LG Electronics to Build a Second DTV Plant in Poland

- Signs an agreement with the Polish government to invest USD 110 million by 2010
- Additional investment in Polish DTV plant perfects a global production system
- Aims to boost its Europe's No. 2~3 place in plasma and LCD TVs to No. 1 spot by 2007
- Increases the Polish subsidiary’s sales from a projected USD 1 billion for this year to USD 3 billion by 2010

LG Electronics (CEO: S. S. Kim / 06657.KS) is pushing to build a second digital TV plant in Mlawa, Poland, aiming at vigorously penetrating Europe’s plasma and LCD TV markets.

The company has decided to invest, by 2010, a total of USD 110 million in the projected second DTV plant to respond to Europe’s rapidly growing DTV demands, together with its first plant in Mlawa.

LG Electronics and the Polish government signed an investment agreement at the Press Center of the Polish investment agency (Palilz) on April 11. Among participants in the event were Yoon Sang-han, Executive Vice President and concurrently head of Digital Display unit, No Seog-ho, President of the Polish Subsidiary, Polish Economic Minister Jacek Piechota, investment agency head Andrzej Zdebski, and other personnel. Under the agreement, the company will invest in constructing another DTV plant and the Polish government will provide
full support.

The rationale for LG Electronics’ decision on this investment is this rapidly increasing demands for digital TVs across Europe including Poland, as well as the Polish government’s support for its expanded operations, stable securing of manpower, and alignment of subsidiaries for creating synergic effects.

Under the agreement, LG Electronics will invest USD 110 million in digital TVs by 2010. The company will thus increase its annual production capacity for plasma and LCD TVs from current 1.5 million units to 3 million by 2006, 4 million by 2007, and 6 million by 2010, thereby seizing No. 1 spot in DTVs by 2007 in the European market which accounts for over 40% of the worldwide DTV market.

Yoon Sang-han, CEO and Executive Vice President of Digital Display Company at LG Electronics, said, “the current DTV market trends are characterized by expanded digital broadcasting environment, falling prices in display products, continued sales of DTVs in advanced markets such as North America and Europe, and increasing demands in BRICs countries.”

He continued, “We have built up core capabilities from research planning to product sales, as well as from components to finished products, as we have established and are operating global digital TV production systems in Poland, Mexico, China, Europe as well as Korea. Based on this, we will strive to establish world’s strongest production lines for achieving “Global Top 1” in DTV by 2007.”

He added, “Based on our production infrastructure firmly established through our first plant, this additional investment in DTVs will push our current second-to-third place in Europe’s LCD and plasma TV markets to No. 1 spot by 2007.”

LG Electronics has secured a huge complex with an area of 390,084 m² for the second DTV plant. It furthermore plans to create another complex with an area of 148,761m² near the projected plant for partners to align the manufacturing of core components with the production of finished products, aiming to reinforce its cost competitiveness and stabilize the supply of components.

President No Seog-Ho, who heads the Polish production subsidiary of LG Electronics, said, “The second DTV plant, whose construction will commence in
April, will receive investments in facilities and R&D by 2010 and employ about 3,000 people, and is expected to generate about 5,000 jobs given demands for manpower in nearby partnered firms."

Also, under the investment agreement, the Polish government will designate LG Electronics’ production complex as a special economic zone aimed at encouraging a vigorous investment by LG Electronics, and provide economic support such as investment-related incentives, employment and education subsidies, tax break, and infrastructure construction. With the designation of special economic zone, the projected Polish plant will have corporate tax exemption to 2017 and facilitate the securing of reinvestment finances.

The city of Mlawa is vigorously striving to attract social overhead capital (for roads, and residential and commercial areas) to expand the surrounding infrastructure including residential facilities for production and research personnel following LG Electronics’ envisaged large-scale recruitment of manpower.

In particular, in order to attract and foster manpower in conjunction with its investment in the second DTV plant, LG Electronics has signed a cooperation agreement with Ciechanow University of Technology near Mlawa, and this arrangement will allow LG Electronics to offer LG-customized industrial and school educational programs to foster and secure R&D human resources at an early date.

Since its Polish subsidiary establishment in 1999, LG Electronics has regularly visited orphanages, sponsored local sports champions and sports clubs, provided donations to hospitals and underprivileged, and assisted in the education of local students, thereby projecting an image of local-friendly corporation.

The city of Mlawa has renamed itself Mlawa-LG Town since October 2003, highly evaluating LG Electronics for its economic contribution such as local employment enhancement and fostering of local components makers, as well as social contribution. This measure was received as a surprise even in Poland as the longtime city name was changed to accommodate a foreign corporation name.
Also, Mlawa has put a milestone of Mlaw-LG Town at its entrance, and also officially designated the access road to LG Electronics’ local plant as LG Road.

Poland is geographically located halfway between West Europe and East Europe, thus positioning itself near the CIS region with big growth potential and offering a favorable business location. The nation has a population of 39 million people and has over 20% unemployment rate. Poland is also evaluated as a friendly place to do business as the Polish government vigorously endeavors to attract foreign investments and invest social overhead capital.

About LG Electronics, Inc.
LG Electronics, Inc. (Korea Stock Exchange: 06657,KS) is a global force in electronics, information and communications products with 2004 annual sales of US $38 billion (consolidated). With more than 66,000 employees working in 76 subsidiaries in 39 countries around the world, LG Electronics is comprised of four main business companies including Mobile Communications, and Digital Appliance, Digital Display, and Digital Media.

LG Electronics Digital Display Company provides core technologies for cutting-edge digital products and is a world leader in digital display products including Plasma TVs, LCD TVs and Monitors, and HDTV (high-definition televisions). For more information please visit www.lge.com