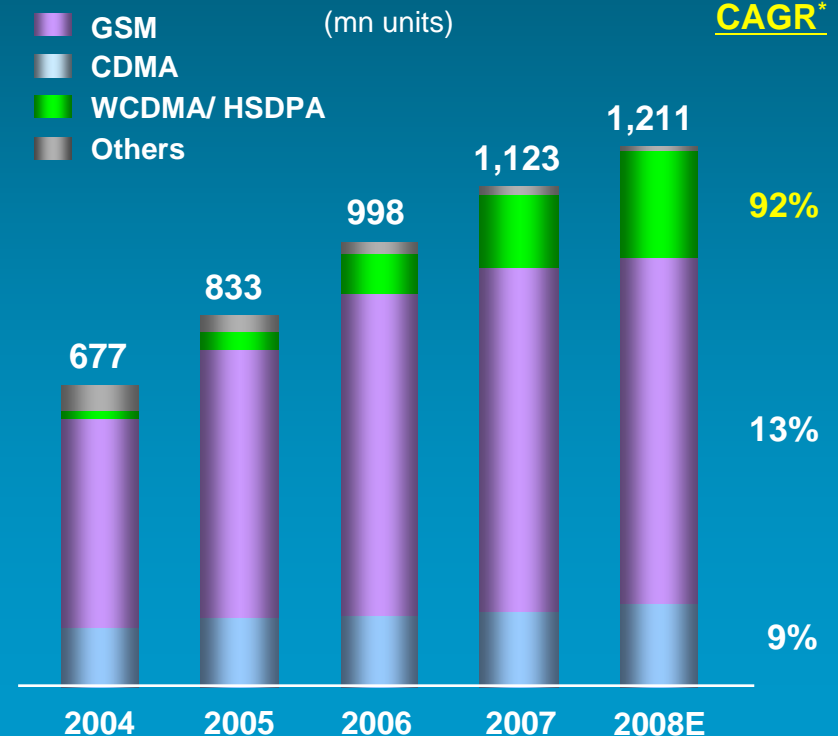
Mobile Products are opening up a more exciting and enjoyable world, a world that begins with "Dream-come-true" technology of LG Electronics.

- Emerging market is leading the handset demand
- Limited growth from CDMA
- Increase of 3G and GSM portion

## Global Demand



## Demand by Technology



\* CAGR : based on 2004 ~ 2007

\* Source : Strategy Analytics

\* CAGR : based on 2004 ~ 2007

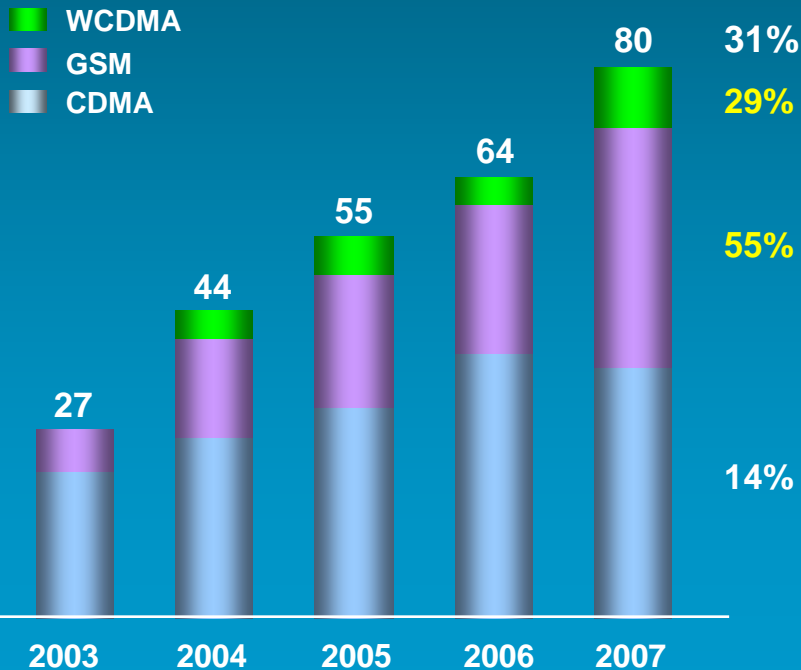
# Stable Handset Business

- In 2007, LGE showed handset stability and margin recovery (8.6%)
- Shipment reached historic high of 80.5 million units in 2007
- Continuing the success of “Black Label” & “Blue Label” series

## Shipment

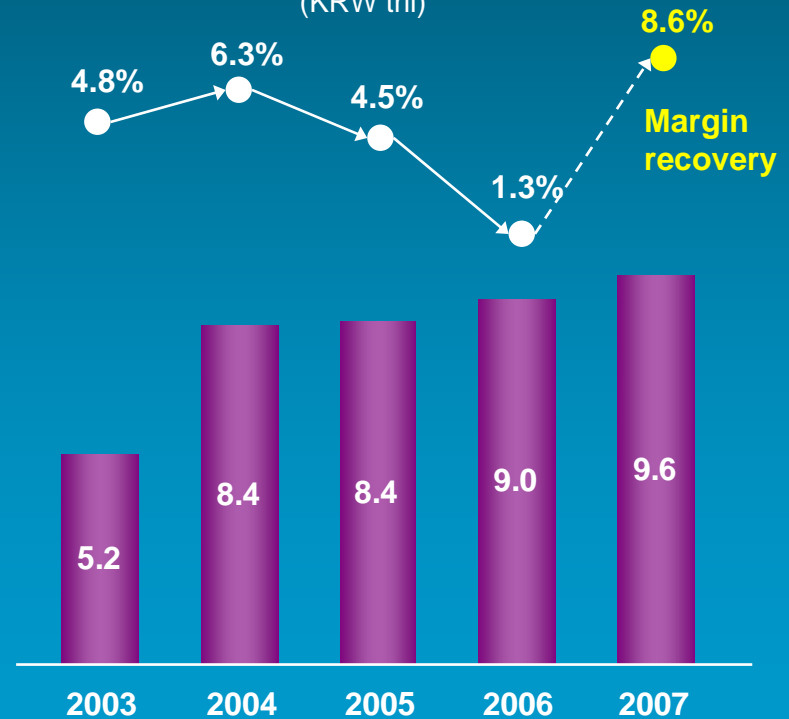
(mn units)

### CAGR



## Sales & Margin

(KRW tril)



\* Source : Company data

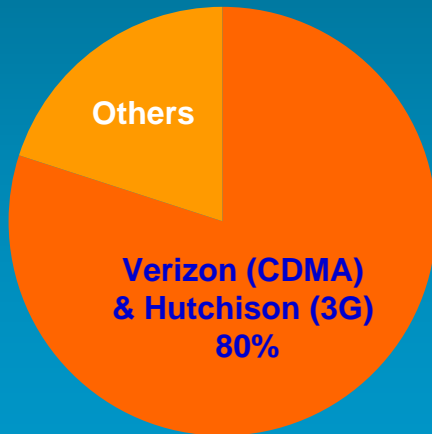
\*\* CAGR : based on 2003 ~ 2007 except for WCDMA

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

- Successful entry into GSM open market with “Chocolate”
  - “Chocolate” shipment reached 7.5M units in 2006, over 4M units in GSM
- Expansion of 3G customer base : Vodafone, AT&T, etc.

## Stabilization through Diversified Profit Portfolio

2005



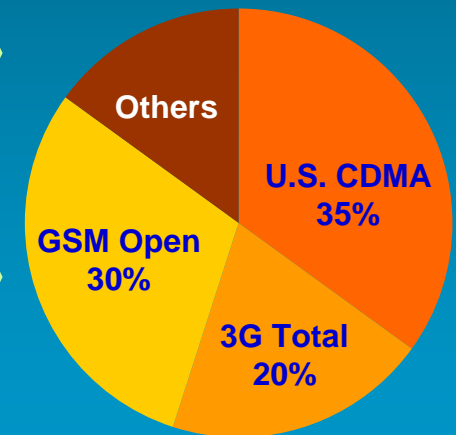
### Successful entry into GSM market

- Chocolate 7.7m in 2007
- Shine and Viewty in 2007

### Wider 3G customer base

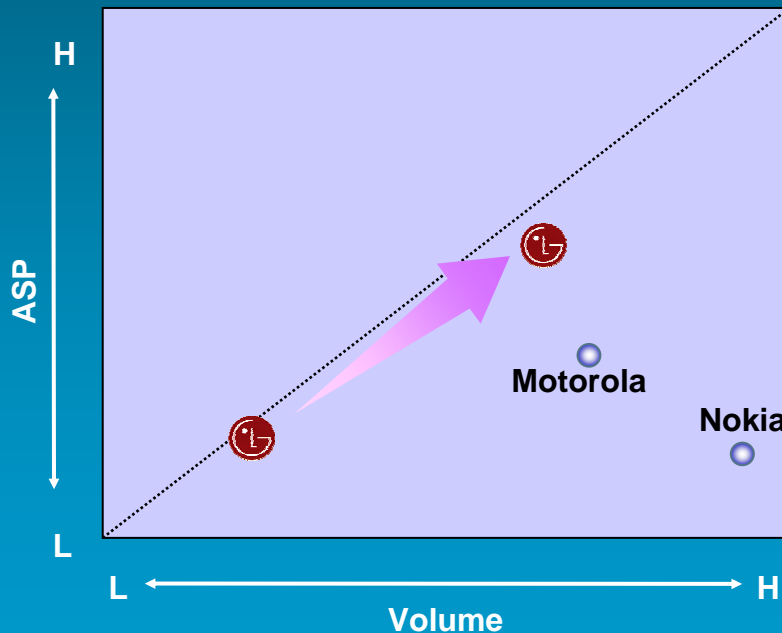
- Vodafone, AT&T, 3, etc
- Winner of GSMA’s “3G for All” project

2007



- ASP improvement just as important as growth
- Increased concentration on high-end handsets
- “LG” Brand identification through design

## Long-term Goal



## Global “Hit Product”

- Enhance design
- “User-centric” product development
- Improve market research capability

## Two tier marketing strategy

- Operator centric strategy for CDMA
- Open market strategy for GSM

## Raise blended ASP

- Take advantage of “Korea test market”
- Expand 3G models and carriers
- Move up in GSM market

## IV. Digital Display

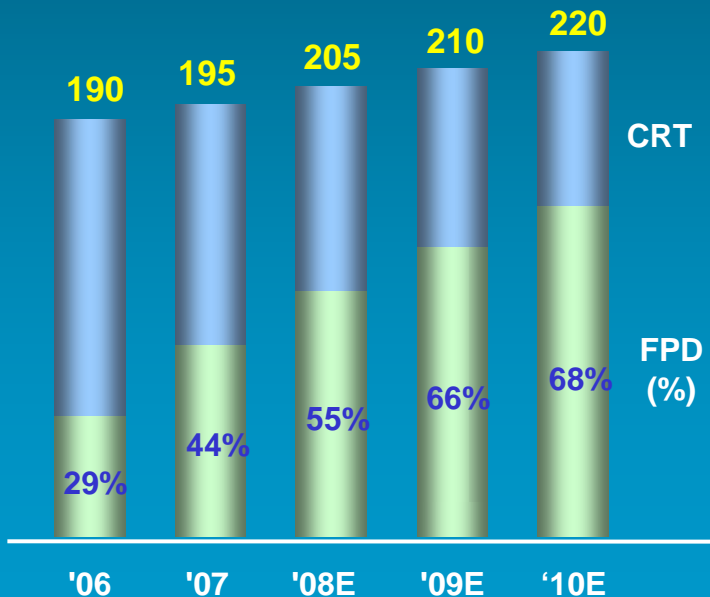


# Soaring FPD Demand

- Flat Panel technology became mainstream in the TV market
- Larger-size demand increasing rapidly backed by steep price erosion, and prevailing HD contents

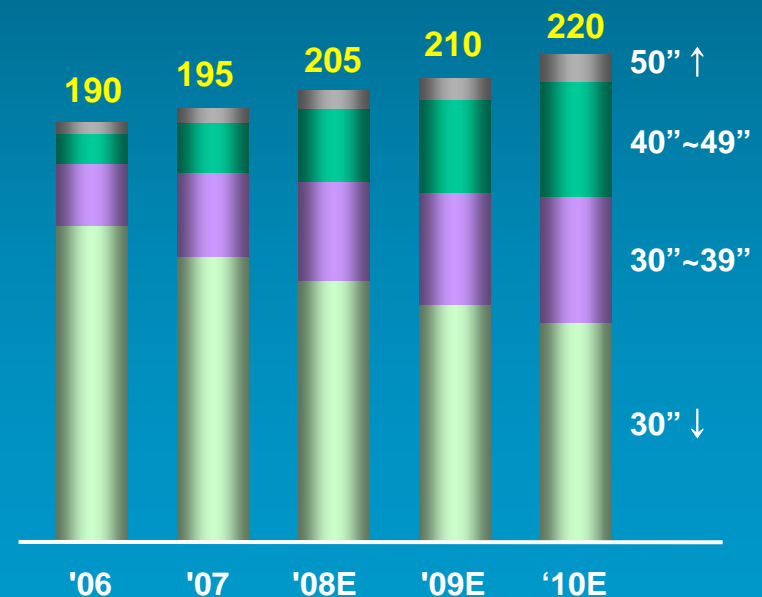
## TV Demand

(mn units)



## Demand by Size

(mn units)



- **Strengthen brand and competitiveness to improve profitability**
  - **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

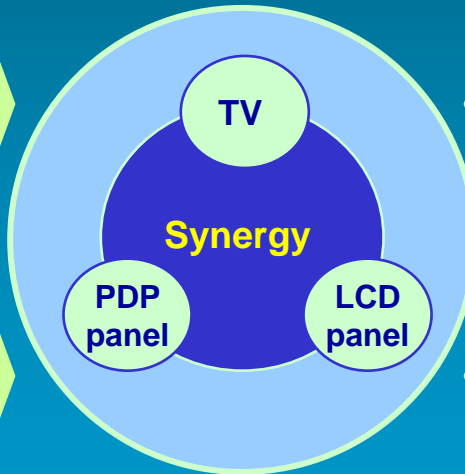
## Invest in Brand

### Build LG as premium TV brand

Increase marketing expenditure on selective markets : US, EU

### Premium pricing

Improve profitability of both TV sets and Panels



“Improve Profitability”

## Strengthen Competitiveness

### Product design and development

- LCD cooperation with LPL  
- PDP cooperation with LG-Micron

### Deliver optimized product lines

- Possession of both PDP and LCD  
→ competitive advantage



<http://www.lge.com>

# Appendix

# Divisional Sales & Profit (Parent)

(Unit :KRW bn)

		1Q'06	2Q'06	3Q'06	4Q'06	FY06	1Q'07	2Q'07	3Q'07	4Q'07	YoY	FY07	YoY
DA	Sales	1,563	1,529	1,363	1,283	5,738	1,819	1,789	1,339	1,189	-7.4%	6,135	6.9%
	Op. Profit (%)	160 (10.2%)	150 (9.8%)	58 (4.3%)	62 (4.9%)	430 (7.5%)	218 (12.0%)	173 (9.7%)	65 (4.8%)	55 (4.7%)		511 (8.3%)	
DD	Sales	1,446	1,443	1,725	1,212	5,825	1,214	1,093	1,389	1,441	19.0%	5,137	-11.8%
	Op. Profit (%)	30 (2.0%)	21 (1.4%)	43 (2.5%)	-147 (-12.1%)	-54 (-0.9%)	-194 (-16.0%)	-265 (-24.2%)	-160 (-11.5%)	-96 (-6.6%)		-714 (-13.9%)	
DM	Sales	770	641	665	663	2,738	713	613	698	688	3.8%	2,712	-0.9%
	Op. Profit (%)	23 (3.0%)	11 (1.8%)	8 (1.3%)	-20 (-3.1%)	22 (0.8%)	6 (0.8%)	-17 (-2.7%)	15 (2.1%)	-6 (-0.9%)		-2 (-0.1%)	
MC	Sales	2,050	2,211	2,326	2,370	8,958	2,300	2,423	2,283	2,567	8.3%	9,573	6.9%
	Op. Profit (%)	-9 (-0.4%)	21 (0.9%)	98 (4.2%)	72 (3.0%)	182 (2.0%)	155 (6.7%)	265 (10.9%)	181 (7.9%)	209 (8.1%)		809 (8.4%)	
Handset	Sales	1,855	2,032	2,149	2,204	8,240	2,136	2,253	2,131	2,422	9.9%	8,942	8.5%
	Op. Profit (%)	-31 (-1.7%)	-3 (-0.1%)	79 (3.7%)	58 (2.6%)	103 (1.3%)	141 (6.6%)	254 (11.3%)	170 (8.0%)	200 (8.3%)		765 (8.6%)	
Others	Sales	-286	-275	-242	-73	-876	-122	-141	-187	-97		-547	
	Op. Profit	-126	-123	-103	-102	-454	-108	-107	-86	-82		-384	
Total	Sales	5,800	5,796	6,054	5,520	23,171	6,034	5,903	5,690	5,875	6.4%	23,502	1.4%
	Op. Profit (%)	191 (3.3%)	190 (3.3%)	197 (3.3%)	-43 (-0.8%)	535 (2.3%)	173 (2.9%)	146 (2.5%)	92 (1.6%)	154 (2.6%)		565 (2.4%)	

\* Divisional sales includes internal transaction between divisions

# Appendix

# Divisional Sales & Profit (Global\*)

(Unit :KRW bn)

		1Q'06	2Q'06	3Q'06	4Q'06	FY06	1Q'07	2Q'07	3Q'07	4Q'07	YoY	FY07	YoY
DA	Sales	2,556	2,969	2,500	2,352	10,376	2,941	3,604	2,785	2,473	5.1%	11,803	13.8%
	Op. Profit (%)	117 (4.6%)	248 (8.3%)	107 (4.3%)	123 (5.2%)	594 (5.7%)	169 (5.7%)	292 (8.1%)	150 (5.4%)	107 (4.3%)		717 (6.1%)	
DD	Sales	2,714	2,786	2,672	3,197	11,368	2,754	2,727	3,170	3,968	24.1%	12,619	11.0%
	Op. Profit (%)	44 (1.6%)	53 (1.9%)	70 (2.6%)	-97 (-3.0%)	70 (0.6%)	-262 (-9.5%)	-138 (-5.1%)	-29 (-0.9%)	-11 (-0.3%)		-440 (-3.5%)	
DM	Sales	1,449	1,242	1,217	1,492	5,401	1,382	1,246	1,336	1,430	-4.1%	5,394	-0.1%
	Op. Profit (%)	52 (3.6%)	11 (0.9%)	-4 (-0.4%)	13 (0.9%)	72 (1.3%)	11 (0.8%)	-4 (-0.3%)	29 (2.2%)	27 (1.9%)		62 (1.2%)	
MC	Sales	2,186	2,302	2,533	2,764	9,786	2,509	2,865	2,635	3,050	10.3%	11,059	13.0%
	Op. Profit (%)	-30 (-1.4%)	9 (0.4%)	46 (1.8%)	128 (4.6%)	153 (1.6%)	121 (4.8%)	325 (11.3%)	220 (8.4%)	267 (8.7%)		933 (8.4%)	
Handset	Sales	1,998	2,134	2,367	2,599	9,099	2,354	2,709	2,496	2,917	12.2%	10,476	15.1%
	Op. Profit (%)	-52 (-2.6%)	-15 (-0.7%)	26 (1.1%)	114 (4.4%)	74 (0.8%)	110 (4.7%)	313 (11.6%)	209 (8.4%)	257 (8.8%)		889 (8.5%)	
Others	Sales	-45	-39	-53	-63	-201	8	-11	-16	-7		-27	
	Op. Profit	-13	-12	-10	-10	-45	-11	-11	-9	-8		-38	
Total	Sales	8,860	9,260	8,869	9,742	36,730	9,593	10,430	9,911	10,914	12.0%	40,848	11.2%
	Op. Profit (%)	171 (1.9%)	308 (3.3%)	208 (2.3%)	157 (1.6%)	844 (2.3%)	28 (0.3%)	464 (4.4%)	362 (3.6%)	381 (3.5%)		1,234 (3.0%)	

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