



Earnings Release 4Q '05

January 24, 2006



LG Electronics Inc.

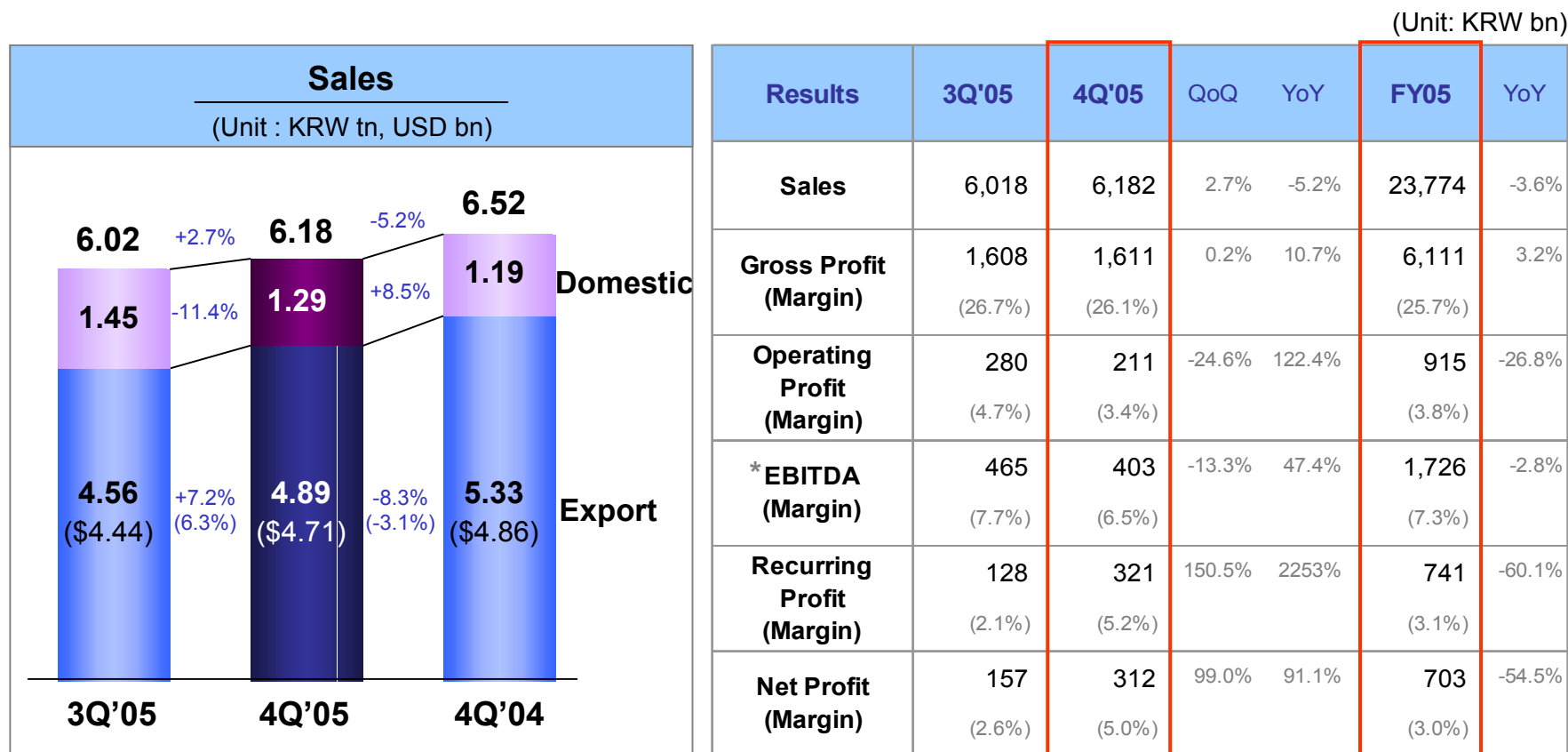
This presentation has been prepared based on internally audited figures and final figures may change due to the results of independent auditors' audit. All information in this presentation regarding the Company's financial results has been prepared on a non-consolidated basis in accordance with Korean GAAP.

The presentation includes forward-looking statements regarding the Company's outlook for 1st Quarter Of 2006 and beyond, including projected sales. These forward-looking statements also refer to the Company's results on a non-consolidated basis. These forward-looking statements are subject to known and unknown risks and uncertainties that may cause actual results to differ materially from those stated or implied by such statements. The Company assumes no obligation or responsibility to update the information provided in the presentations in correspondence to their respective dates.

Table of Contents

- I . 4Q 2005 Results**
- II . Performance and Outlook by Sector**
- III . 2006 Business Direction and Prospects**

- ◆ Sales increased sequentially but decreased 5.2% YoY due to Won appreciation and expansion of overseas production.
- ◆ With the exception of digital display, profitability in all divisions increased YoY, but due to seasonality and profit deterioration at digital display QoQ earnings declined.



* EBITDA : Operating Profit + Depreciation & Amortization

- ◆ Appliance revenue declined QoQ due to seasonality, while handset / PDP sales rose.
- ◆ Profits deteriorated QoQ in display products (TV, monitor) due to sharp price decline, while handset profits increased due to new product launch and strong sales of WCDMA.

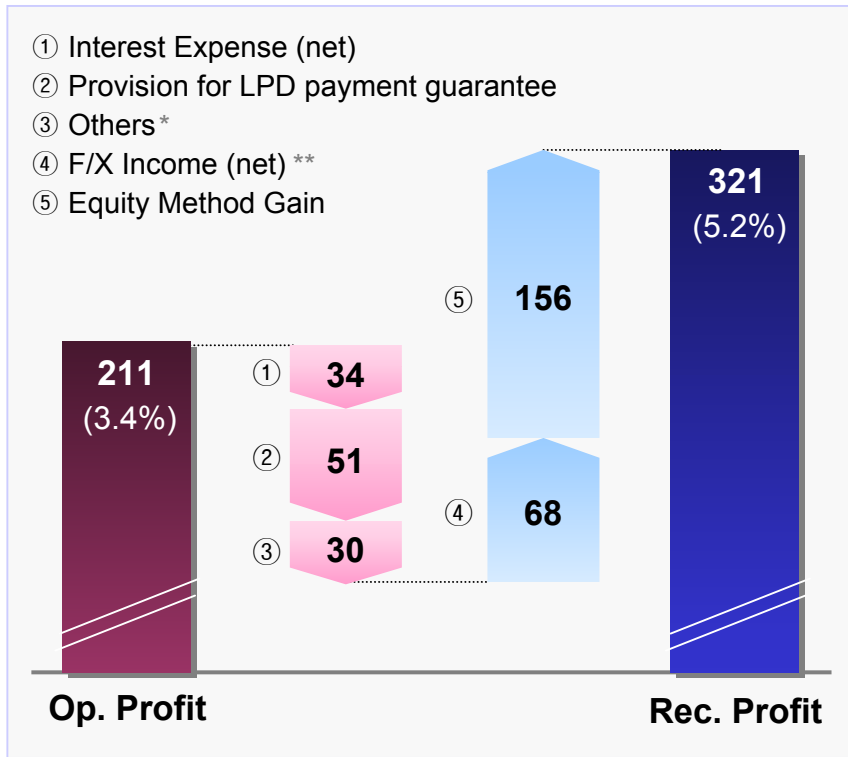
(Unit: KRW bn)

10		1Q'05	2Q'05	3Q'05	4Q'05	QoQ	YoY	FY05	YoY	FY04
DA	Sales	1,669	1,621	1,324	1,239	-6.4%	-5.8%	5,853	-5.8%	6,216
	Op. Profit	170	162	90	51	-44.2%	n/a	473	5.5%	448
	(%)	(10.2%)	(10.0%)	(6.8%)	(4.1%)			(8.1%)		(7.2%)
DD	Sales	1,253	1,155	1,319	1,393	5.6%	2.8%	5,121	2.8%	4,983
	Op. Profit	17	-22	28	-81	n/a	n/a	-58	n/a	89
	(%)	(1.4%)	(-1.9%)	(2.1%)	(-5.8%)			(-1.1%)		(1.8%)
DM	Sales	846	732	780	820	5.1%	-10.1%	3,179	-16.4%	3,803
	Op. Profit	23	27	52	36	-30.5%	21.2%	138	-20.6%	174
	(%)	(2.7%)	(3.7%)	(6.7%)	(4.4%)			(4.4%)		(4.6%)
MC	Sales	2,155	2,081	2,545	2,679	5.3%	-7.7%	9,459	-0.3%	9,484
	Op. Profit	102	8	128	217	70.3%	13.9%	455	-28.4%	636
	(%)	(4.7%)	(0.4%)	(5.0%)	(8.1%)			(4.8%)		(6.7%)
Handset	Sales	1,873	1,822	2,293	2,452	6.9%	-4.5%	8,439	1.1%	8,351
	Op. Profit	67	-4	123	198	60.7%	38.5%	384	-27.6%	530
	(%)	(3.6%)	(-0.2%)	(5.4%)	(8.1%)			(4.5%)		(6.3%)

- ◆ Despite the provisioning for LPD payment guarantee, non operating profit reached 110bn due to strong equity method gain.

4Q 2005

(Unit: KRW bn)



4Q 2005 Equity Method

(Unit: KRW bn)

Company	Equity Method Contribution
LG.Philips LCD	113
LG.Philips Displays	-1
Overseas Subsidiaries and Others	44
합계	156

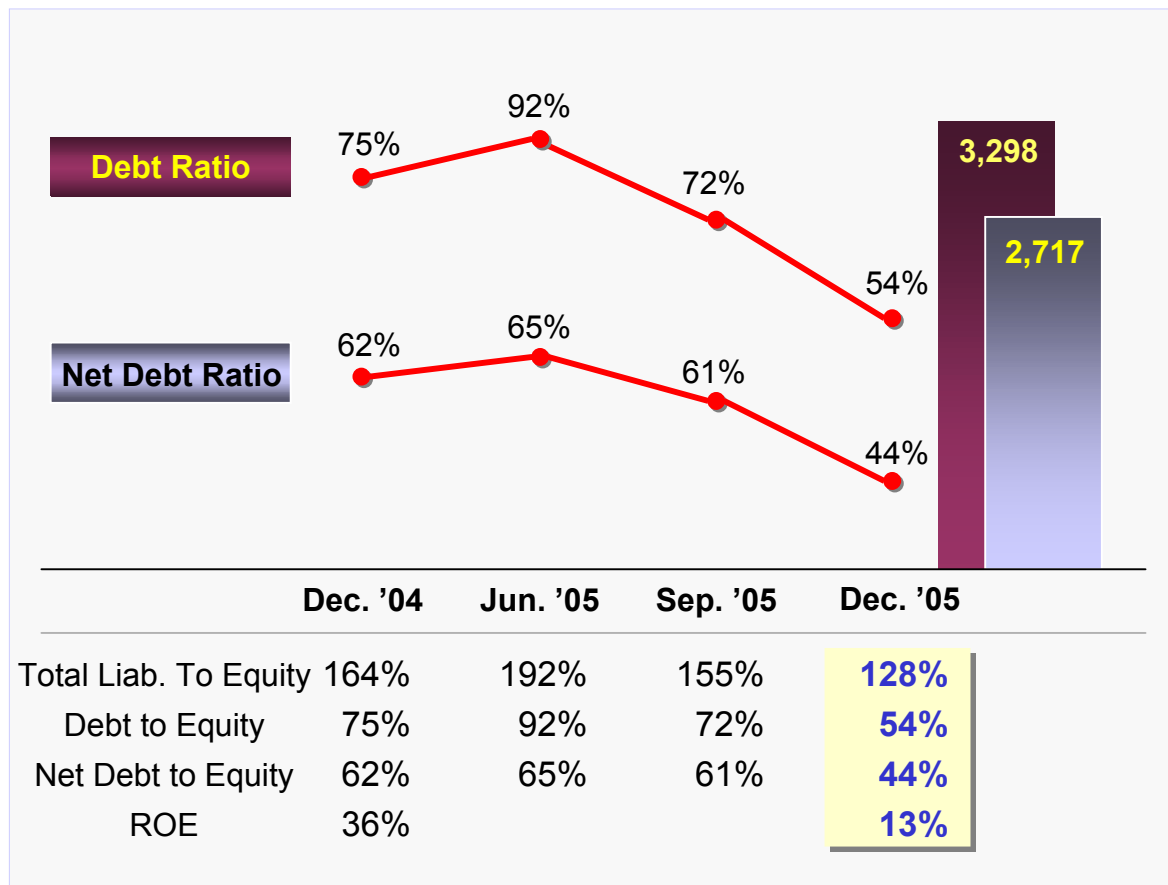
* Others = AR Discount Fee (-36.3) + Misc. (6.7)

** Includes derivatives

◆ Continuous debt reduction and CB conversion improved financial structure.

Debt

(Unit: KRW bn, Company)



Balance Sheet

(Unit: KRW bn, Company)

Dec. 2005

Assets 14,036

- Current Assets 3,985

- Fixed Assets 10,051

Liabilities 7,874

- Current Liabilities 5,208

- Fixed Liabilities 2,666

Equity 6,163

- Capital Stock 800

- Capital Surplus 2,107

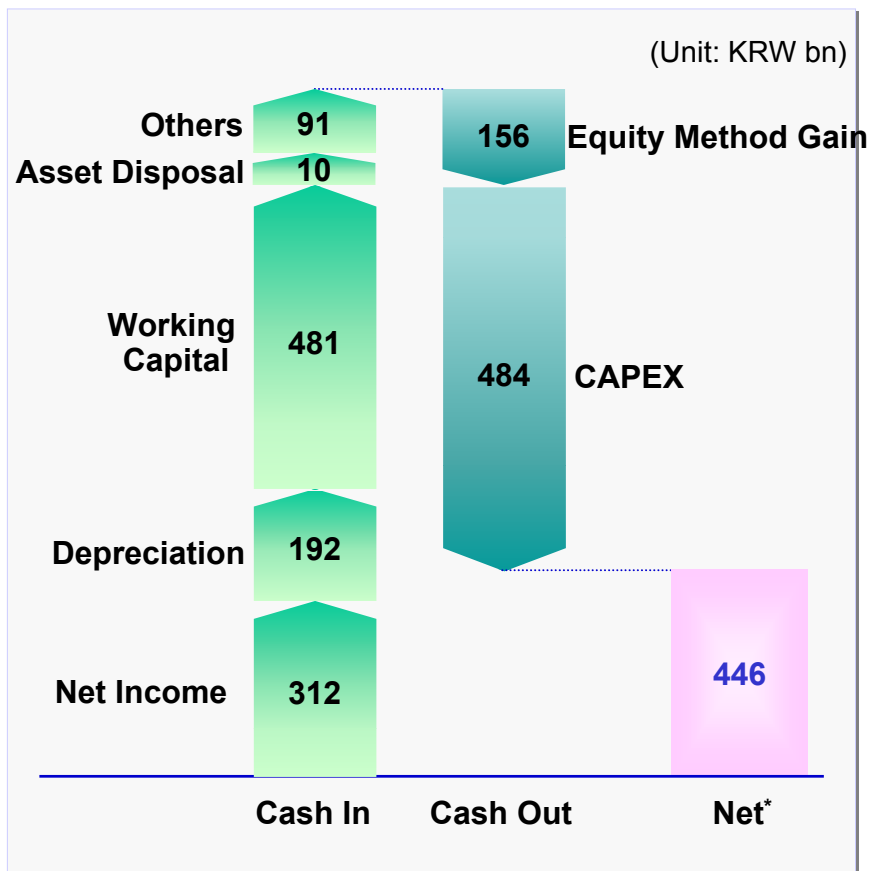
- Retained Earnings 2,511

- Capital Adjustment 744

◆ Generated net cash flow of 446bn Won by reducing working capital needs.

Net Cash Flows*

(4Q '05)



Cash Flows

(4Q '05)

(Unit: KRW bn)

Cash at the beginning of Quarter	579
Cash Flows from Oper. Activities	919
Net Income	312
Depreciation	192
Equity Method Gain	(156)
Reduction in Working Capital	481
Others	91
Cash Flows from Invest. Activities	(474)
CAPEX	(484)
Asset Disposal	10
Cash Flows from Finan. Activities	(443)
Decrease in Debt	(443)
Net Increase in Cash & Equiv.	2
Cash at the End of Quarter	581

* Excludes Cash Flows from Financing Activities

- ◆ Consolidated '05 revenue increased 3% YoY despite Won appreciation, but profits decreased due to profit decline of the parent and its major affiliates.

Consolidated & Global F/S

(Unit: KRW tn)

		4Q'05	FY05	FY04
Consol. F/S	Revenue	12.23	44.49	43.25
	Op. Profit	0.77	1.71	3.29
	Rec. Profit ¹⁾	0.46	0.89	2.92
Global F/S	Revenue	9.84	35.56	35.29
	Op. Profit	0.42	1.16	1.44
	Rec. Profit ²⁾	0.28	0.66	1.27

1) Before minority interest adjustment

2) Based on LGE parent and LGE overseas subsidiaries only

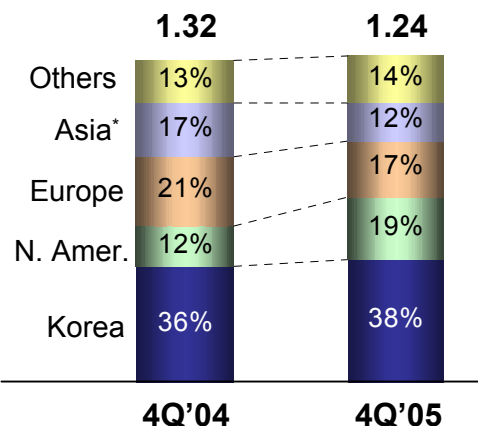
Consolidated Balance Sheet

(Unit: KRW tn / Dec. '05)

	FY04	FY05
Assets	29.9	32.8
- Current Assets	15.0	14.5
- Fixed Assets	14.9	18.3
Liabilities	21.2	21.6
- Current Liab.	15.2	15.2
- Fixed Liab.	6.0	6.4
Equity	8.7	11.2
	FY04	FY05
Total Liab. to Equity	243%	194%
Debt to Equity	141%	110%
Net Debt to Equity	106%	83%

Sales Breakdown by Region

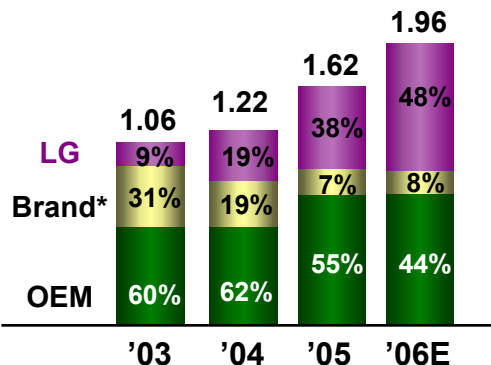
(Unit: KRW tn, %)



* including Middle East

N. America Brand Portion

(Unit: USD bn)



* Goldstar, Zenith, etc.

4Q 2005 Performance

❖ Sales : declined 5.8% YoY to KRW 1.24tn

- Domestic Market : declined 2% YoY
 - YoY decline of refrigerator and washing machine
 - Air conditioner sales up 17% YoY pushed by CAC
- Overseas Market : declined 8% YoY
 - YoY decline due to strong Won and expansion of overseas production
 - Sales of premium products such as drum-type W/M, commercial A/C, and Ref. grew in developed market

❖ Op. Profit : increased 4.9%P YoY to KRW 50.5bn

- Improved by KRW 60.9bn YoY due to higher premium portion and cost reduction

2006 Outlook

❖ Domestic market

- Expansion of high ASP products including built-in appliances, commercial A/C, and drum-type W/M

❖ N. American market: Reinforce brand business and profitability

- Raise revenue and profitability via premium products (Ref., drum-type W/M)
- N. America business expansion through strong sales in Home Depot

❖ Europe / CIS market

- Strengthen delivery and logistics competitiveness by establishing local production system

4Q 2005 Performance

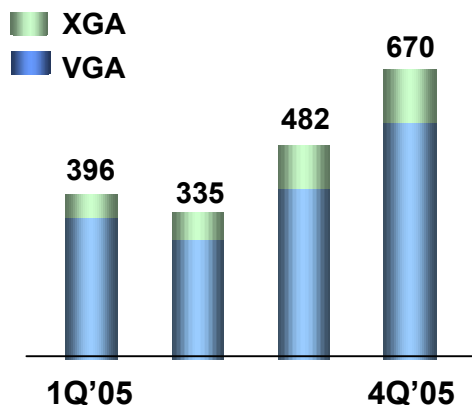
- ❖ **Sales: increased 5.6% QoQ to KRW 1.39tn**
 - DTV Shipment increased 11% mainly from PDP/LCD TV
 - PDP TV / LCD TV sales increased QoQ 10% and 14% respectively
 - PDP module shipment jumped 39% QoQ
 - Met demand increase by ramping line 4 and improving yield
- ❖ **Profitability deteriorated due to LCD TV price decline and increased marketing expenditure**

2006 Outlook

- ❖ **Market** : DTV demand to expand (Winter Olympics/World Cup effect)
 - SET: PDP TV demand of 9.4M units forecasted (Up 65% YoY)
LCD TV demand of 32M units forecasted (Up 58% YoY)
 - Module: 11.2M PDP module demand forecasted (Up 56% YoY)
- ❖ **Profitability improvement by expanding premium product sales**
 - Reach Global Top 1 in PDP module (M/S 30%)
 - Expand 50" PDP TV sales and HD portion of 42" PDP TV
 - Expand 32" or larger LCD TV portion

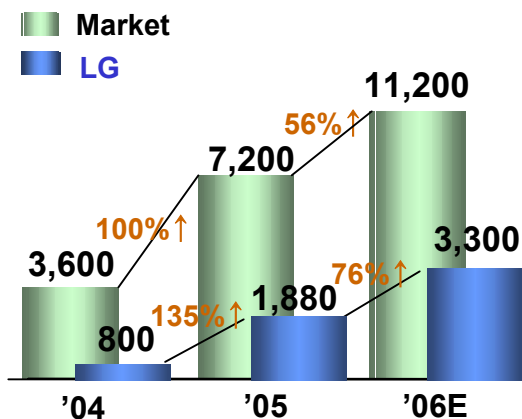
PDP Shipment

(K units)



'06 PDP Outlook

(K units)



4Q 2005 Performance

❖ Sales : increased 5% QoQ to KRW 820bn

- Domestic: sales to public sector declined QoQ and inventory management ahead of new product launch
- AV : HD type STB and premium home theater product sales increased.
- IT : Export ASP declined and PC domestic sales decreased.

❖ Stable profit structure due to strong AV premium product sales

2006 Outlook

❖ Market: Won appreciation, raw material price increase, ASP decline of major products, and intense competition expected.

❖ Focus on premium products sales

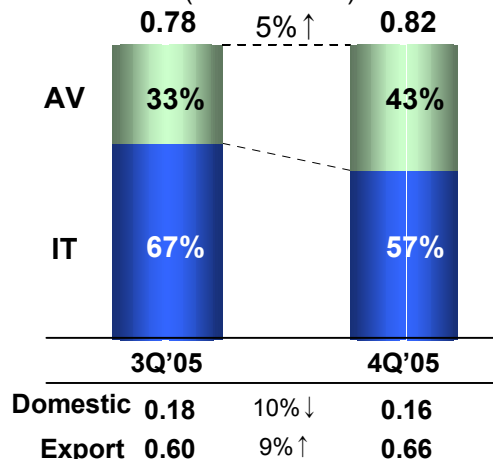
- Expand digital convergence products such as high-powered wireless home theater, HD type STB, DVD-W, Dual Core CPU PC, and mobile multifunctional products (DMB PDA)

❖ Post DVD Business

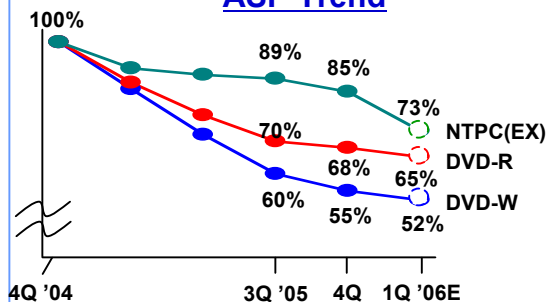
- Strategic cooperation for next generation format (TSST, Sony-NEC JV)
- LG: Blu-ray focused and HD-DVD compatible product planned

Sales

(Unit: KRW tn)

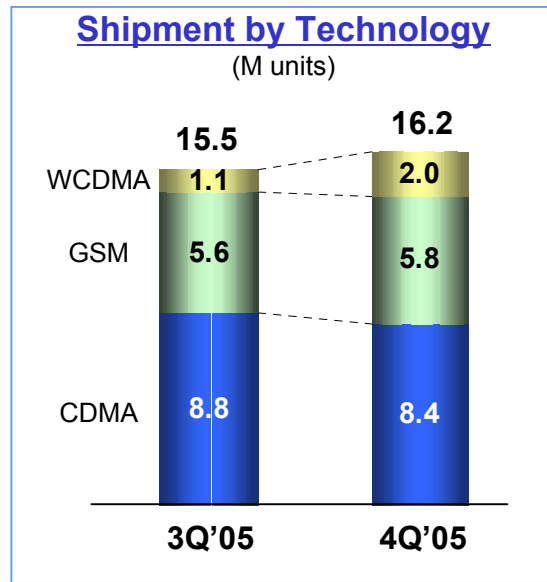


ASP Trend



Post DVD (HD) Market Outlook

	'06	'07	'08	'09
Q'ty (M)	0.7	7	21	41
Am't (USD bn)	0.27	1.4	2.9	3.6



4Q 2005 Performance

❖ Shipment : up 5% QoQ due to success of “black label” phone and strong 3G export

- CDMA - Domestic : up 5% QoQ due to “black label” phone launch.
- Overseas : down 6% QoQ due to decrease in N. America sales
- GSM - ASP improved with sales expansion to N. American operators, Europe sales
- WCDMA - shipment up 86% QoQ due to new slim 3G model

❖ Profitability improved due to strong shipment of new products and increase in WCDMA



2006 Outlook

❖ Market: Emerging markets expected to lead handset growth; total 820~860M units (up 5~10% YoY expected)

❖ Focus on 3G market and GSM open market

- CDMA - Domestic : raise brand image by continuously launching innovative new models
- Overseas : expand sales in emerging markets
- GSM - Successful entry into open market and strengthen position in operator market
- WCDMA - Reinforce market position in Europe where major growth is expected and expand into Japan / N. America.

LG.Philips LCD

* Based on consolidated Korean GAAP,
Un-audited and un-reviewed.

** ASP per square meter of net display

4Q 2005 Performance & 1Q 2006 Outlook

❖ **Sales : 2,963 bn Won* / Operating Profit : 334 bn Won***

- Sales up 8% QoQ driven by growth in net display area shipment and price increase in notebook /TV panels
- OP margin improved from shipment increase and continuing cost reduction
- P6 4Q average input glass: 112K input sheets/ month

❖ **1Q 2006 Outlook**

- Mid-single digit growth in shipment and mid-single digit decline in ASP** expected due to seasonal weakness and oversupply.
- 7G mass production began.

LG.Philips Display

* Excluding restructuring cost (US\$766M)

4Q 2005 Performance & 2006 Outlook

❖ **Sales : US\$ 753mn* / Operating Profit : - US\$ 21mn***

- Sales increased 9% QoQ.
- Sales to Asia and North America declined, but shipment to China increased, driven by stronger CPT sales

❖ **2006 Outlook**

Business rationalization will continue as the market is expected to further contract.

III. 2006 Business Direction and Prospects

- ◆ Maximize business performance by attaining Profitable Growth through strengthening of Core Business, Brand Value, and R&D.

2006 Focus of Operation

- Create Mega Hit Handset
- Improve Display Products Profitability
- Raise Brand Value
- R&D Reinforcement for Future
- Strengthen Risk Management

(Unit: KRW tn)

	Company	Global
▶ Revenue	24~24.5 (1~3% ↑)	38.5~39 (8~10% ↑)
▶ CAPEX	1.1 (14% ↓)	1.7 (3% ↑)
▶ R&D	1.4 (22% ↑)	1.4 (7% ↑)

Sales and Profits by Division - Like for Like Comparison

Appendix

(Unit: KRW bn, US\$ million)

Section			2,004					2,005					
			1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	
Digital Appliance	Sales	Domestic	387	582	534	478	1,981	494	765	575	468	2,303	
		Export	1,379	1,141	877	837	4,234	1,175	856	749	771	3,550	
		M\$	\$1,177	\$982	\$760	\$763	\$3,681	\$1,150	\$849	\$728	\$743	\$3,469	
	Total	1,766	1,722	1,411	1,316	6,216	1,669	1,621	1,324	1,239	5,853		
Operating Profit			210	172	77	-10	448	170	162	90	51	473	
Digital Display	Sales	Domestic	227	219	203	215	864	263	254	300	296	1,113	
		Export	1,051	963	964	1,141	4,119	990	901	1,019	1,098	4,008	
		M\$	\$897	\$829	\$835	\$1,043	\$3,604	\$968	\$894	\$991	\$1,058	\$3,911	
	Total	1,278	1,183	1,167	1,356	4,983	1,253	1,155	1,319	1,393	5,121		
Operating Profit			82	41	23	-57	89	17	-22	28	-81	-58	
Digital Media	Sales	Domestic	125	115	115	116	472	179	157	176	160	672	
		Export	917	779	838	797	3,331	667	575	604	661	2,507	
		M\$	\$782	\$671	\$726	\$726	\$2,905	\$652	\$571	\$587	\$637	\$2,446	
	Total	1,042	895	953	913	3,803	846	732	780	820	3,179		
Operating Profit			55	50	39	30	174	23	27	52	36	138	
Mobile Communications	Sales	Domestic	493	429	345	357	1,624	333	265	363	316	1,276	
		Export	1,371	1,764	2,180	2,544	7,859	1,822	1,816	2,182	2,362	8,182	
		M\$	\$1,169	\$1,518	\$1,888	\$2,318	\$6,893	\$1,785	\$1,801	\$2,121	\$2,276	\$7,983	
	Total	1,864	2,193	2,525	2,901	9,484	2,155	2,081	2,545	2,679	9,459		
Operating Profit			66	146	234	191	636	102	8	128	217	455	
Handset	Sales	Domestic	373	322	258	223	1,177	258	174	237	246	915	
		Export	1,204	1,599	2,027	2,344	7,174	1,615	1,647	2,056	2,206	7,524	
		M\$	\$1,026	\$1,376	\$1,755	\$2,136	\$6,293	\$1,582	\$1,634	\$1,999	\$2,125	\$7,339	
	Total	1,577	1,921	2,285	2,568	8,351	1,873	1,822	2,293	2,452	8,439		
Operating Profit			49	123	215	143	530	67	-4	123	198	384	
Company	Sales	Domestic	1,276	1,381	1,241	1,187	5,086	1,302	1,466	1,454	1,288	5,509	
		Export	4,720	4,648	4,871	5,334	19,573	4,657	4,150	4,565	4,894	18,265	
		M\$	\$4,027	\$4,001	\$4,218	\$4,864	\$17,109	\$4,556	\$4,117	\$4,438	\$4,715	\$17,826	
		Total	5,996	6,029	6,113	6,521	24,659	5,959	5,615	6,018	6,182	23,774	
	Gross Profit			1,423	1,508	1,537	1,456	5,923	1,496	1,395	1,608	1,611	6,111
	Operating Profit			407	393	355	95	1,250	280	144	280	211	915
	Recurring Profit			732	672	442	14	1,860	77	216	128	321	741
Net Profit			585	494	304	163	1,546	83	151	157	312	703	

◆ Income Statement

(Unit: KRW bn)

	2004					2005				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	5,996	6,029	6,113	6,521	24,659	5,959	5,615	6,018	6,182	23,774
COGS	4,574	4,521	4,576	5,065	18,736	4,463	4,220	4,410	4,571	17,664
Gross Profit	1,423	1,508	1,537	1,456	5,923	1,496	1,395	1,608	1,611	6,111
SG&A	1,016	1,115	1,182	1,361	4,674	1,216	1,251	1,328	1,400	5,196
Op. Profit	407	393	355	95	1,250	280	144	280	211	915
Non OP	326	280	86	-81	610	-203	72	-152	110	-173
Rec Profit	732	672	442	14	1,860	77	216	128	321	741
Tax	148	179	137	-150	314	-7	65	-29	9	39
Net Profit	585	493	304	163	1,546	83	151	157	312	703

◆ Balance Sheet

(Unit: KRW bn)

	2004				2005			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Assets	12,053	13,061	13,581	13,234	13,563	14,299	14,143	14,036
Current Asset	4,062	4,718	4,530	4,111	4,666	4,880	4,557	3,985
Quick Asset	2,530	3,088	2,858	2,436	3,129	3,399	3,063	2,577
Inventories	1,532	1,630	1,672	1,675	1,537	1,481	1,493	1,408
Fixed Asset	7,991	8,343	9,051	9,124	8,896	9,419	9,587	10,051
Investment	4,005	4,165	4,857	4,859	4,590	4,839	5,070	5,481
Tangible	3,195	3,425	3,490	3,630	3,704	4,010	4,069	4,150
Intangible	791	752	704	636	602	570	447	420
Liabilities	8,192	8,635	8,651	8,218	8,841	9,397	8,594	7,874
Current Liabilities	5,294	5,103	5,060	4,959	5,558	5,707	5,642	5,208
Fixed Liabilities	2,898	3,531	3,592	3,259	3,283	3,690	2,952	2,666
Capital	3,861	4,426	4,930	5,016	4,721	4,902	5,549	6,163
Capital Stock	784	784	784	784	785	785	785	800
Capital Surplus	1,892	1,908	1,908	1,908	1,907	1,908	1,908	2,107
Retained Earnings	1,149	1,648	1,896	2,064	1,915	2,066	2,199	2,511
Capital Adjustment	36	87	342	261	114	143	658	744



<http://www.lge.com>