



Earnings Release 4Q 2006

January 23, 2007



LG Electronics Inc.

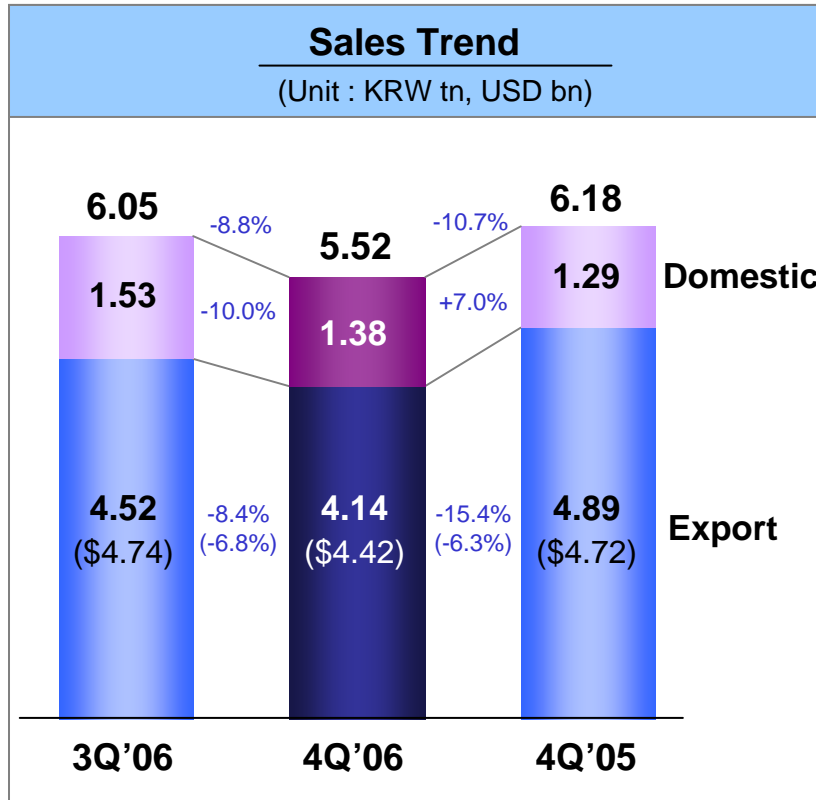
This presentation has been prepared based on internally audited figures and final figures may change due to the results of independent auditors' audit. All information in this presentation regarding the Company's financial results has been prepared on a non-consolidated basis in accordance with Korean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

The presentation includes forward-looking statements regarding the Company's outlook for 2007, 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.

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- ◆ Sales decreased 8.8% QoQ due to tight control of year-end inventories and decline of display product shipment at Parent level. (Global revenue increased 9.8% QoQ)
- ◆ Operating loss recorded due to loss of DD and DM divisions.



(Unit: KRW bn)

Result	3Q'06	4Q'06	QoQ	YoY	FY06	YoY
Sales	6,054	5,521	-9%	-11%	23,171	-3%
Gross Profit (%)	1,461 (24.1%)	1,207 (21.9%)	-17%	-25%	5,443 (23.5%)	-11%
Op. Profit (%)	197 (3.3%)	-43 (-0.8%)	n/a	n/a	535 (2.3%)	-42%
EBITDA (%)	371 (6.1%)	136 (2.5%)	-63%	-66%	1,239 (5.3%)	-28%
Rec. Profit (%)	31 (0.5%)	58 (1.1%)	91%	-82%	261 (1.1%)	-65%
Net Profit	23 (0.4%)	48 (0.9%)	112%	-85%	212 (0.9%)	-70%

* EBITDA : Operating Profit + Depreciation & Amortization

- ◆ **DA** : Revenue/profit increased YoY due to strong premium products sales in advanced market.
- ◆ **DD** : Profits decreased due to PDP module shipment decline and sharp price erosion.
- ◆ **DM** : Price decline of optical storage and A/V products resulted in profit deterioration.
- ◆ **MC** : Revenue increased from strong GSM sales, but profits decreased due to price cut on some key models.

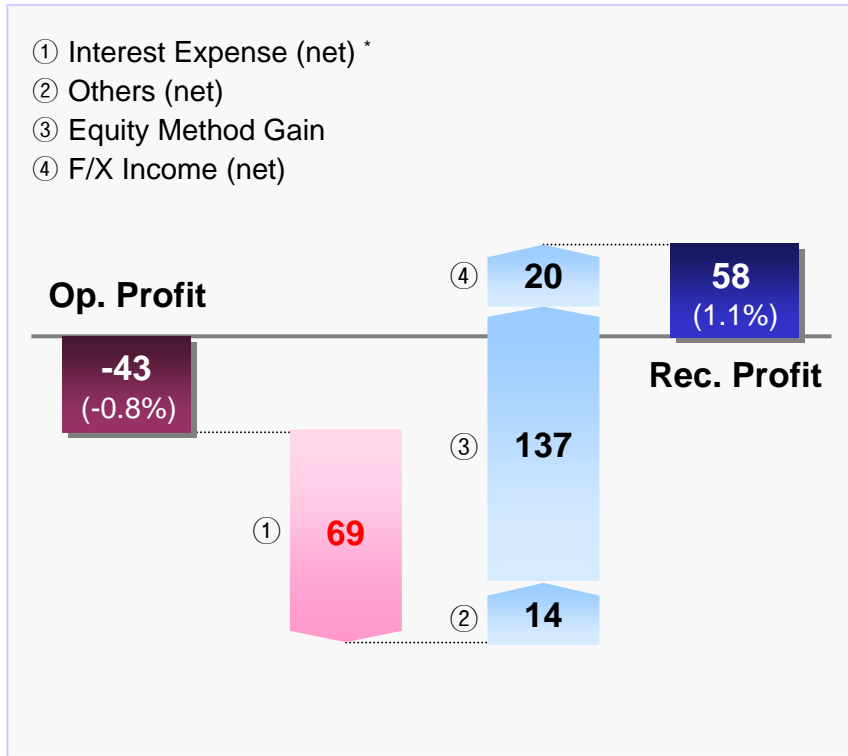
(Unit: KRW bn)

		1Q'06	2Q'06	3Q'06	4Q'06	QoQ	YoY	FY06	YoY	FY05
DA	Sales	1,574	1,562	1,385	1,311	-5.3%	5.8%	5,831	-0.4%	5,853
	Op. Profit	160	150	58	62	7.1%	23.4%	430	-9.1%	473
	(%)	(10.1%)	(9.6%)	(4.2%)	(4.7%)			(7.4%)		(8.1%)
DD	Sales	1,423	1,429	1,699	1,200	-29.4%	-13.9%	5,751	12.3%	5,121
	Op. Profit	30	21	43	-147	n/a	n/a	-54	n/a	-58
	(%)	(2.1%)	(1.5%)	(2.5%)	(-12.2%)			(-0.9%)		(-1.1%)
DM	Sales	764	642	658	657	-0.3%	-19.9%	2,721	-14.4%	3,179
	Op. Profit	23	11	8	-20	n/a	n/a	22	-83.8%	138
	(%)	(3.0%)	(1.8%)	(1.3%)	(-3.1%)			(0.8%)		(4.4%)
MC	Sales	2,033	2,193	2,297	2,350	2.3%	-12.3%	8,873	-6.2%	9,459
	Op. Profit	-9	21	98	72	-27.1%	-67.1%	182	-60.0%	455
	(%)	(-0.4%)	(1.0%)	(4.3%)	(3.0%)			(2.0%)		(4.8%)
Handset	Sales	1,843	2,019	2,126	2,187	2.9%	-10.8%	8,175	-3.1%	8,439
	Op. Profit	-31	-3	79	59	-25.8%	-70.3%	104	-72.9%	384
	(%)	(-1.7%)	(-0.1%)	(3.7%)	(2.7%)			(1.3%)		(4.5%)

◆ Strong equity method gain, mainly due to improved profitability of overseas subsidiaries.

4Q '06 Result Analysis

(Unit: KRW bn)



4Q '06 Equity Method

(Unit: KRW bn)

	4Q'06	3Q'06
Overseas Affiliates	100	-42
LG.Philips LCD	-21	-109
LG-Nortel	61	1
Others	-3	9
Total	137	-141

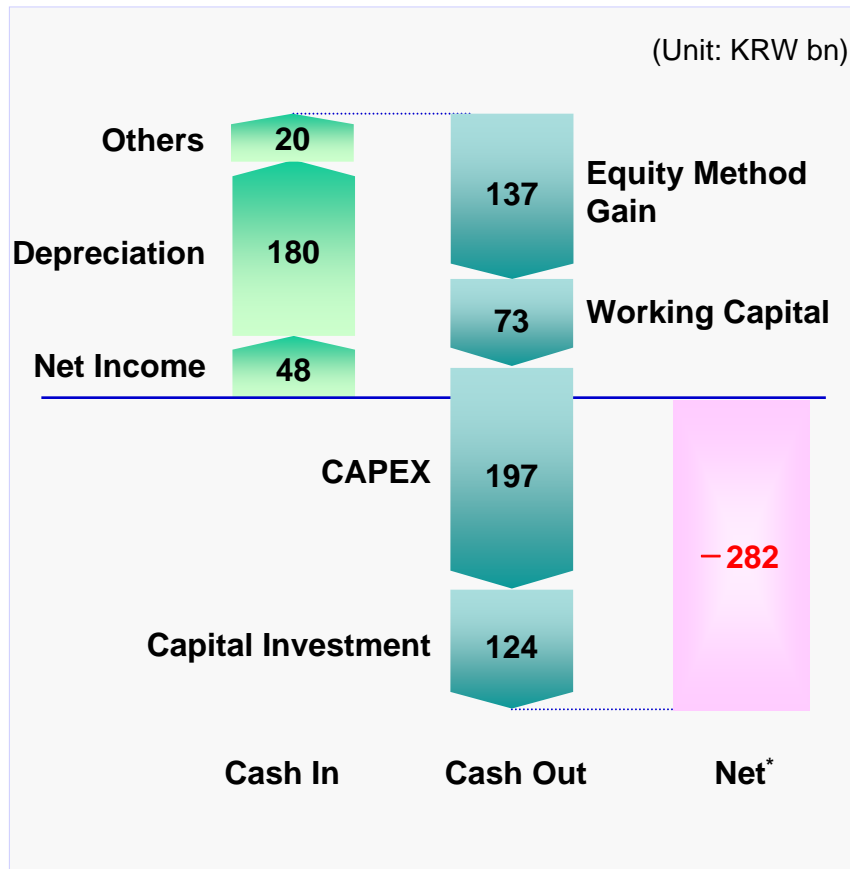
* Interest Expense (net) includes AR Discount Fee

◆ Recorded net cash flow of -282bn Won due to decrease in profit and increase in investment.

Net Cash Flow*

(4Q '06)

(Unit: KRW bn)



Cash Flow

(4Q '06)

(Unit: KRW bn)

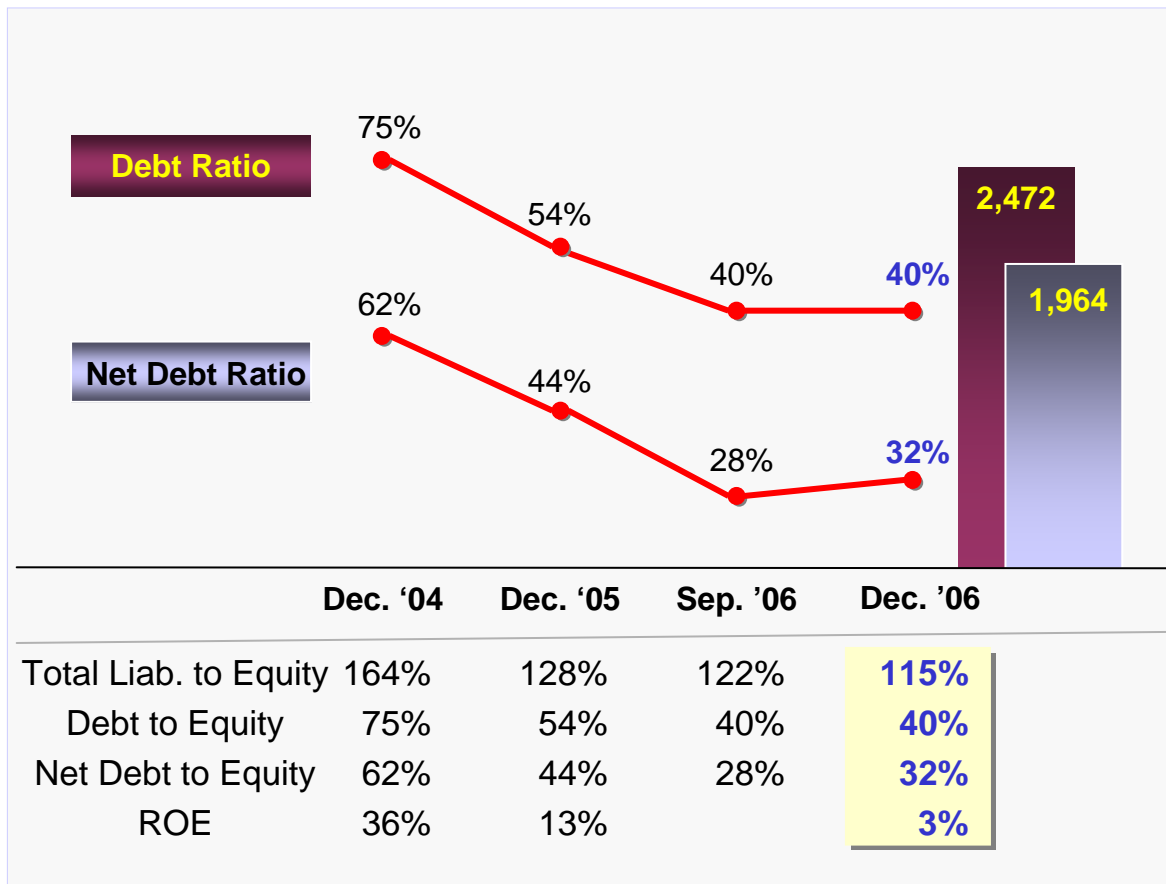
Cash at the beginning of Quarter	773
Cash Flow from Oper. Activities	39
Net Income	48
Depreciation	180
Equity Method Gain	(137)
Reduction in Working Capital	(73)
Others	20
Cash Flow from Invest. Activities	(321)
CAPEX	(197)
Asset Disposal / Capital Investment	(124)
Cash Flow from Finance Activities	17
Increase in Debt	17
Divident paid	
Net Increase in Cash	(265)
Cash at the end of Quarter	508

* Excludes Cash Flow from Financing Activities

◆ Financial ratios are similar to those of previous quarter.

Debt

(Unit: KRW bn)



Balance Sheet

(Unit: KRW bn)

December 2006

Assets	13,199
- Current Asset	3,125
- Fixed Asset	10,073
Liabilities	7,055
- Current Liabilities	4,866
- Fixed Liabilities	2,190
Equity	6,143
- Capital Stock	809
- Capital Surplus	2,220
- Retained Earnings	2,466
- Capital Adjustment	648

- ◆ Consolidated revenue increased 11% QoQ as handset and TV entered strong season, and profitability improved slightly QoQ.

Consolidated & Global F/S

(Unit: KRW tn)

		3Q'06	4Q'06	FY06	FY05
Consol. F/S	Revenue	11.37	12.62	46.27	44.45
	Op. Profit	-0.14	-0.03	0.00	1.71
	Rec. Profit ¹⁾	-0.28	-0.06	-0.41	0.89
Global F/S	Revenue	8.87	9.74	36.73	35.56
	Op. Profit	0.21	0.16	0.84	1.16
	Rec. Profit ²⁾	0.13	0.12	0.60	0.66

1) Before minority interest adjustment

2) Based on LGE parent and LGE overseas subsidiaries only

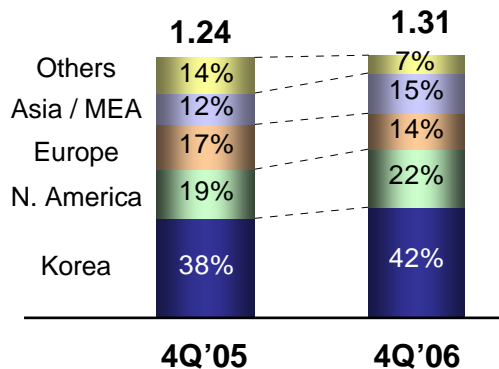
Consolidated Balance Sheet

(Unit: KRW tn / Dec. '06)

	Dec. '06	Dec. '05
Assets	33.2	33.1
- Current Assets	13.9	15.0
- Fixed Assets	19.3	18.1
Liabilities	22.4	21.9
- Current Liab.	15.7	15.5
- Fixed Liab.	6.7	6.4
Equity	10.8	11.2
Financial Ratios	Dec. '06	Dec. '05
Total Liab. to Equity	206%	195%
Debt to Equity	113%	111%
Net Debt to Equity	93%	84%

Sales Breakdown by Region

(Unit: KRW tn, %)



4Q 2006 Performance

❖ Sales : increased 5.8% YoY to KRW 1.31tn.

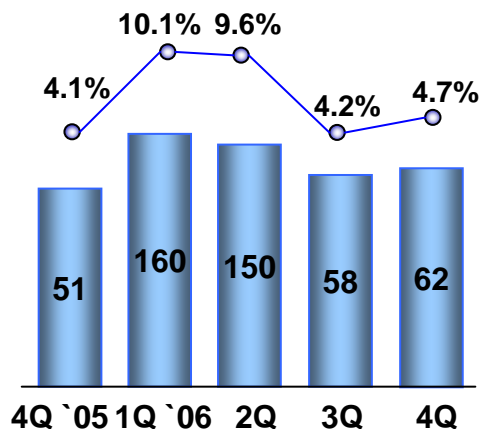
- Domestic : increased 17% YoY
 - Ref. sales grew 29% YoY : SxS Ref. (↑47%), Kimchi Ref. (↑13%)
 - W/M sales grew 14% YoY : drum-type W/M (↑26%)
- Overseas: declined 1% YoY (increased 10% in USD)
 - sales to N. America grew 24% YoY due to strong sales of 3 door type Ref. and steam drum-type W/M.

❖ Op. Profit : increased 23.4% YoY to KRW 62bn

- profitability improved by expanded revenue portion of premium products (57%→60%) and strong Ref. sales to Korea market.

Quarterly Op. Profit Trend

(Unit: USD bn, %)



2007 Outlook

❖ Domestic Market

- strong A/C sales expected as the hottest summer in history is forecasted.
- raise revenue via premium products such as designer's edition Ref. and steam drum-type W/M.

❖ Exports

- continued growth in North America via Home Depot and Best Buy.
- increase sales in Europe by expanding Pan European distributor channel biz and reinforcing product line with new products—SxS Ref., W/M, and Vacuum Cleaner.
- expand commercial A/C business by establishing the sales infrastructure and strengthening Multi-V product line.

4Q 2006 Performance

❖ **Sales : decreased 29% QoQ at Parent level due to intensifying price erosion and year-end inventory control, but Global sales grew 20% QoQ.**

- DTV (Q'ty) : FPD TV sales leaped on seasonal high-demand (Global basis).
 - PDP : up 55% QoQ
 - LCD : up 72% QoQ
- PDP Module : shipment declined due to severe competition with LCD in 40" segment.

❖ **Op. Profit : loss recorded due to weak PDP module shipment, fixed cost burden from A3-2, and FPD TV price decline.**

2007 Outlook

❖ **Market**

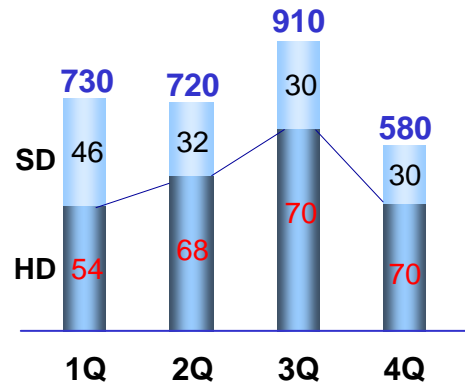
: rapid expansion of 40" and above FPD TV market expected led by fast growth of LCD TV, and price erosion to intensify due to fierce competition among competitors.

❖ **LGE**

: increase FPD TV market share by reinforcing Full HD included product line-up and expanding channel coverage.

PDP Module Shipment

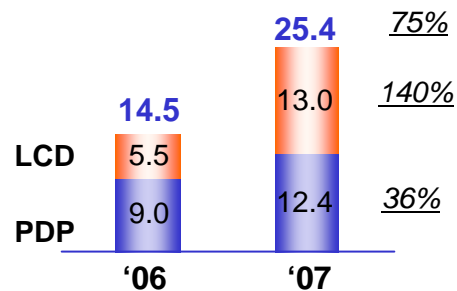
(K units, %)



40"+ FPD* TV Market

(M units, %)

Growth Rate



* Flat Panel Display

Source: Display Search Dec. '06

4Q 2006 Performance

- ❖ **Sales** : Parent-level sales similar to last quarter, Global-level sales increased due to seasonality.

(Unit: KRW tn)

	3Q	4Q	QoQ
Sales	1.2	1.5	23.1%
Inventories	0.8	0.7	△11.5%

- Global sales : Media 33% ↑ , IT 9% ↑

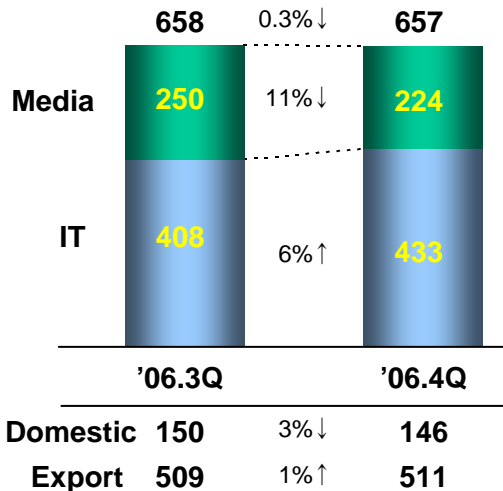
- ❖ **Op. Profit**: Parent profit fell QoQ, but Global profit improved 1%p.

2007 Outlook

- ❖ **Market** : price decline to continue, slow market growth.
- ❖ **LGE** : develop ULCP*, create Mega Hit products, and strengthen foundation for new business.
 - Media : secure profitability and launch distinctive HD products.
 - C A R : increase built-in navigation market sales (GM/Hyundai), and expand PND* business.
 - D S : lead HD market through Super Multi Blu-ray Drive.
 - P C : apply new OS/CPU, launch multi-functional (broadcast/communication) products.

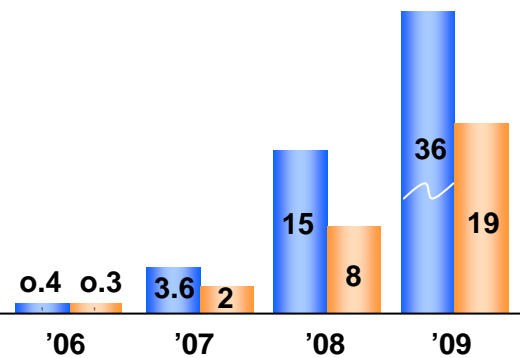
*ULCP: Ultra Low Cost Platform
*PND: Portable Navigation Device

Sales (KRW bn)



HD Market Forecast

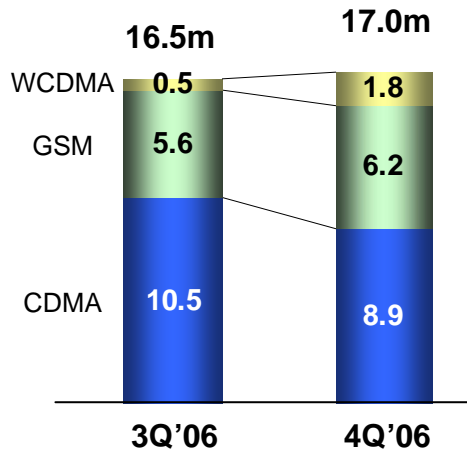
Q'ty (M units)



•Source ; TSR '06.3Q
Instat '06.3Q

■ Drive
■ Player

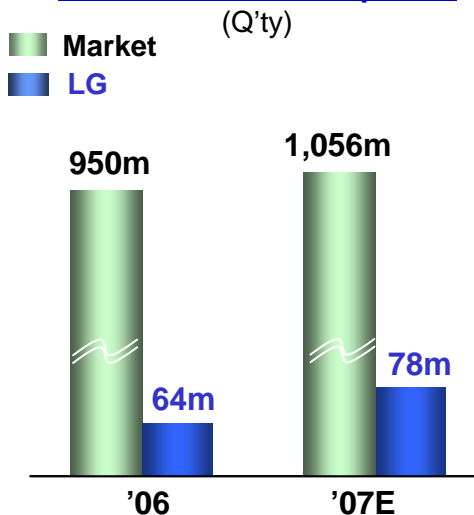
Shipment by Technology



4Q 2006 Performance

- ❖ **Sales : up 3% QoQ due to 3G export and open market growth.**
 - CDMA : reinforced high-end line-up—Shine, pocket DMB—in dom. market. : overseas shipment decreased QoQ as sales to Indian operator fell.
 - GSM : shipment grew 12% QoQ due to strong sales in Europe and Asia/MEA.
 - WCDMA : shipment leaped QoQ as shipment to N. America and to open market in Europe grew.
- ❖ **Op. Profit : declined slightly QoQ due to price cut on some key products.**

Market and LGE Shipment



2007 Outlook

- ❖ **Handset market to grow 11% YoY to 1,056m units centered on emerging market.**
- ❖ **LGE : aggressive approach to advanced market demand, actively expand GSM business.**
 - CDMA : domestic → raise brand and secure dominance in 3G & DMB. : overseas → stable N. America biz, expand emerging market biz.
 - GSM : enhance the market position in both distributor & operator market by launching Hit Models.
 - WCDMA : aggressive action to meet European demand spur and growing demand of North America / Japan / Korea 3G.

III. 2007 Business Direction and Prospects

2007 Business Environment and Focus of Operation

- **DA** - Intensifying competition in N. America & Europe.
- Achievement from CAC business to visualize, main business growth to accelerate.
- **DD** - Price competition to continue and large FPD TV demand to expand.
- Raise FPD TV M/S by reinforcing marketing while securing profit.
- **DM** - Post-DVD market to expand as conventional DVD devices commoditized.
- Reinforce cost competitiveness and gain growth through new business.
- **MC** - Intensifying global competition and increasing market dominance by top tiers.
- Secure stepping stone by profit recovery.

(Unit: KRW tn)

Revenue

Parent	24 (3% ↑ YoY)
Global	40 (9% ↑ YoY)



<http://www.lge.com>

Sales and Profits by Division – Like for Like Comparison

Appendix

(Unit: KRW bn, USD mn)

Section			2005					2006					
			1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	
Digital Appliance	Sales	Domestic	494	765	575	468	2,303	494	702	649	546	2,391	
		Export	1,175	856	749	771	3,550	1,079	860	735	765	3,439	
		M\$	\$1,150	\$849	\$728	\$743	\$3,469	\$1,105	\$905	\$770	\$815	\$3,595	
		Total	1,669	1,621	1,324	1,239	5,853	1,574	1,561	1,385	1,311	5,831	
Operating Profit			170	162	90	50	473	160	150	58	62	430	
Digital Display	Sales	Domestic	263	254	300	296	1,113	384	445	371	365	1,565	
		Export	990	901	1,019	1,098	4,008	1,039	984	1,328	834	4,185	
		M\$	\$968	\$894	\$991	\$1,058	\$3,911	\$1,064	\$1,035	\$1,391	\$889	\$4,379	
		Total	1,253	1,155	1,319	1,393	5,121	1,423	1,429	1,699	1,200	5,751	
Operating Profit			17	-22	28	-81	-58	30	21	43	-147	-54	
Digital Media	Sales	Domestic	179	157	176	160	672	219	176	150	146	691	
		Export	667	575	604	661	2,507	545	466	509	511	2,030	
		M\$	\$652	\$571	\$587	\$637	\$2,446	\$558	\$490	\$533	\$545	\$2,125	
		Total	846	732	780	820	3,179	764	642	658	657	2,721	
Operating Profit			23	27	52	36	138	23	11	8	-20	22	
Mobile Communications	Sales	Domestic	333	265	363	316	1,276	350	291	347	320	1,308	
		Export	1,822	1,816	2,182	2,362	8,182	1,682	1,903	1,950	2,030	7,565	
		M\$	\$1,785	\$1,801	\$2,121	\$2,276	\$7,983	\$1,722	\$2,003	\$2,042	\$2,164	\$7,931	
		Total	2,155	2,081	2,545	2,679	9,459	2,033	2,193	2,297	2,350	8,873	
Operating Profit			102	8	128	217	455	-9	21	98	72	182	
Handset	Sales	Domestic	258	174	237	246	915	316	248	312	276	1,152	
		Export	1,615	1,647	2,056	2,206	7,524	1,527	1,771	1,814	1,911	7,023	
		M\$	\$1,582	\$1,634	\$1,999	\$2,125	\$7,339	\$1,563	\$1,864	\$1,899	\$2,037	\$7,364	
		Total	1,873	1,822	2,293	2,452	8,439	1,843	2,019	2,126	2,187	8,175	
Operating Profit			67	-4	123	197	384	-31	-3	79	59	104	
Parent	Sales	Domestic	1,302	1,466	1,454	1,288	5,509	1,454	1,584	1,531	1,379	5,947	
		Export	4,657	4,150	4,565	4,894	18,265	4,346	4,212	4,523	4,142	17,223	
		M\$	\$4,556	\$4,117	\$4,438	\$4,715	\$17,826	\$4,448	\$4,434	\$4,736	\$4,416	\$18,034	
		Total	5,959	5,615	6,018	6,182	23,774	5,800	5,796	6,054	5,521	23,171	
	Gross Profit			1,496	1,395	1,608	1,611	6,111	1,382	1,394	1,461	1,207	5,443
	Operating Profit			280	144	280	211	915	191	190	197	-43	535
Recurring Profit			77	216	128	321	741	182	-10	31	58	261	
Net Profit			83	151	157	312	703	151	-10	23	48	212	

◆ Income Statement

(Unit: KRW bn)

	2005					2006				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	5,959	5,615	6,018	6,182	23,774	5,800	5,796	6,054	5,521	23,171
COGS	4,463	4,220	4,410	4,571	17,664	4,418	4,402	4,594	4,313	17,727
Gross Profit	1,496	1,395	1,608	1,611	6,111	1,382	1,394	1,461	1,207	5,443
SG&A	1,216	1,251	1,328	1,400	5,196	1,191	1,203	1,263	1,251	4,908
Op. Profit	280	144	280	211	915	191	190	197	-43	535
Non OP	-203	72	-152	161	-123	-9	-200	-167	102	-274
Rec. Profit	77	216	128	321	741	182	-10	31	58	261
Tax	-7	65	-29	9	39	31	0	8	10	49
Net Profit	83	151	157	312	703	151	-10	23	48	212

◆ Balance Sheet

(Unit: KRW bn)

	2005				2006			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Assets	13,563	14,299	14,143	14,036	13,974	13,359	13,583	13,199
Current Asset	4,666	4,880	4,557	3,985	3,950	3,458	3,753	3,125
Quick Asset	3,129	3,399	3,063	2,577	2,609	2,128	2,401	2,022
Inventories	1,537	1,481	1,493	1,408	1,341	1,330	1,351	1,104
Fixed Asset	8,896	9,419	9,587	10,051	10,024	9,901	9,830	10,073
Investment	4,590	4,839	5,070	5,481	5,470	5,295	5,165	5,355
Tangible	3,704	4,010	4,069	4,150	4,116	4,170	4,215	4,256
Intangible	602	570	447	420	438	437	450	462
Liabilities	8,841	9,397	8,594	7,874	7,773	7,204	7,454	7,055
Current Liabilities	5,558	5,707	5,642	5,208	5,281	5,340	5,346	4,866
Fixed Liabilities	3,283	3,690	2,952	2,665	2,493	1,863	2,108	2,190
Capital	4,721	4,902	5,549	6,163	6,201	6,155	6,129	6,143
Capital Stock	785	785	785	800	809	809	809	809
Capital Surplus	1,907	1,908	1,908	2,107	2,220	2,220	2,220	2,220
Retained Earnings	1,915	2,066	2,199	2,511	2,462	2,453	2,436	2,466
Capital Adjustment	114	143	658	744	709	673	663	648