

Charting our direction

2007. 4. 19



LG Electronics

PILLARS OF OUR STRATEGY

Become the leading consumer electronics player in the world

- Enhancing customer value with innovation and design
- Delivering superior returns to shareholders
- Developing the “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

ALIGN STRATEGY FOR GROWTH AND ROIC

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- **New strategy and business planning process, with performance measures on ROIC**

- **Margin improvement initiatives underway**

- Optimize product mix to enhance pricing
- Consolidate purchasing
- Expand lean manufacturing practice
- SKU rationalization
- Corporate center restructuring

- **Asset productivity initiatives**

- Tighter cash cycles
- Reduce inventories
- Delay / reduce non-critical CAPEX
- Eliminate non-productive assets

MANAGE PORTFOLIO TO WIN

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- Focus on businesses where we can and should be in Top 3
- Key consideration for each product and market, e.g.,
 - Size and growth of the market
 - Profit pool
 - Current competitive position
- Actions likely to include
 - Optimizing business portfolio
 - Innovating go-to-market approaches in some products and countries
 - Restructuring unprofitable businesses
 - Bringing in partners where we can benefit each other
- Reviews on-going and decisions will be made in 2nd half of '07

DEVELOP STRATIES FOR THE “POLARIZING” CONSUMER

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● **Consumers “polarizing”**

● **Position as premium in all markets**

- Innovations in design and technology for ‘Trading-up’ consumers
- Cost competitiveness for ‘Trading-down’ consumers

● **Focus on high-end market, while establishing “aspirational” position in the low-end**

INNOVATE THROUGH DESIGN AS WELL AS TECHNOLOGY

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● **Innovation based on customer insights**

● **Cultivate design as key competitive edge**

- Success to date with Chocolate, Shine, Steam TROMM, Art DIOS – many more to come

● **Continue investment in R&D and design**

INVEST IN GLOBAL BRAND IDENTITY

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- **Increase investment to build brand identity**
 - Not just about awareness, but real brand pull and emotional bond
- **Position brand to appeal to premium segment and establish “aspiration” for others**
- **Global brand identity initiatives**
 - Brand re-positioning
 - Revamped communication
 - Marketing spend reallocations

ALIGN AND UPGRADE OF ORGANIZATION FOR THE FUTURE

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- Enhance structure, roles, processes and measurements to focus on ROIC
- Upgrade key functional areas such as marketing, purchasing, SCM, manufacturing and innovation
- Recruit and develop global talent in all areas

STRATEGIC INITIATIVES FOR DIGITAL DISPLAY

- **Realign product/market priorities to meet consumer demand and profit challenges (e.g. focus 50"+ for PDP TV, strengthen 40"+ for LCD TV)**
- **Aggressively reduce COGS (e.g. integrated purchasing, launch of cost-innovation models) to minimize margin loss and prepare stronger foundation for expected supply/demand balance**
 - Improvement expected in 2H, '07 and beyond
- **Targeted R&D investment to improve quality and cost**
- **Explore options to restructure PDP business to better align with overall FPTV strategy**