



LG Electronics

February 2008



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I . Business Overview

II . Home Appliances

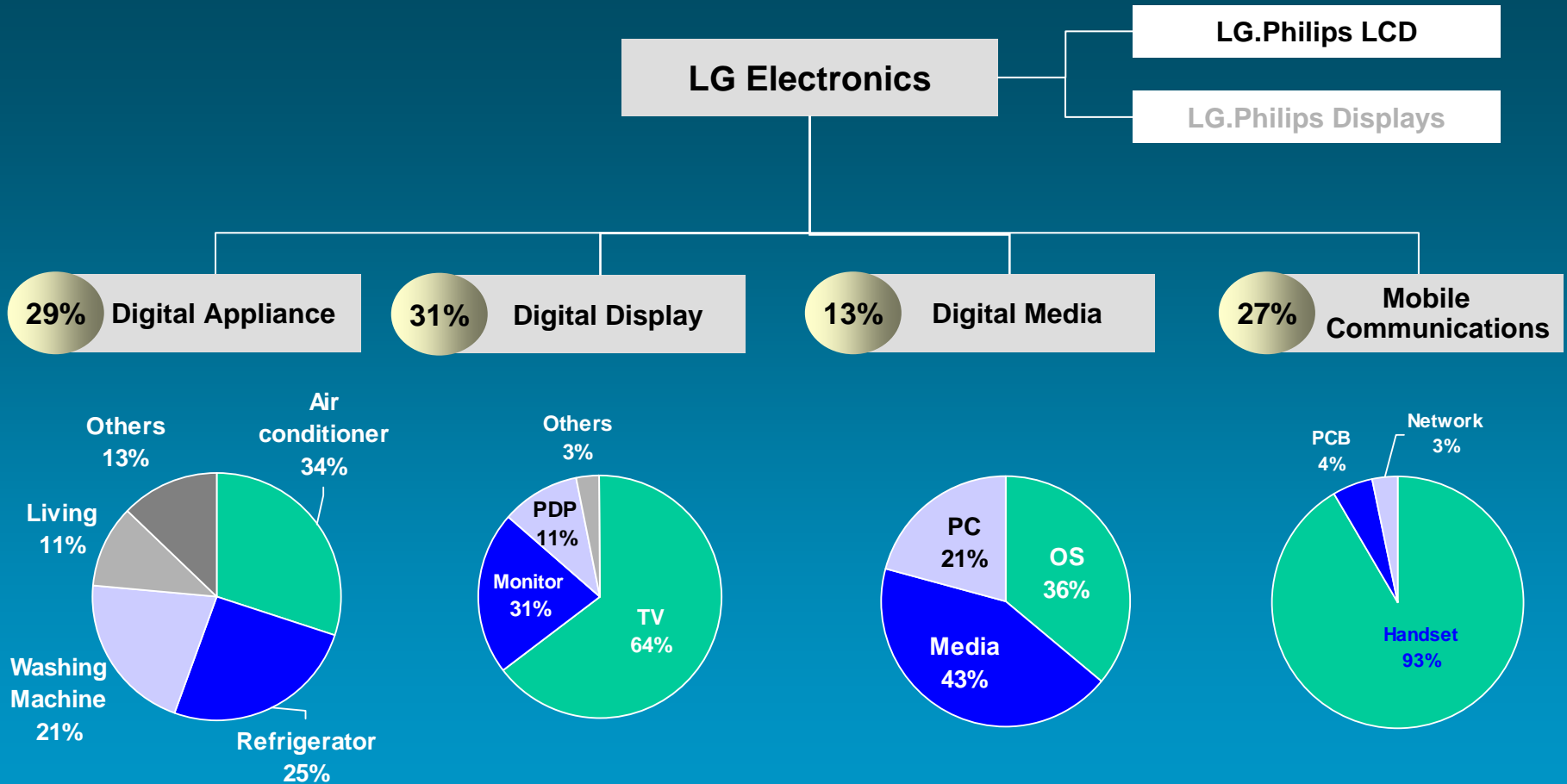
III . Mobile Handset

IV . Digital Display

I . Business Overview



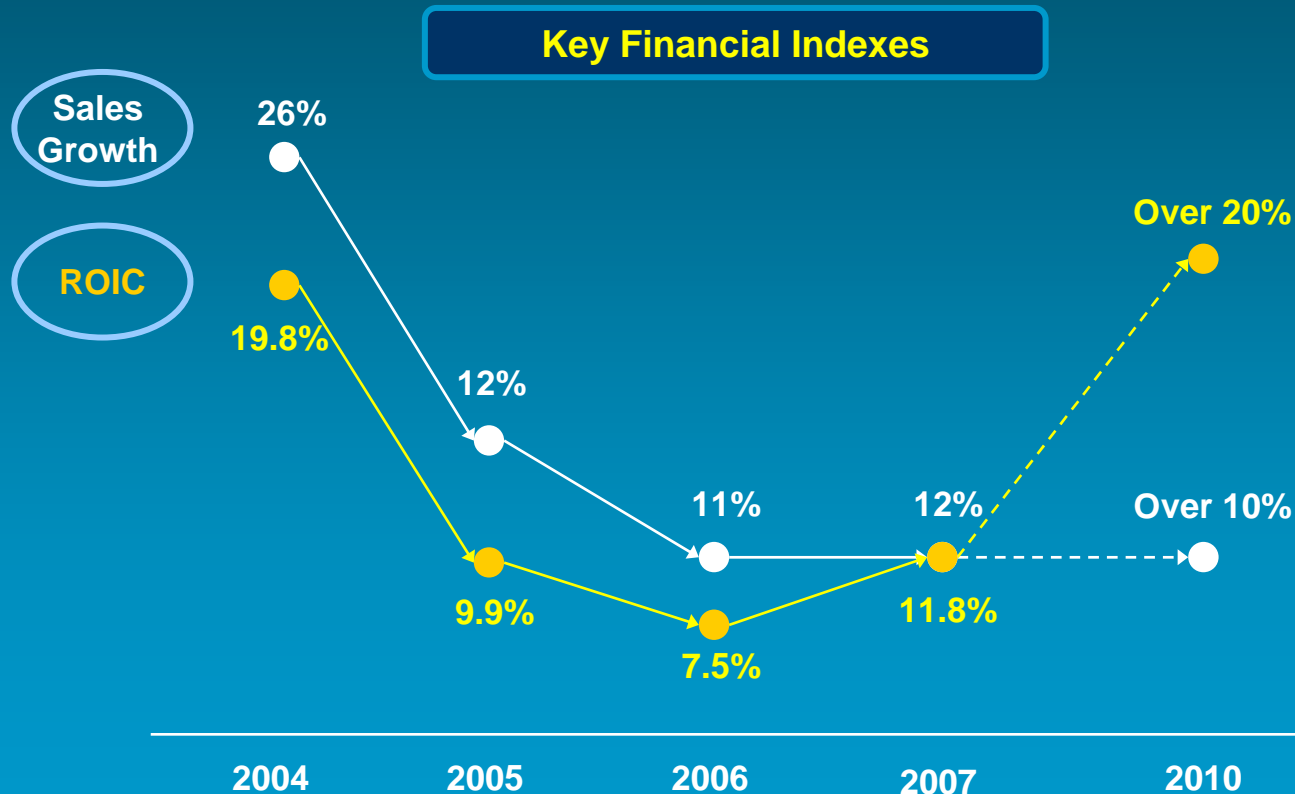
LGE Business Domain



*Based on LGE Global (LGE parent + overseas subsidiaries) sales in 2007

*Digital Display breakdown by product is adjusted for PDP internal sales

- Goal is to improve ROIC to over 20% by year 2010
- Various ways to improve ROIC:
Improve profitability, discard unnecessary assets, increase efficiency, etc.



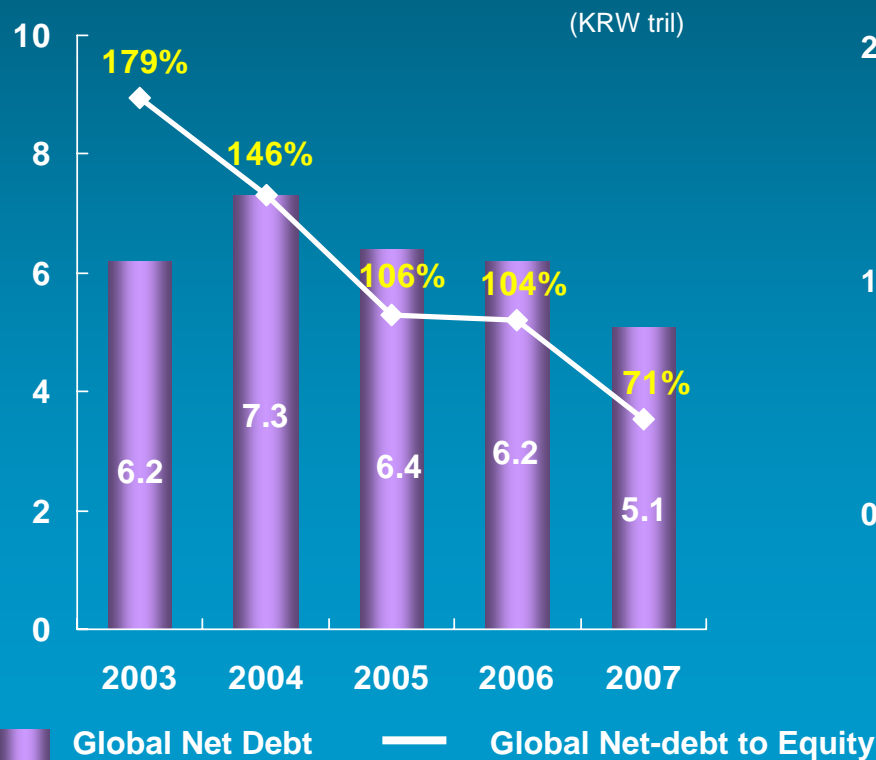
* Sales Growth based on LGE Global (LGE Parent and LGE overseas subsidiaries) in USD.

* ROIC is Based on LGE parent

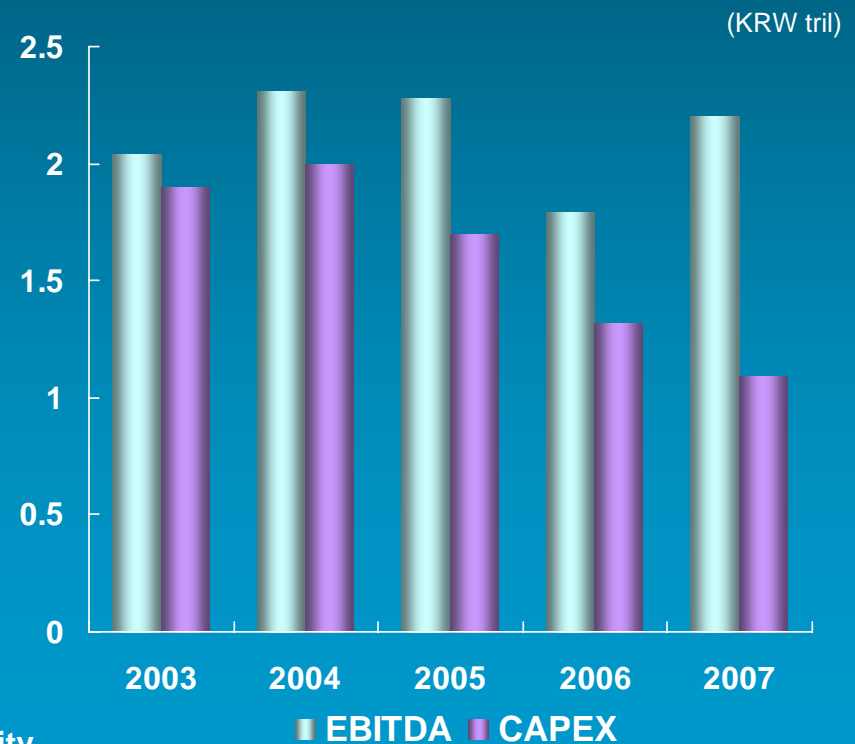
Improvements in Financials

- Great improvements in capital structure
- Cash flow used for debt reduction
- Goal is to reduce global net-debt to equity ratio to below 70%

Net Debt Trend



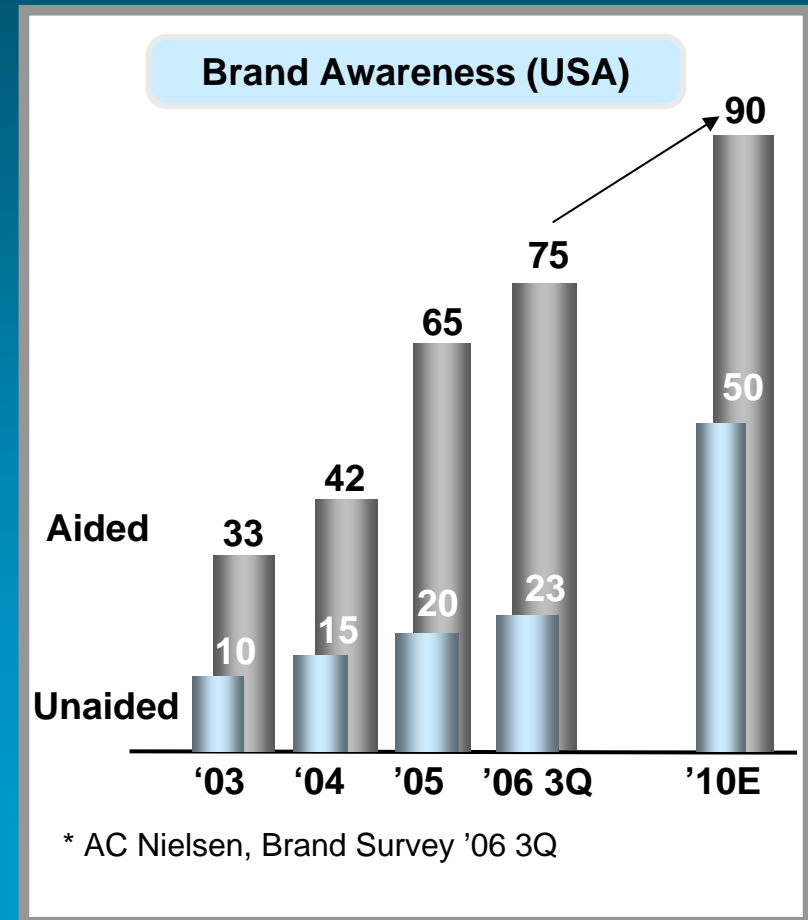
EBITDA / CAPEX



* Based on LGE Global

Building Brand Awareness

- Redefining “LG Electronics” brand to premium markets
- Product-led marketing strategy: Handsets → Appliances → TV



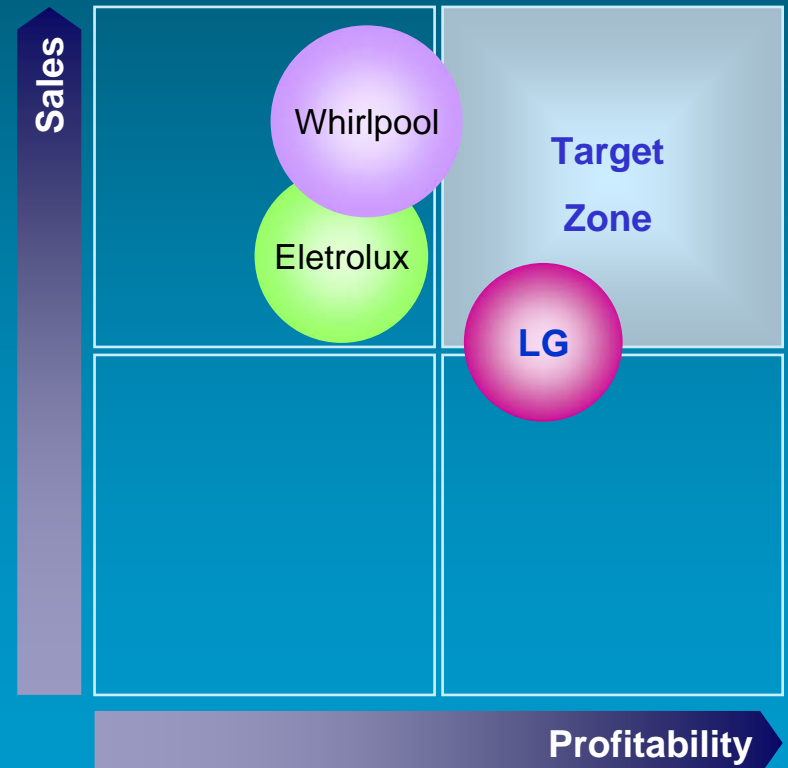
Π. Home Appliances



LGE: Leading Global Appliances



- Sales growth over 16% CAGR
- “Innovative products with great design”
- LGE is global #3 in terms of sales but #1 in terms of profitability



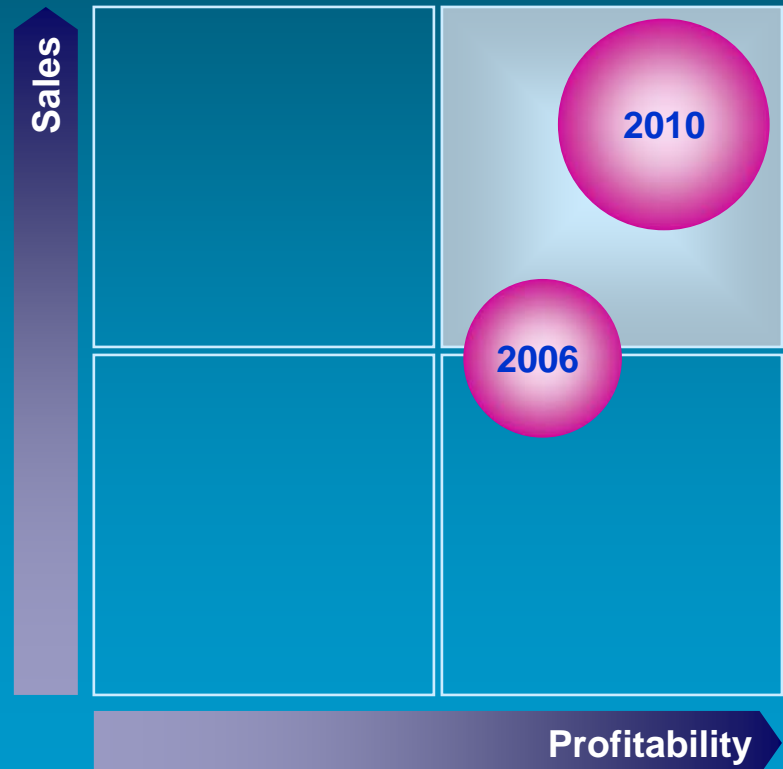
- Targeting global #1 in appliances
- Steadily growing in developed markets (U.S., Europe)
- Strong leader in emerging markets

U.S. Distribution Channels

- Joined forces with U.S. nationwide retailers
 - 2004 : Best Buy
 - 2005 : Home Depot
 - 2007 : Sears
 - 2008 : Regional Channels

Europe & others

- EU channels: DSGi, KESA, etc.
- Market share in emerging countries
 - India: 27%
 - CIS: 11%
 - Brazil: 5%

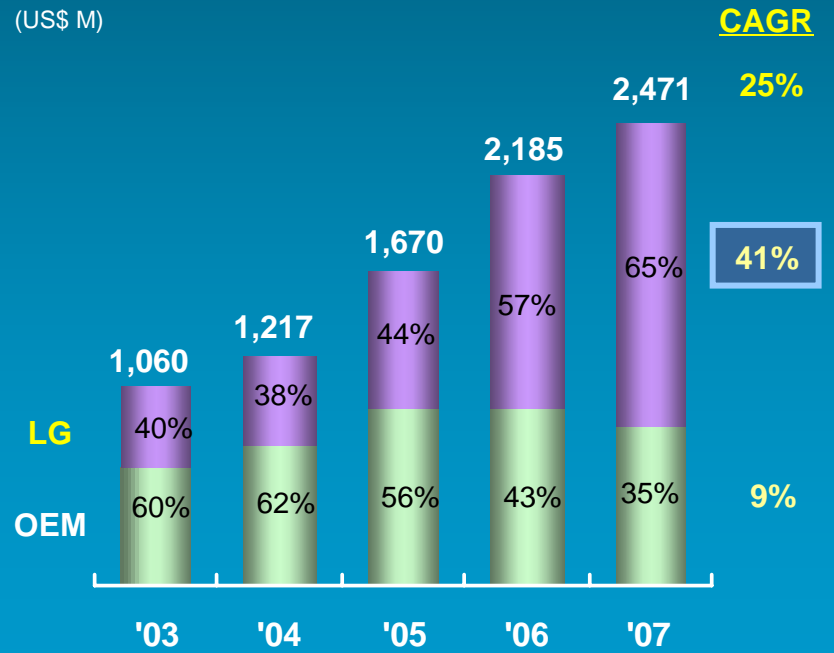
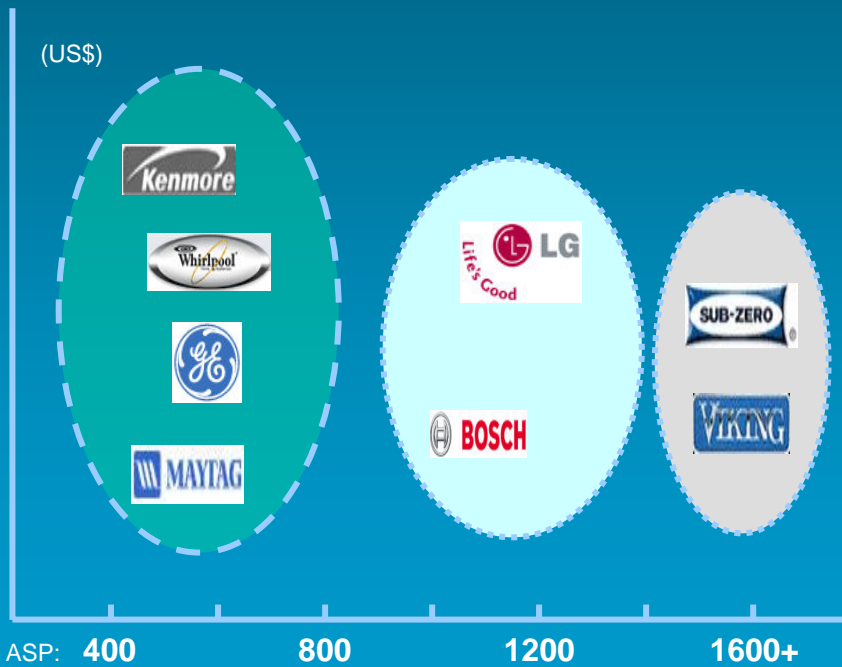


Success in the U.S.

- LGE is positioned in the mass premium market (ASP \$1000~\$1400)
- Growth from Sears, Home Depot and Best Buy entry - major U.S. distributors
- Innovative products: Allergy care steam washing machines in various colors, etc.

U.S. Appliance Market

LGE U.S. Appliance Sales



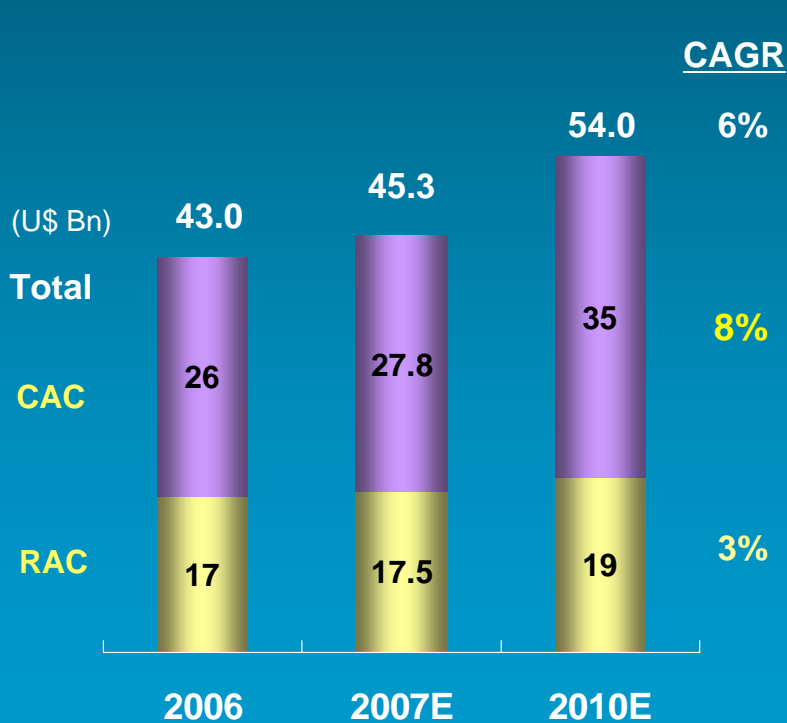
Source: Stevenson '06 1Q

Expanding our CAC Business



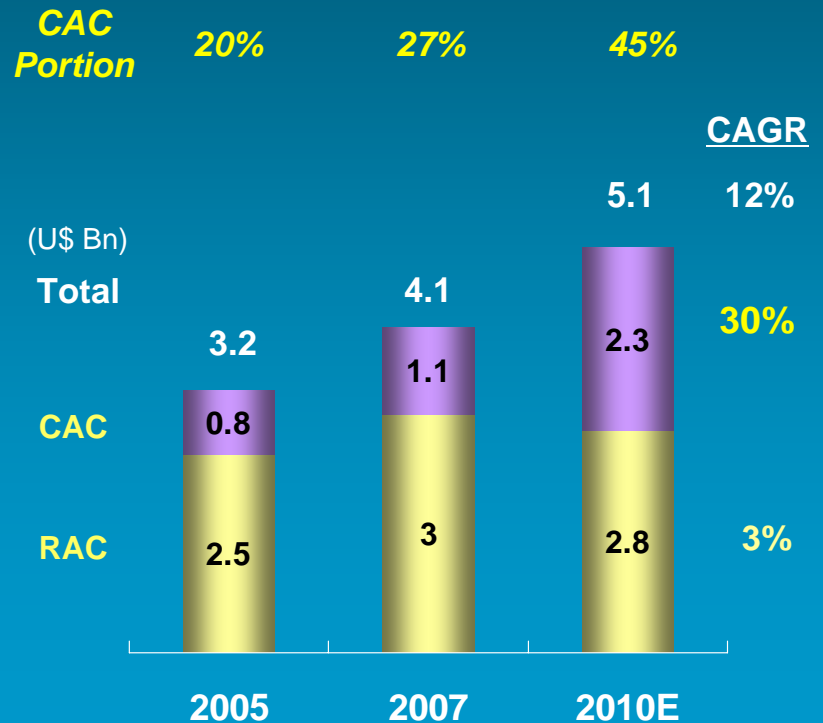
- Commercial Air Conditioner - new market for LGE
- B2B business, infrastructure and after service is important
- CACs using new energy solutions: Eco-design, reducing environmental impact

Global A/C Market



Source: Company data

LGE A/C Sales

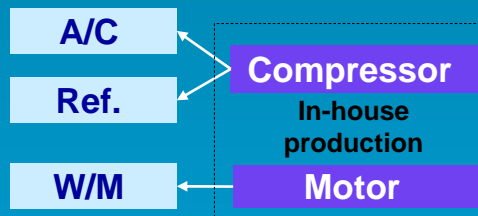


Source: Company data

- Emphasis on R&D → Innovative new products
- Highly efficient low cost production bases (China, India)
- Focusing on three major premium products: A/C, washing machines and refrigerators

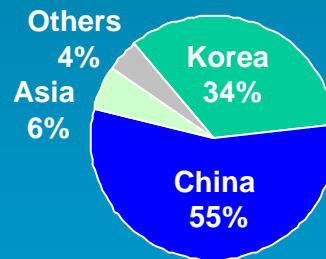
Emphasis on R&D

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



Global Production

- Producing high-end products in Korea
- Utilizing China as low-cost production base



* Based on quantity, 2007

Focus on High-end

- Focusing on 3 Major profitable products
- Increasing premium product proportion



III. Mobile Handset



MOBILE

Mobile Products are opening up a more exciting and enjoyable world, a world that begins with "Dream-come-true" technology of LG Electronics.

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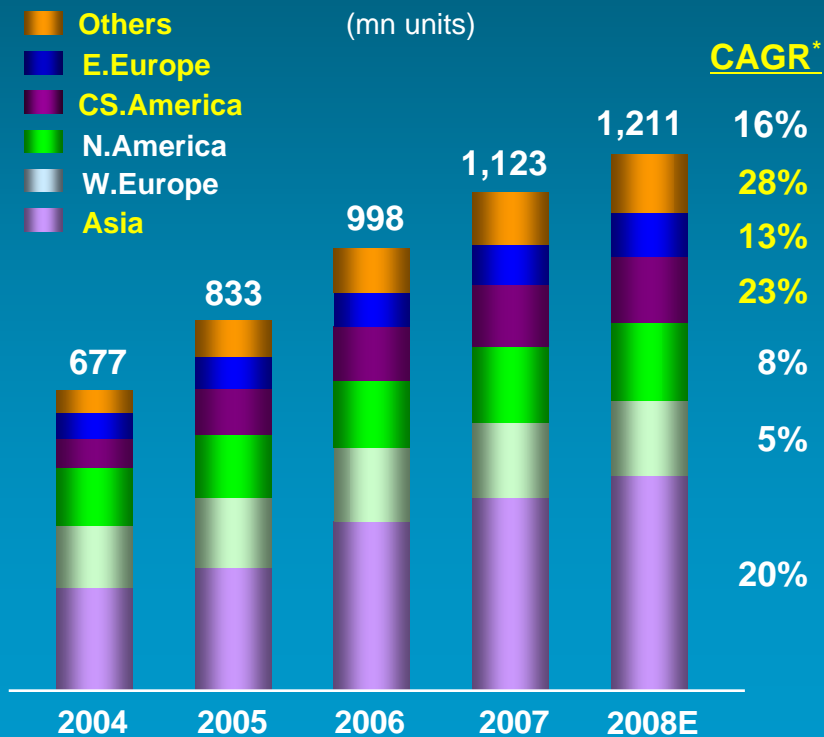
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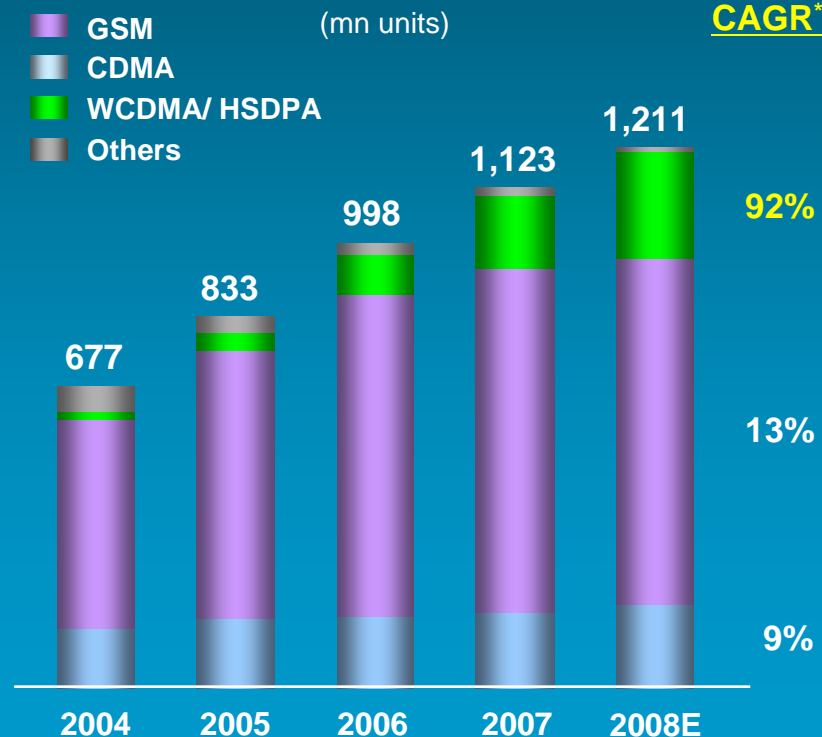


- Emerging market is leading the handset demand
- Limited growth from CDMA
- Increase of 3G and GSM portion

Global Demand



Demand by Technology



* CAGR : based on 2004 ~ 2007

* Source : Strategy Analytics

* CAGR : based on 2004 ~ 2007

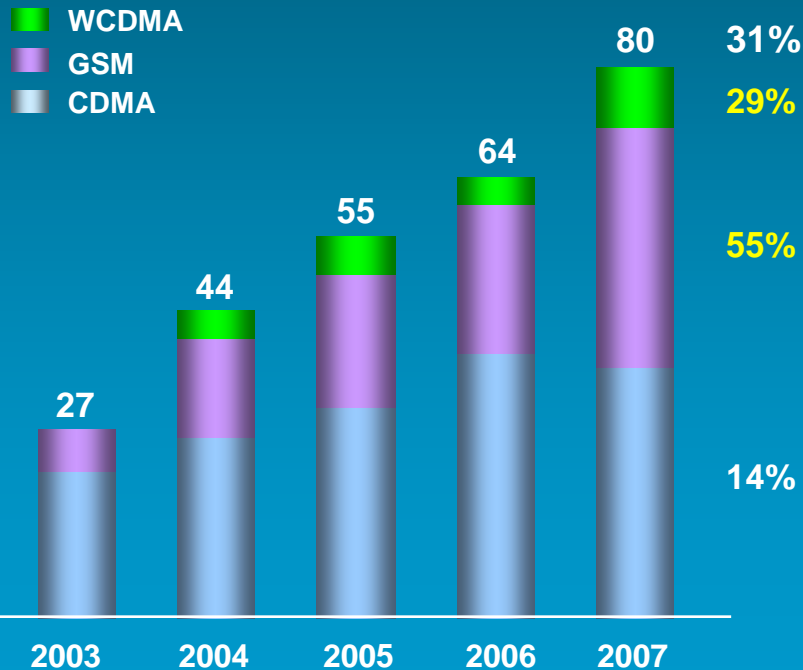
Stable Handset Business

- In 2007, LGE showed handset stability and margin recovery (8.6%)
- Shipment reached historic high of 80.5 million units in 2007
- Continuing the success of “Black Label” & “Blue Label” series

Shipment

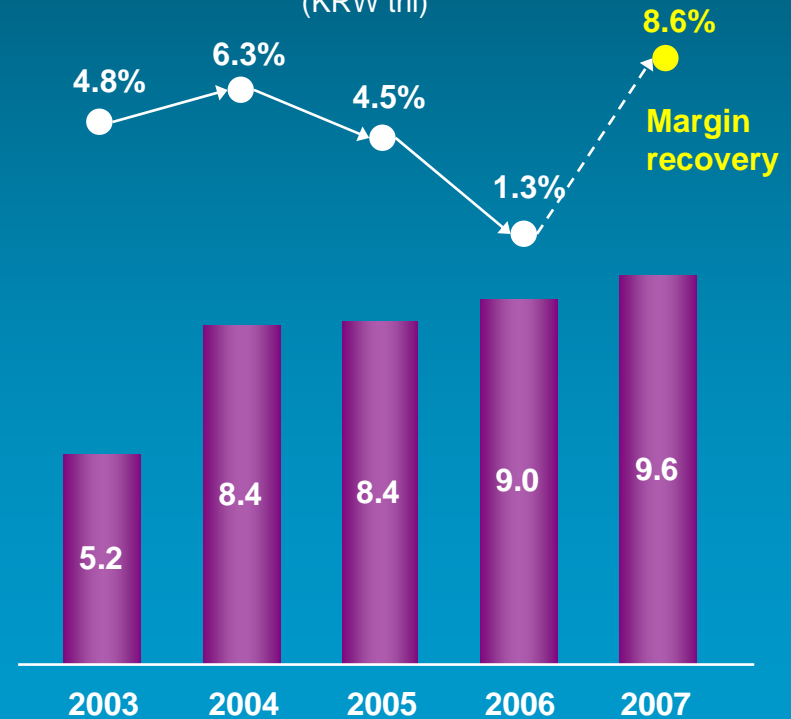
(mn units)

CAGR



Sales & Margin

(KRW tril)



* Source : Company data

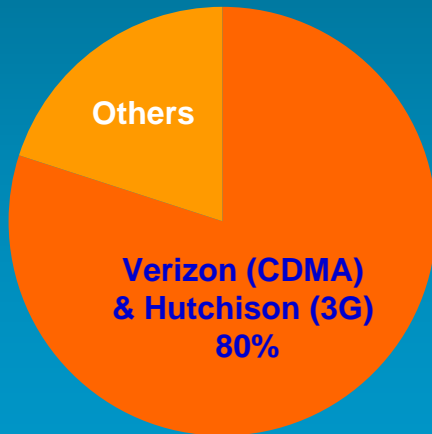
** CAGR : based on 2003 ~ 2007 except for WCDMA

** based on LGE Parent sales and operating margin

- Successful entry into GSM open market with “Chocolate”
 - “Chocolate” shipment reached 7.5M units in 2006, over 4M units in GSM
- Expansion of 3G customer base : Vodafone, AT&T, etc.

Stabilization through Diversified Profit Portfolio

2005



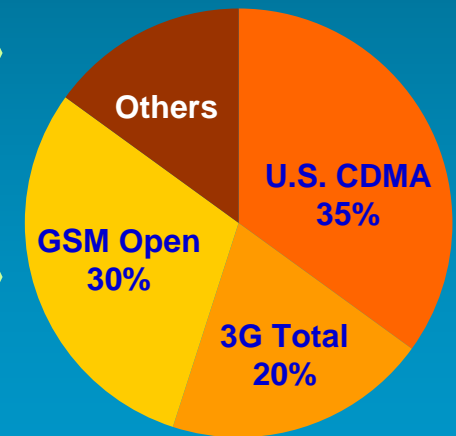
Successful entry into GSM market

- Chocolate 7.7m in 2007
- Shine and Viewty in 2007

Wider 3G customer base

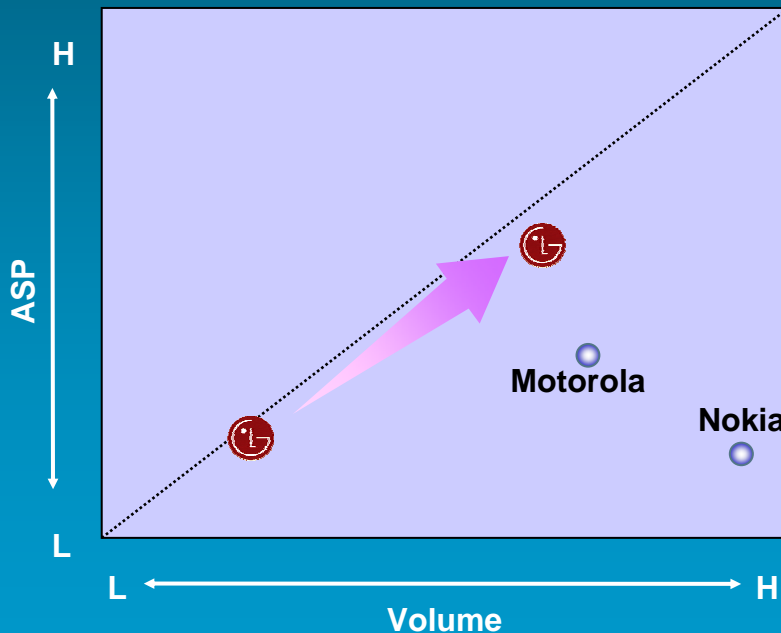
- Vodafone, AT&T, 3, etc
- Winner of GSMA’s “3G for All” project

2007



- ASP improvement just as important as growth
- Increased concentration on high-end handsets
- “LG” Brand identification through design

Long-term Goal



Global “Hit Product”

- Enhance design
- “User-centric” product development
- Improve market research capability

Two tier marketing strategy

- Operator centric strategy for CDMA
- Open market strategy for GSM

Raise blended ASP

- Take advantage of “Korea test market”
- Expand 3G models and carriers
- Move up in GSM market

IV. Digital Display

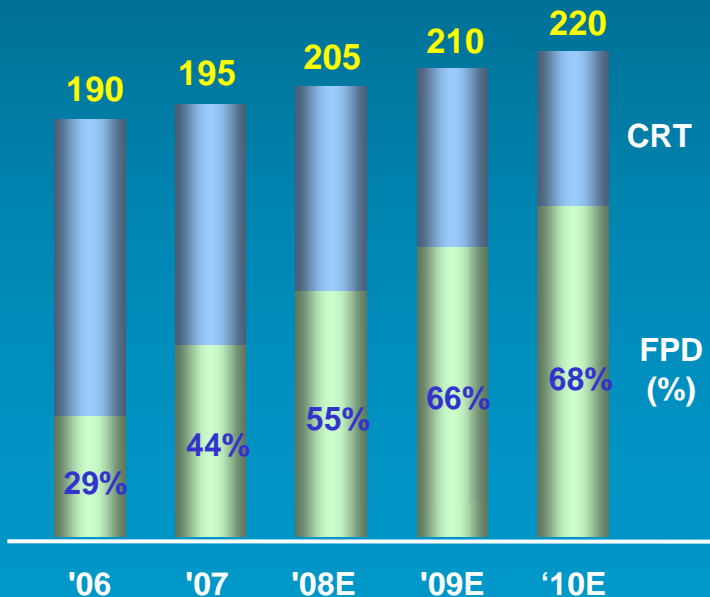


Soaring FPD Demand

- Flat Panel technology became mainstream in the TV market
- Larger-size demand increasing rapidly backed by steep price erosion, and prevailing HD contents

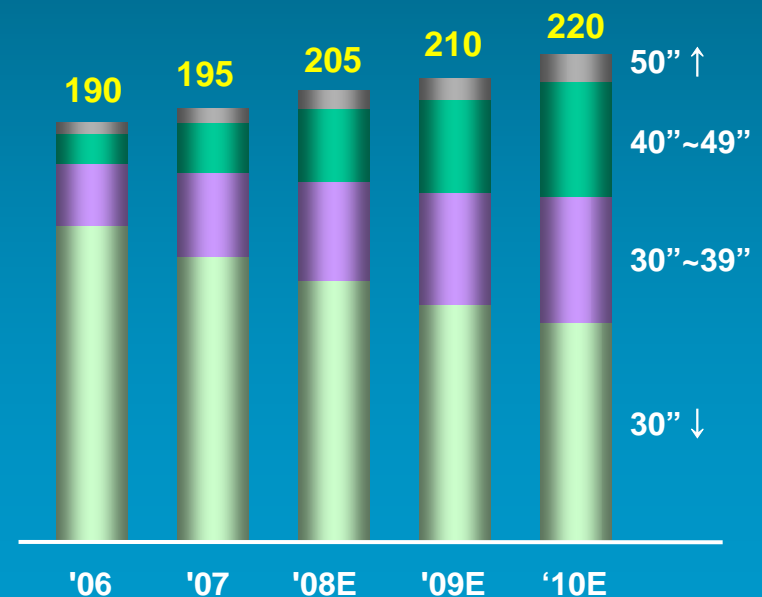
TV Demand

(mn units)



Demand by Size

(mn units)



- **Strengthen brand and competitiveness to improve profitability**
 - **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

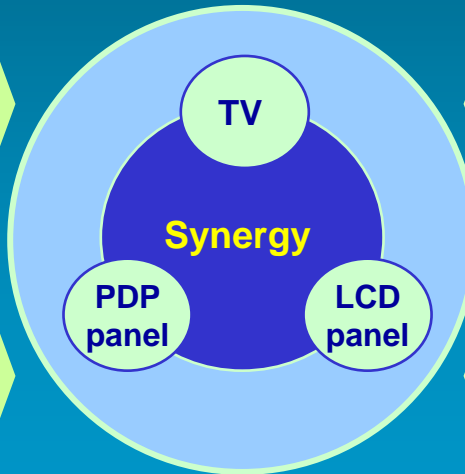
Invest in Brand

Build LG as premium TV brand

Increase marketing expenditure on selective markets : US, EU

Premium pricing

Improve profitability of both TV sets and Panels



Strengthen Competitiveness

Product design and development

- LCD cooperation with LPL
- PDP cooperation with LG-Micron

Deliver optimized product lines

- Possession of both PDP and LCD
→ competitive advantage

“Improve Profitability”



<http://www.lge.com>

Appendix

Divisional Sales & Profit (Parent)

(Unit :KRW bn)

		1Q'06	2Q'06	3Q'06	4Q'06	FY06	1Q'07	2Q'07	3Q'07	4Q'07	YoY	FY07	YoY
DA	Sales	1,563	1,529	1,363	1,283	5,738	1,819	1,789	1,339	1,189	-7.4%	6,135	6.9%
	Op. Profit (%)	160 (10.2%)	150 (9.8%)	58 (4.3%)	62 (4.9%)	430 (7.5%)	218 (12.0%)	173 (9.7%)	65 (4.8%)	55 (4.7%)		511 (8.3%)	
DD	Sales	1,446	1,443	1,725	1,212	5,825	1,214	1,093	1,389	1,441	19.0%	5,137	-11.8%
	Op. Profit (%)	30 (2.0%)	21 (1.4%)	43 (2.5%)	-147 (-12.1%)	-54 (-0.9%)	-194 (-16.0%)	-265 (-24.2%)	-160 (-11.5%)	-96 (-6.6%)		-714 (-13.9%)	
DM	Sales	770	641	665	663	2,738	713	613	698	688	3.8%	2,712	-0.9%
	Op. Profit (%)	23 (3.0%)	11 (1.8%)	8 (1.3%)	-20 (-3.1%)	22 (0.8%)	6 (0.8%)	-17 (-2.7%)	15 (2.1%)	-6 (-0.9%)		-2 (-0.1%)	
MC	Sales	2,050	2,211	2,326	2,370	8,958	2,300	2,423	2,283	2,567	8.3%	9,573	6.9%
	Op. Profit (%)	-9 (-0.4%)	21 (0.9%)	98 (4.2%)	72 (3.0%)	182 (2.0%)	155 (6.7%)	265 (10.9%)	181 (7.9%)	209 (8.1%)		809 (8.4%)	
Handset	Sales	1,855	2,032	2,149	2,204	8,240	2,136	2,253	2,131	2,422	9.9%	8,942	8.5%
	Op. Profit (%)	-31 (-1.7%)	-3 (-0.1%)	79 (3.7%)	58 (2.6%)	103 (1.3%)	141 (6.6%)	254 (11.3%)	170 (8.0%)	200 (8.3%)		765 (8.6%)	
Others	Sales	-286	-275	-242	-73	-876	-122	-141	-187	-97		-547	
	Op. Profit	-126	-123	-103	-102	-454	-108	-107	-86	-82		-384	
Total	Sales	5,800	5,796	6,054	5,520	23,171	6,034	5,903	5,690	5,875	6.4%	23,502	1.4%
	Op. Profit (%)	191 (3.3%)	190 (3.3%)	197 (3.3%)	-43 (-0.8%)	535 (2.3%)	173 (2.9%)	146 (2.5%)	92 (1.6%)	154 (2.6%)		565 (2.4%)	

* Divisional sales includes internal transaction between divisions

Appendix

Divisional Sales & Profit (Global*)

(Unit :KRW bn)

		1Q'06	2Q'06	3Q'06	4Q'06	FY06	1Q'07	2Q'07	3Q'07	4Q'07	YoY	FY07	YoY
DA	Sales	2,556	2,969	2,500	2,352	10,376	2,941	3,604	2,785	2,473	5.1%	11,803	13.8%
	Op. Profit (%)	117 (4.6%)	248 (8.3%)	107 (4.3%)	123 (5.2%)	594 (5.7%)	169 (5.7%)	292 (8.1%)	150 (5.4%)	107 (4.3%)		717 (6.1%)	
DD	Sales	2,714	2,786	2,672	3,197	11,368	2,754	2,727	3,170	3,968	24.1%	12,619	11.0%
	Op. Profit (%)	44 (1.6%)	53 (1.9%)	70 (2.6%)	-97 (-3.0%)	70 (0.6%)	-262 (-9.5%)	-138 (-5.1%)	-29 (-0.9%)	-11 (-0.3%)		-440 (-3.5%)	
DM	Sales	1,449	1,242	1,217	1,492	5,401	1,382	1,246	1,336	1,430	-4.1%	5,394	-0.1%
	Op. Profit (%)	52 (3.6%)	11 (0.9%)	-4 (-0.4%)	13 (0.9%)	72 (1.3%)	11 (0.8%)	-4 (-0.3%)	29 (2.2%)	27 (1.9%)		62 (1.2%)	
MC	Sales	2,186	2,302	2,533	2,764	9,786	2,509	2,865	2,635	3,050	10.3%	11,059	13.0%
	Op. Profit (%)	-30 (-1.4%)	9 (0.4%)	46 (1.8%)	128 (4.6%)	153 (1.6%)	121 (4.8%)	325 (11.3%)	220 (8.4%)	267 (8.7%)		933 (8.4%)	
Handset	Sales	1,998	2,134	2,367	2,599	9,099	2,354	2,709	2,496	2,917	12.2%	10,476	15.1%
	Op. Profit (%)	-52 (-2.6%)	-15 (-0.7%)	26 (1.1%)	114 (4.4%)	74 (0.8%)	110 (4.7%)	313 (11.6%)	209 (8.4%)	257 (8.8%)		889 (8.5%)	
Others	Sales	-45	-39	-53	-63	-201	8	-11	-16	-7		-27	
	Op. Profit	-13	-12	-10	-10	-45	-11	-11	-9	-8		-38	
Total	Sales	8,860	9,260	8,869	9,742	36,730	9,593	10,430	9,911	10,914	12.0%	40,848	11.2%
	Op. Profit (%)	171 (1.9%)	308 (3.3%)	208 (2.3%)	157 (1.6%)	844 (2.3%)	28 (0.3%)	464 (4.4%)	362 (3.6%)	381 (3.5%)		1,234 (3.0%)	

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