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.
I. Business Overview
Business Domain

LG Electronics

LG.Philips LCD

LG.Philips Displays

28% Digital Appliance

31% Digital Display

15% Digital Media

26% Mobile Communications

- Refrigerator 27%
- Washing Machine 20%
- Living 11%
- Others 11%
- Air conditioner 34%

- PDP 16%
- Monitor 31%
- TV 50%
- Others 3%

- PC 23%
- Media 33%
- OS 44%

- PCB 3%
- Network 5%
- Handset 92%

*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
20% ROIC target through margin improvement & efficient asset utilization

- Purchasing consolidation, SKU rationalization, corporate center restructuring, inventory reduction, asset disposal, etc.

ROIC Target

 Margin Improvement
Operating Income

<table>
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<th>Year</th>
<th>Margin Improvement</th>
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<tr>
<td>'06</td>
<td>2.3%</td>
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<tr>
<td>'10</td>
<td>&gt;6.0%</td>
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Efficient Asset Utilization
Capital turnover

<table>
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<th>Year</th>
<th>Utilization</th>
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<td>'06</td>
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<tr>
<td>'10</td>
<td>&gt;4.0</td>
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</table>

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

- Tighten cash cycles
- Reduce inventories
- Delay or reduce non-critical CAPEX
- Eliminate non-productive assets
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
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

<table>
<thead>
<tr>
<th>New band identity</th>
<th>Leading design &amp; technology</th>
<th>Building Best-in-class Capabilities</th>
</tr>
</thead>
</table>
| Brand repositioning and new communication strategy
  - not just about awareness, but real brand pull and emotional bond | Aligning technology with business strategy and customer insight
  - Improving design capability | Introducing world class talent and best practices
  - Recruit global talent C-level functional positions |
| Reallocation of marketing resource | Developing design processes | Creating and presenting individual development programs |
Ⅲ. Divisional Highlights
# 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

Sales

Profitability

2010

2006
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

**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

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

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- A/C
- Ref.
- W/M

*Compressor*

*Motor*
Handset: Recent Performance

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

**Shipments (mn units)**

<table>
<thead>
<tr>
<th>Year</th>
<th>WCDMA</th>
<th>GSM</th>
<th>CDMA</th>
<th>Total</th>
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<td>2003</td>
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<tr>
<td>2007E</td>
<td>78</td>
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<td>78</td>
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</table>

**CAGR (based on 2003~2007 except for WCDMA)**

- GSM: 30%
- CDMA: 45%
- WCDMA: 53%
- Total: 12%

**Sales & Margin (KRW trillion)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin Recovery</th>
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<td>2003</td>
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<td>2004</td>
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<td>2005</td>
<td>8.4</td>
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<tr>
<td>2006</td>
<td>8.2</td>
</tr>
<tr>
<td>2007E</td>
<td>9.0</td>
</tr>
</tbody>
</table>

**Margin Recovery**

- 4.8% (2003)
- 6.3% (2004)
- 4.6% (2005)
- 1.3% (2006)

*Source: Company data*

**Based on LGE Parent sales and operating margin**
Handset: Stabilizing Business

- 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**
  - Verizon (CDMA) & Hutchison (3G) 80%
  - Others

- **2007**
  - U.S. CDMA 35%
  - GSM 30%
  - 3G Total 20%
  - Others

**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
• 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

- 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

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

“Improve Profitability”
# Divisional Sales (Parent)

(Unit: KRW bn)

<table>
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<tr>
<th></th>
<th>1Q'06</th>
<th>2Q'06</th>
<th>3Q'06</th>
<th>4Q'06</th>
<th>2006</th>
<th>1Q'07</th>
<th>2Q'07</th>
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<tr>
<td>Sales</td>
<td>1,563</td>
<td>1,529</td>
<td>1,363</td>
<td>1,283</td>
<td>5,738</td>
<td>1,819</td>
<td>1,789</td>
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<td>Op. Profit (%)</td>
<td>159 (10.2%)</td>
<td>150 (9.8%)</td>
<td>58 (4.3%)</td>
<td>62 (4.9%)</td>
<td>430 (7.5%)</td>
<td>218 (12.0%)</td>
<td>173 (9.7%)</td>
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<tr>
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<td>1,443</td>
<td>1,725</td>
<td>1,212</td>
<td>5,825</td>
<td>1,214</td>
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<td>Op. Profit (%)</td>
<td>30 (2.0%)</td>
<td>21 (1.4%)</td>
<td>43 (-12.1%)</td>
<td>-147 (-7.5%)</td>
<td>-54 (-12.0%)</td>
<td>-194 (-16.0%)</td>
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<td>8,958</td>
<td>2,300</td>
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<td>Op. Profit (%)</td>
<td>23 (3.0%)</td>
<td>11 (1.8%)</td>
<td>8 (1.3%)</td>
<td>-20 (-3.1%)</td>
<td>22 (0.8%)</td>
<td>6 (0.8%)</td>
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<td>Op. Profit (%)</td>
<td>-9 (-0.4%)</td>
<td>21 (0.9%)</td>
<td>98 (4.2%)</td>
<td>72 (3.0%)</td>
<td>182 (2.0%)</td>
<td>155 (6.7%)</td>
<td>265 (10.9%)</td>
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<td>(2.6%)</td>
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<td>Sales</td>
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<td>5,520</td>
<td>23,171</td>
<td>6,034</td>
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<td>Op. Profit (%)</td>
<td>191 (3.3%)</td>
<td>190 (3.3%)</td>
<td>197 (3.3%)</td>
<td>-43 (-0.8%)</td>
<td>535 (2.3%)</td>
<td>173 (2.9%)</td>
<td>146 (2.5%)</td>
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* Divisional sales includes internal transaction between divisions
## Appendix

### Divisional Sales (Global*)

(Unit: KRW bn)

<table>
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<tr>
<th></th>
<th>1Q'06</th>
<th>2Q'06</th>
<th>3Q'06</th>
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<td></td>
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<td>(8.3%)</td>
<td>(4.3%)</td>
<td>(5.2%)</td>
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<td></td>
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<td>(-3.0%)</td>
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<td>(-9.5%)</td>
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<td>13</td>
<td>72</td>
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<td></td>
<td>(3.6%)</td>
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<td>(-0.4%)</td>
<td>(0.9%)</td>
<td>(1.3%)</td>
<td>(0.8%)</td>
<td>(-0.3%)</td>
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<td><strong>MC</strong></td>
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<td>(4.6%)</td>
<td>(1.6%)</td>
<td>(4.8%)</td>
<td>(11.3%)</td>
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<tr>
<td><strong>Handset</strong></td>
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<td>(-0.7%)</td>
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<td>(4.4%)</td>
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<tr>
<td><strong>Others</strong></td>
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<td><strong>Total</strong></td>
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<td>9,742</td>
<td>36,730</td>
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<td>157</td>
<td>844</td>
<td>28</td>
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<td>(1.9%)</td>
<td>(3.3%)</td>
<td>(2.3%)</td>
<td>(1.6%)</td>
<td>(2.3%)</td>
<td>(0.3%)</td>
<td>(4.4%)</td>
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</tbody>
</table>

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