



Performance in 2008

The business environment in 2008 was an unfavorable one due to the global economic recession, which brought about intensified competition. However, as a result of considerable improvements in productivity, business-wide cost-saving measures in areas including R&D, services, support functions, and production, and growth in sales of premium products, the electronics business was able to achieve meaningful performance growth.

In 2008, LG Electronics recorded KRW 49.3 trillion in global revenue, a 21% increase from the previous year. Revenue from exports accounted for about 87% of the total. Operating income soared by 73% year-on-year to KRW 2.1 trillion thanks to improved performance in core business areas such as mobile handsets and TVs.

The overall increase in sales during 2008 demonstrates the success of the company's strategic focus on creating customer value and ROIC-driven management. Above all, brand awareness has improved substantially. Corporate brand awareness of LG Electronics grew from 27% in 2007 to 39% in 2008 in terms of unaided awareness. In particular, TV brand awareness in North America recorded a significant improvement. In addition, the focus of the business operation completely shifted to customers and, as a result, product competitiveness was enhanced. In product development, a customer insight-based process was introduced based on which hit products such as the Viewty and the Voyager mobile phones and the Scarlet LCD TV were launched in succession. They won positive evaluations from consumers and contributed greatly to increases in sales and profitability. In particular, 2008 was a significant year in that LG Electronics sold more than 100 million handsets and became one of the world's top three players.

LG Display, including headquarters and overseas subsidiaries, achieved KRW 16.3 trillion in annual revenue and KRW 1.7 trillion in operating income, both of which are company records.

Despite an oversupply beginning in the third quarter and a serious global recession triggered by the financial crisis in the United States, LG Display performed relatively well based on the technological strength and sales know-how it had built up. Mass production at the Guangzhou plant was successfully launched. Business transformation through strategic alliances with players in upstream and downstream industries was undertaken smoothly, including the establishment of a joint venture with AmTRAN Technology of Taiwan and equity investments in Avaco and TLI Inc.

In addition, IPS (In-Plane Switching) technology marketing activities in China also generated a positive impact. The company was able to gain the confidence that technology marketing can spread out globally.

Although the market environment changed drastically over the past year, LG Display strengthened its position to address market changes effectively and, as a result, was able to achieve its highest-ever revenue and operating income in 2008.

Business Strategy for 2009

In 2009, lowered demand brought on by the global economic recession will continue, and the ensuing stepped-up competition is expected to escalate. This will be one of the most challenging periods ever. LG Electronics plans to focus on bolstering its risk management system to cope with the economic slowdown, turning this recession into an opportunity to strengthen fundamentals, build up differentiated capabilities, and secure a base for mid-to long-term competitive edges.

To begin, the company will reduce costs in non-strategic areas while continuing to invest resources to secure core capabilities such as brand marketing, R&D, and design. Whenever possible, it will seek opportunities to strengthen its market dominance.

In addition, the company will promote operational flexibility to improve cost structure and maximize operational efficiency. Supply stability such as "On Time Delivery" and demand management capability such as "Sales Forecast Accuracy" will be improved to increase overall capabilities in supply chain management. Aggressive efforts will be also made to optimize global production sites. LG Electronics will also set up a powerful risk management system to address the economic recession. Monitoring will be tightened for regions and that present high risks in revenue and profitability, and action plans will be devised to counter possible risks. In addition, debt and inventories will be rigorously managed to improve working capital and stabilize financial structure.

Based on these activities, the company will place emphasis on coping with the global recession and building a base for mid-to long-term growth in order to secure a clear competitive edge and take the lead when the global economy turns around.

In 2009, LG Display aims to overcome the crisis wisely and, at the same time, turn the threat into an opportunity. It is true that the global economy and the LCD market are not favorable at this time, but confidence that intense efforts made by the company over the past two years to improve soundness are on track is the greatest asset to be emerged as a winner.

This year, LG Display will start operating new production lines to preempt new markets. The company plans to begin mass-production of its 8G line in Paju in the first half of this year and of its expanded 6G line in Gumi in the second quarter. Then, the company will aim to capture the rapidly growing LCD market for 50-inch LCD TVs and the laptops and monitors with 16:9 ratio screens to achieve leadership in the new markets.

In addition, over the long term LG Display aspires to become the "Number One Display Company in Profitability by 2011". The company believes that it is most important to move away from the old paradigm of the LCD industry with its volume growth driven by over-investment and economies of scale and solidify a profitable base to ensure sustainable growth despite the risks of intense competition and large-scale investment.

To this end, LG Display will continue to push forward the "maximum capacity and minimum loss" initiative to achieve its highest productivity. This movement to maximize productivity efficiency, which had the effect of increasing production capacity by over 25% without any new investment in 2008 alone, serves as the basis for building soundness and a profitable base for LG Display. New production lines such as the 8G line and expanded 6G line will increase production capacity in line with the market situation. However, introducing the concept of greatest production efficiency from the time a line is built is expected to assure not only the highest productivity but also profitability from the beginning of its operation.

Faced with the crisis of the global economic recession, LG Display has braced itself to capture new markets by running new production lines, to attract additional high-value clients by offering distinctive value, to secure profitability through stronger fundamentals, to generate performance that surpasses its competitors' by developing new growth drivers, and to make the first move when the LCD market recovers.

LG Display will further ensure its profitability through new resolutions and determination and strive to exceed the expectations of shareholders at all times.

LG Electronics Inc.

Since being founded in 1958 as Goldstar, LG Electronics has stood at the fore of the Korean electronics industry through innovative technology and product development in the fields of electronics and information & telecommunications. It has now become a key global player in all of these sectors. As a result of on-going R&D investment, aggressive global marketing, and continuous innovation, the company has secured worldwide product and market leadership and is opening a new chapter in the world's electronics and telecommunications industries. LG Electronics consists of four divisions: mobile communication, digital appliance, digital display, and digital media. The company develops its global business through a network of more than 80 production and sales subsidiaries around the world and a global marketing organization.

Date of establishment October 1958
Address 20 Yeouido-dong, Yeongdeungpo-gu, Seoul
 Sites in Korea (production and R&D) : Pyeongtaek, Gumi, Changwon, Cheongju, Anyang, Seongnam (Bundang) and Seoul
 Global network (subsidiaries) : 82 subsidiaries
CEO Yong Nam
Business divisions
 · Home Entertainment : LCD/Plasma TVs, Audio, Video, Optical Storage
 · Mobile Communications : Mobile Phones, Netbooks
 · Home Appliance : Washing Machines, Refrigerators, etc.
 · Air Conditioning : Residential/Commercial Air Conditioners, HomNet Solution, Compressor
 · Business Solutions : Monitors, Commercial Displays, Car Infotainment, Security Business
Homepage www.lge.com / www.lge.co.kr

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	4,517,638	2,827,427
Non-current Assets	12,820,243	11,510,378
Total Assets	17,337,881	14,337,805
Current Liabilities	5,941,588	4,422,631
Non-current Liabilities	2,989,488	2,704,472
Total Liabilities	8,931,076	7,127,103
Capital stock	809,169	809,169
Capital Surplus	2,651,911	2,219,993
Capital Adjustments	4,117,223	(44,893)
Accumulated Other Comprehensive Income	(44,893)	703,467
Retained Earnings	873,395	3,522,966
Total Shareholders' Equity	8,406,805	7,210,702
Sales	27,638,515	23,501,935
Operating Income	1,226,889	564,584
Income before Income Taxes Expenses	515,024	1,486,913
Net Income	482,786	1,222,395
Gains (Losses) from Equity Method	127,896	276,405
LG Corp. Ownership	34.8%	34.8%

Siltron Inc.

Since its inception in 1985, Siltron has grown into Korea's leading silicon wafer manufacturer. Wafers are the building blocks used to make semiconductor substrates. Siltron aspires to be a leader in the evolution of digital devices by developing key materials for the digital industry based on a spirit of creativity and challenge, and to provide the greatest value to its shareholders, customers, and employees by pursuing profitability and growth. To this end, the company is diversifying its business in order to produce polished wafers, processed wafers, compound substrate and wafers using state-of-the-art materials.

Date of establishment April 1985
Address 164-2 Simi-dong, Gumi-si, Gyeongsangbuk-do
 Sites in Korea (production and R&D) : Gumi and Icheon
 Global network (subsidiary) : United States (sales subsidiary)
CEO Hee Gook Lee
Products 100, 125, 150, 200, 300mm polished wafers, 150, 200, 300mm epitaxial wafers, 125 x 125, 156 x 156 mm solar cell wafers
Homepage www.siltron.co.kr

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	321,010	260,863
Non-current Assets	986,703	791,290
Total Assets	1,307,713	1,052,153
Current Liabilities	447,561	303,535
Non-current Liabilities	371,572	239,988
Total Liabilities	819,133	543,523
Capital stock	33,512	33,512
Capital Surplus	28,265	28,265
Capital Adjustments	426,567	-
Accumulated Other Comprehensive Income	-	(1,213)
Retained Earnings	237	448,066
Total Shareholders' Equity	488,581	508,630
Sales	872,439	830,494
Operating Income	116,222	180,408
Income before Income Taxes Expenses	(3,252)	186,092
Net Income	3,635	167,893
Gains (Losses) from Equity Method	(2,438)	78,335
LG Corp. Ownership	51.0%	51.0%

Lusem Co., Ltd.

Lusem, a joint venture between LG Corp. and OKI Electronics of Japan, produces drive ICs, a key component in flat panel displays. The company is advancing to become the world's no. 1 industry player through passion, a sense of ownership, and an innovative mindset.

Date of establishment July 2004
Address 1Block 23 Lot 5, Gumi National 4th Complex, Gupo-dong, Gumi-si, Gyeongsangbuk-do
CEO Dong Chan Kim
Products Drive ICs, a core component of flat panel displays
Homepage www.lusem.com

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	60,005	48,091
Non-current Assets	21,839	33,729
Total Assets	81,844	81,820
Current Liabilities	31,101	43,628
Non-current Liabilities	5,484	6,880
Total Liabilities	36,585	50,507
Capital stock	10,800	10,800
Capital Surplus	3,748	3,748
Capital Adjustments	30,711	-
Accumulated Other Comprehensive Income	-	-
Retained Earnings	-	16,765
Total Shareholders' Equity	45,259	31,313
Sales	261,440	213,254
Operating Income	22,504	11,998
Income before Income Taxes Expenses	17,856	10,519
Net Income	15,026	9,610
Gains (Losses) from Equity Method	9,758	6,210
LG Corp. Ownership	64.8%	64.8%

Financial Information

Unit : KRW one million

	LG Display Co., Ltd.		LG Innotek Co., Ltd.		LG Micron Ltd.	
	Manufacture of TFT - LCDs		Manufacture of other electronic parts		Manufacture of other electronic parts	
	2008	2007	2008	2007	2008	2007
Current Assets	6,256,112	5,644,253	453,719	298,811	323,665	171,816
Non-current Assets	10,245,875	7,750,182	357,847	263,272	693,350	666,100
Total Assets	16,501,987	13,394,435	811,565	562,083	1,017,015	837,916
Current Liabilities	4,581,959	2,245,410	258,465	256,632	497,822	215,410
Non-current Liabilities	2,644,007	2,859,652	61,359	49,582	173,229	286,815
Total Liabilities	7,225,965	5,105,062	319,825	306,214	671,051	502,225
Capital stock	1,789,079	1,789,079	60,104	43,104	53,882	37,500
Capital Surplus	2,311,071	2,311,071	175,170	56,243	114,312	87,413
Capital Adjustments	5,001,935	-	256,467	-	173,387	-
Accumulated Other Comprehensive Income	-	5,823	-	(1,679)	-	(3,086)
Retained Earnings	173,938	4,183,400	-	158,201	4,384	213,865
Total Shareholders' Equity	9,276,022	8,289,373	491,741	255,869	345,964	335,692
Sales	15,865,240	14,163,131	1,415,644	1,321,354	895,305	665,831
Operating Income	1,536,306	1,491,135	50,969	10,782	59,581	(1,127)
Income before Income Taxes Expenses	1,293,480	1,545,562	52,306	30,930	(46,750)	(40,635)
Net Income	1,086,896	1,344,027	56,411	25,176	(40,805)	(38,812)

Financial Information

Unit : KRW one million

	Hiplaza Co., Ltd.		Hi Business Logistics		System Air-con Engineering Incorporation	
	Home appliances retail/wholesale/service		Freight brokerage		Repair of other general machinery & equipment	
	2008	2007	2008	2007	2008	2007
Current Assets	96,824	59,082	44,265	37,264	2,858	1,746
Non-current Assets	155,409	131,324	26,214	22,293	899	486
Total Assets	252,233	190,406	70,479	59,557	3,757	2,232
Current Liabilities	121,377	57,860	38,102	36,424	1,936	449
Non-current Liabilities	12,556	14,202	1,792	1,223	67	48
Total Liabilities	133,932	72,062	39,893	37,647	2,003	497
Capital stock	37,200	37,200	3,600	3,600	1,700	1,700
Capital Surplus	62,458	62,458	4,400	4,400	-	-
Capital Adjustments	18,644	-	20,409	-	(7)	(14)
Accumulated Other Comprehensive Income	-	-	-	344	-	-
Retained Earnings	-	18,687	2,176	13,566	62	49
Total Shareholders' Equity	118,301	118,345	30,585	21,910	1,755	1,735
Sales	784,296	743,357	290,940	270,544	37,340	5,344
Operating Income	2,601	2,997	8,265	8,409	25	(6)
Income before Income Taxes Expenses	31	2,719	8,984	8,391	21	50
Net Income	(43)	1,961	6,843	5,764	20	37