

idea.

Discreet mindset about life,
Warm hearts caring about others,
It's what's behind LG products.

At LG Electronics, our devoted employees
Bring together diverse ideas with one hope
Delivering greater happiness in everyday life.

See how LG ideas make it happen.

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idea

OF PRODUCT

LG mind-boggling ideas often come from the

hearts of customers. The ideas are not just brewed

from laboratories but from our customers' desires.

Their desires have changed the world. Sometimes,

our products responded to their desires have

changed the world.



TIMELESS SHOWPIECE • LG 60" HD DVR BUILT-IN PLASMA TV

VIRTUAL HAND PIECE • LG DMB PHONE



Defy Limits

When it comes to the latest TVs, change your conventional ideas such as one that a TV set is a stationary object or that missing a live TV program is the end. With LG TVs, experience how they defy the limits. Today, TVs are no longer a passive product but an active multiple display. With LG HD DVR built-in plasma TVs which allow pause and repeat of live broadcasting programs, and LG DMB phones, which feature wireless digital broadcasting services, enjoy more freedom at home or on the go.



RESONATING CENTERPIECE • LG HOME THEATER SYSTEM with FLAT PANEL SPEAKER



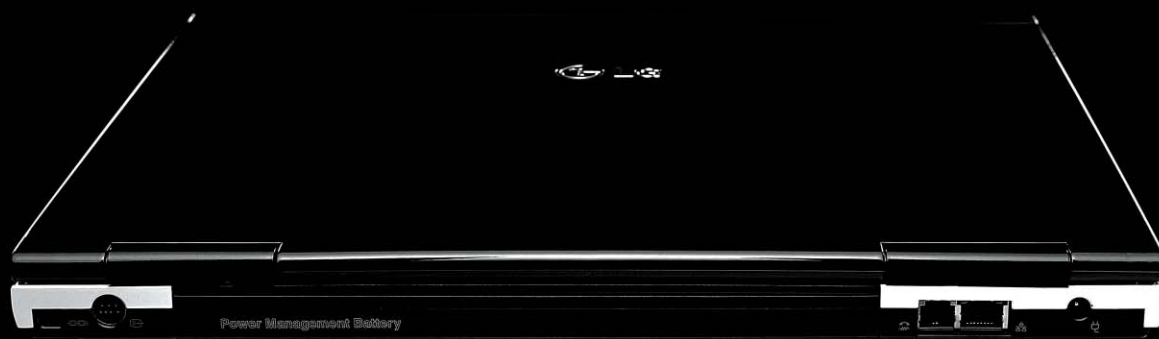
COOL ART PIECE • LG ART COOL AIR CONDITIONER

Neo Art

How about refurbishing your living room with a home theater system and a style-setting air conditioner for a change? The LG home theater system with wall-mount flat panel speakers and the sleek LG air conditioner which comes with changeable pictures on the front, will redress your living room like a gallery displayed with works of an installation art. Properly representing your pride, these digital masterpieces enrich your lifestyle.



PIANO BLACK OUTFITTED • LG DUAL CORE NOTEBOOK PC

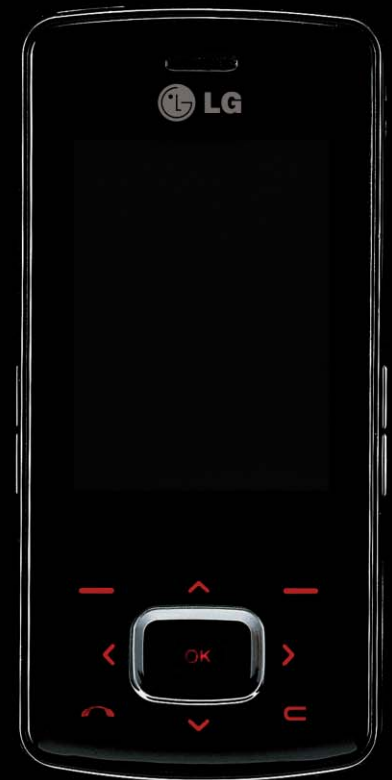


Another Fashion

The LG notebook PC exquisitely blended with shiny crystal black and sheer white colors. The LG slide phone 'Chocolate' outfitted with pure black with a sensual red touchpad at its core. These showcase the beauty of minimal simplicity, the most coveted style in the latest digital products. Their dazzling style and colors, which mesmerize you at a glance, are designed to express your unique personality. Today, digital products have become another fashion.



SOFT BLACK OUTFITTED • LG CHOCOLATE PHONE



Different Pleasure

With a cutting-edge entertainment system available at home, why would anyone look for entertainment away from home? The LG full HD TV revives picture-perfect images more vivid than reality bringing heart-pounding pleasure to your home. The LG TV refrigerator broadcasting service makes your kitchen a very unique place. In your living room and kitchen, enjoy your favorites with LG products.

SEE THE DIFFERENCE • LG 47" FULL HD LCD TV



Life's Good



There are many electronic companies in the world that serve up something quite new in technology, product quality, and service.

There is LG Electronics, foremost among them in bringing it all.

Our ideas essentially come from the hearts of our customers, ultimately to help them achieve their business goals and personal happiness.

Accompanied by ongoing innovation, our ideas and practices defy the limits.

SPECIAL MOMENTS

**A balmy spring day laden with flower fragrance,
A dining table brimming with the smiles of family members . . .
Life is full of special moments and
Every moment counts in making life happy.
In those life's special moments and places,
LG Electronics is always there for you.**



Special Gifts



Growing Love



Thrilling Moments



Unforgettable Memories

Special Gifts

They say I look a lot better.
I often talk face to face with my
friends living out of town and
frequently send my motion pictures
to my family. Maybe that's
the reason I look better than before.
For my boyfriend, who often says
my smile is the best gift in the world,
I upgraded my cell phone to the
latest LG UMTS (WCDMA) phone.
Now he sees my smile
even more clearly. A little
investment is a must for winning
the hearts of special ones.

ide@

Ideas to Send Gifts

Sending special gifts calls for uncommon ideas.





UMTS (WCDMA) Phone



Multimedia DMB Notebook PC



Growing Love

I like walking with my boyfriend through a balmy breeze in a sunny park. But lately, since we are bombarded with work, we take the LG multimedia DMB notebook PC everywhere and get our jobs done right. At a roadside cafe, We enjoy not only a cup of coffee, but also movies, games, Internet, music, and TV programs with the LG DMB notebook. We know the more time we spend together, the greater our love grows in our hearts.

idea[®]

Ideas Show Your Heart

It's all about ideas to show your heart.



Thrilling Moments

Our wedding anniversary or not, skipping dinner or not, we, who can recite the entire history of our football team without faltering, never miss a single game when our football team plays. There's no need to worry of missing our favorite soccer games with the HD DVR built-in Plasma TV as it allows us to repeat and record live broadcasting programs. We think we ought to charge admission for this special presentation.

idea

Ideas Bring the Soccer Spectacle Alive

Here's how to watch the game more vividly than in the stadium.



HD DVR built-in plasma TV







Thrifty Refrigerator

Unforgettable Memories

Mom's home-made soup was always a wonderful welcome when I came home from school. My dad's boastful display of his weekend salad special on the table . . . Every time I opened the refrigerator, I felt how much my mom took great care of us. These and many other good memories have soothed me in difficult times. Now married, I do the same for my family. My LG Thrifty refrigerator helps me create unforgettable memories.

idea@

Ideas For the Family

Uncommon ideas bond family members closer together.






Life's Good!



Dependable technology and quality, convenient function, beautiful design, winning-concept customer service, and in their midst, our LG Electronics' employees all combine together on one front: helping more people to talk, have great times, and experience growing love. Ultimately, LG ideas are designed to provide unprecedented benefits to more people. LG Electronics reaches out to the soul of a people-oriented world where technology benefits them everywhere.



Brilliant smiles  **of your loved ones,**

The Best Way to Show You Care, 

 **Victory of your favorite football team,**

All the family joining in preparation of  **the dinner table . . .**

Happiness is not somewhere over the rainbow.

It's everywhere close to you.

LG Electronics is always within your reach.



idea

OF MANAGEMENT

At LG Electronics, our new ideas arise from various sources, from the process of our steady innovation activities to our experience garnered from both failure and success. Putting our management on a firm basis of creative strategies, we continue to widen the untapped market space in line with creating innovative ideas and products.

Every Idea Reflects Customers' Lives

On behalf of LG Electronics, I extend my heartfelt thanks to our customers who have been with us since the beginning with unwavering support. At LG Electronics, 2006 marked the 48th anniversary since the inception of our business in 1958. Now facing a half century of operation, our present standing seems particularly meaningful for us as our corporate history is often dubbed as the entire history of the electronics industry in Korea. During this time, we have built our strength and grown to sufficiently compete with others in the electronics, information and communications industries globally. During the past half century, numerous companies have come and gone. However, we have managed to realize steady growth. Presently, we aspire to achieve our vision to rank among the “Global Top 3” Electronics and telecommunications companies by 2010. Behind our steady growth stands the seamless teamwork of our dedicated employees who have combined their efforts within a culture of challenge and change. However, the prime factor of the growth has been the trust and support of our customers.

We believe that customers are essential for the survival of our company. And in response, our management objectives address our commitment to put it all on the line to meet our customers' needs. Our customer-oriented objectives are not written in a book but practiced as fundamental management principles. From our first product, the radio, to today's industry-leading digital TVs and mobile phones, all our products have been derived from the hearts of our customers. We think and rethink in creating each product, wanting to bring

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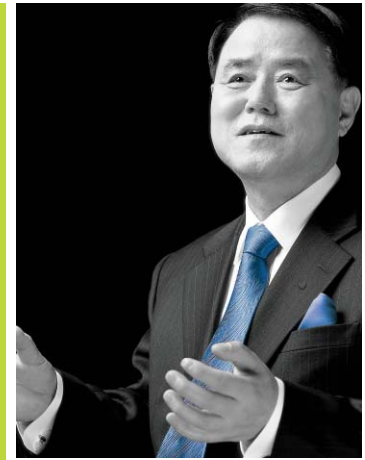
Presently, we aspire to
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the “Global Top 3”
Electronics and telecommunications
companies by 2010.

”





We want to deliver
more convenience and luxury
in peoples' lives.
Whether students,
needy neighbors, buyers,
shareholders, or employees, we
want more people to share
in the benefits.



bring changes in our customers' lives just as our small radio brought great change to the industrial history of Korea. We want our customers to become happier through our products and technology. We want them to receive real-time information anytime anywhere through DMB phones, exchange data through digital TVs, and enjoy entertainment through internet-enabling EV-DO notebook PCs. While they play Plasma TVs with built-in DVR, which even allow them to pause or repeat live HD broadcasting programs, their robot vacuum cleaner takes care of the cleaning and the Internet-enabled refrigerator orders the grocery. We want to deliver more convenience and luxury in peoples' lives. Whether students, needy neighbors, buyers, shareholders, or employees, we want more people to share in the benefits. This is the motivation that has led to us in driving technological development to date. Mindful that LG Electronics is made by our customers, we continue making changes through a challenging spirit.

S.S. Kim
Vice-chairman and CEO
March 2006

vision

GLOBAL TOP 3 BY 2010



Growth Strategy

- FAST INNOVATION
- FAST GROWTH

Core Competency

- PRODUCT LEADERSHIP
- MARKET LEADERSHIP
- PEOPLE LEADERSHIP

Corporate Culture

- NO EXCUSES
- 'WE' NOT 'I'
- FUN WORKPLACE



GREAT COMPANY GREAT PEOPLE



Dreams of customers are the guiding compass of our R & D



The 5th generation VSB(Vestigial Side Band)/QAM receiving chip

TECHNOLOGY

Technology
makes Headway
in the Untapped
Market Space













Technology innovation is the key to success in the untapped market space. To widen the market space ahead of competitors, we are concentrating on research and development activities. In particular, we concentrate our energy on fostering globally unrivaled products, such as mobile handsets, digital displays including TVs, and commercial packaged air conditioners. At the same time, we are identifying growth opportunities in what lies ahead in new business areas. • In 2005, we developed the world's first digital video recorder (DVR) in HD format, and adapted it in digital TVs, digital media broadcasting (DMB) notebook PCs, and DMB mobile phones. This achievement has defied conventional time and mobility limits of TVs. Other advances include the slim phone, terrestrial DMB-enabled PDAs, and steam-powered drum washing machines. Also noteworthy were commercial rollout of the all-new home networking solution, the 50" plasma single scan panel, and the technology of taking 6 panels out of one glass simultaneously. • Currently, our research activities in new areas are directed to organic light-emitting diode (OLED) displays, flexible displays, a car infotainment system, and a non-electrode plasma lighting system (PLS) in next-generation display area, all showing promising results in the near future. • To date, we have deployed research and development facilities worldwide. The CTO-led LG Corporate Institute of Technology, LG Production Engineering Research Center, and 14 research labs in Korea and 16 overseas combine efforts to sharpen our technological edge and keep identifying new business opportunities to fuel our future growth-promising products. In 2006, with investment budgeted at 1.4 trillion won excluding CapEx as stimulus, we continue our research and development drives in realizing our vision, the Global Best in Research and Development.

DESIGN

World-Acclaimed Designs

The wall-mount projector, the cell phone shaped with sports car flair, the super-slim slide phone with a sensual touchpad only 14.9mm thin, the Eagle Eyes LCD monitor exquisitely blending linear and curvilinear lines, the digital video recording (DVR) plasma TV in a piano black frame, the drum washing machine offering changeable surface color panels, the air conditioner offering changeable pictures on the front.... These products and more have made our reputation as a signature design product provider in the world. • Our devotion to design has been appreciated by famous design organizations, resulting in winning prestigious design awards every year at home and abroad, including the IDEA Award, iF Design Award, Reddot Design Award, Good Design Award Japan and Korea Good Design Awards. • We have built strength in product design by establishing LG Design Center, the first in the domestic industry, and expanding our design network globally. To effectively anticipate upcoming trends in product design across the world, we have established the LG Design Center in New Jersey (America), Tokyo (Japan), Beijing (China), New Delhi (India), and Milan (Italy). • Setting sights on the future, our objectives align with the vision of becoming the world's trendsetting company in product design which is packed with beauty and sensibility. Thus, we are linking our domestic and overseas design centers with design management center in Korea to stream our human resources and design capabilities. • On this solid foundation, we are creating outstanding products with the coveted, new-to-the-eye, and luxurious designs customers crave. We continually increase the number of pre-launched product samplings and carry innovation throughout our design resources while promoting capable designers globally.

 	 	 	 	 
<p>Wall-mount Projector</p> <p>2006 reddot design award 'Best of the Best' 2006 iF Design 'Gold Award' 2006 CES Innovation Award 2006 Good Design Award</p>	<p>Chocolate</p> <p>2006 reddot design award 2006 iF Design Award 2006 Good Design President award winner 2006 KAID Grand Prize</p>	<p>Steam-powered Drum WM</p> <p>2006 reddot design award 2006 Good Design Award 2006 KAID Special Prize</p>	<p>Dual Core Notebook PC</p> <p>2006 reddot design award 'Best of the Best'</p>	<p>50" Plasma TV</p> <p>2006 CES Innovation Award 'Best of Innovations'</p>

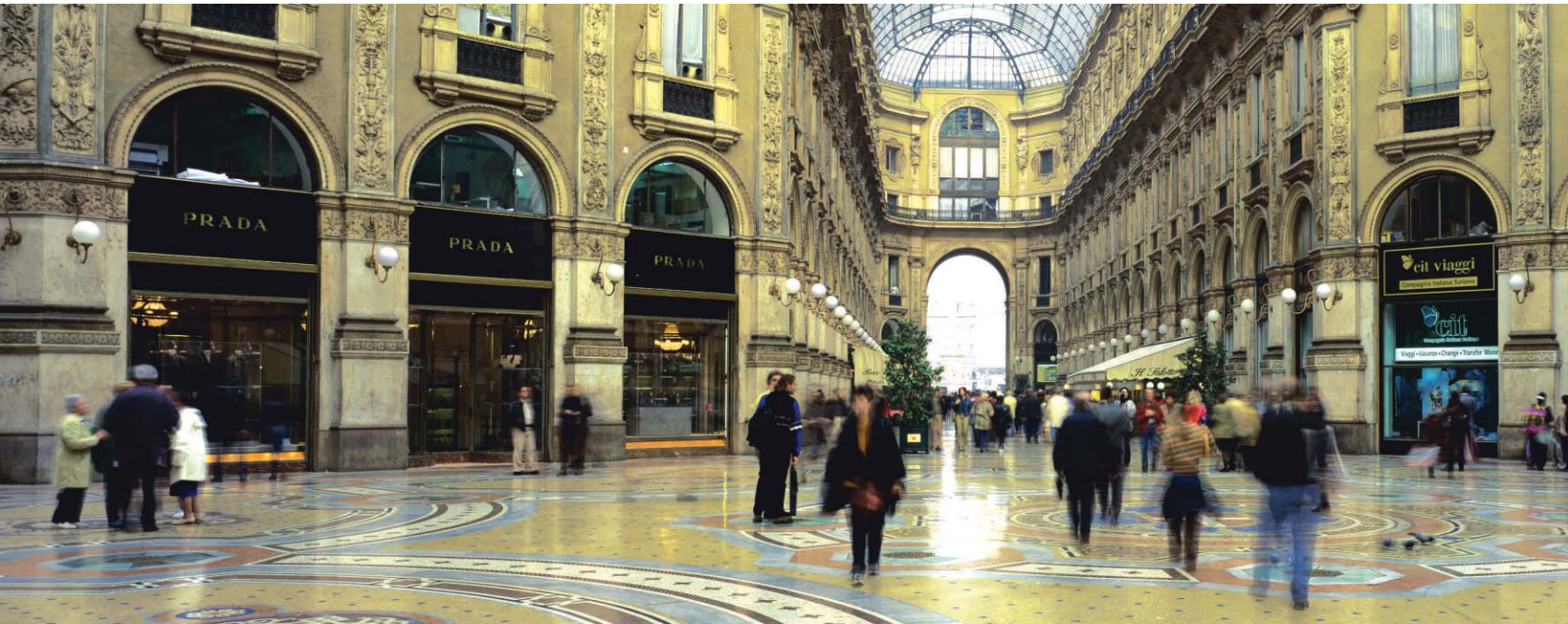


idea

OF BUSINESS

At LG Electronics, we aspire to address customer needs from A to Z. From product planning, aesthetic designs, functional features to customer services, all our ideas are firmly based on offering customers what they truly want in their lives. Ultimately, delivering value-packed specialties is where our business ideas start and thrive.

MOBILE COMMUNICATIONS COMPANY



idea Ideas to Send Gifts

Buying a gift for someone special often means 'shop till you drop.' On the screen of your LG 3G phone, show your loved one what you are going to buy. Make your gift choices easy and unforgettable for your special one.

In today's world of ever-evolving mobile technology, nobody is sure how far mobile technology will go. At LG Electronics' Mobile Communications Company, technology has been growing as fast as ever, outpacing the products of competitors. Its diversified all-in-one offerings coupled with cross-network wireless communications and entertainment services include a new MP3 player, digital camera, camcorder, and LAN port, which have spearheaded the global mobile industry. Ideally crafted with intuitive technology, personalized design, and more, the Company goes for presenting premium mobile collections, which allow customers to properly represent who they are and which can be treasured for years to come. With LG mobile handsets, every minute can be enjoyed while on the go.

Ultra Slim
UMTS
U880 Roberto Cavalli



The Mobile Communications Company has produced a variety of mobile handsets based on breakthrough mobile technology and eye-catching design, placing them all in dominant positions in the world. In particular, the code division multiple access (CDMA), global system for mobile communications (GSM), and universal mobile telecommunications system (UMTS), also referred to as WCDMA (wideband CDMA), have been bestsellers in key global regions. • In 2005, the Company's industry-leading technology, win-win partnership with global majors, and excellence in brand marketing kept it at first rank in sales in the global CDMA market. Sales of 55 million handsets as a whole placed it at the world's fourth rank. • GSM handsets in 2005 posted more than a 40% increase in sales over 2004, due in large part to rapid growth of

sales in CIS and Latin America, along with steady growth of sales in Europe and North America. • In the fast growing UMTS (WCDMA) market, the Company supplied a large quantity of UMTS (WCDMA) handsets in Europe and Asia through major 3G mobile operators, including Hutchison, Orange, Telefonica, and T-Mobile. Also, LG supplied 3G handsets to the largest GSM operator in the United States. • The Company's premium handsets have been endorsed by a broad range of customers. The Mobile Communications Company introduced DMB (Digital Multimedia Broadcasting) handsets capable of receiving terrestrial digital broadcasting signals wirelessly or through satellite transmissions, 5-mega pixel digital camera handsets, and super-slim slide handsets including "Chocolate" which stirred the Korean market. The LG U880, a super-

• Chocolate



• LG-V9000



• LG-P7200



• LG-W810



• LG-VX9800



• LG-KP4700



• LG-M6100





● LG-CU320



● LG-F9200



● LG-VX1000



● LG-U900



● LG-S5200



● LG-U890



● LG-G832

slim UMTS (WCDMA) handset, has created sensation in the UK and Italy, making headway in the 3rd-generation mobile communications market in Europe. • Recent releases of multimedia-enhanced mobile handset upgrades have received favorable response in the United States. LG mobile handsets ranked first in 2005 consumer satisfaction ratings among overall mobile handsets in a survey by J.D. Power and Associates, a consumer product rating service organization in the United States. It was the second time after ranking first in 2003. • In 2005, the Company completed the development of the world's first 3G digital multimedia broadcasting (DMB) handset, a digital video broadcasting for handheld (DVB-H) handset, and a media forward link only (mediaFLO) handset. Incorporating UMTS(WCDMA) and high speed downlink packet

access (HSDPA) technology, it began the roll-out of new hybrids that enable UMTS(WCDMA) and HSDPA capability on 3G networks. • In pursuit of the Company vision of rising to the global top tier by 2010, the Company redoubles effort in strengthening core capabilities, research activities, and brand marketing approaches. At the same time, the business areas for 3G and GSM handsets have been expanded to seize a top position globally. Exploiting more opportunities through partnering with major mobile operators, the Company continues widening its business area with multifunctional and striking design handsets that can best suit customers' communications needs.

42" HD DVR
Built-in Plasma TV



LG ELECTRONICS

DIGITAL DISPLAY COMPANY



idea Ideas to enjoy
football even more

Not only does it revive lifelike images as if you were in the middle of the action and allows automatic recording as soon as you turn the power on, but it also allows pause and repeat of scenes in live HD broadcasting. Experience how LG's DVR plasma TV can satisfy your cravings.

In screen size, picture quality, and function, HDTV has revolutionized to unprecedented levels. In every aspect, LG's HDTV, adapting the Company's proprietary digital transmission technology and picture-quality enhancing chips, has been well positioned in the global market. As for screen size, LG's plasma TV offers size up to an enormous 102" and LCD TV up to 55, along with ultra-slim depth and wall mountable design. LG's high-end TV offers options such as wireless broadcasting service, built-in multi memory card slot and DVR which enables the TV to record automatically while away and allows compatibility with other digital devices. LG Electronics is continuously leading the industry in innovation of next-generation displays to deliver never-before viewing experiences.

The Digital Display Company has positioned itself at the global forefront in the digital display area, backed by a worldwide seamless vertically integrated manufacturing system and outstanding digital display technology. By combining advanced technology architected in TV modules, application specific integrated circuits (ASIC) solutions and picture quality, the Digital Display Company continuously keeps adding new-concept displays to its full lineups. • As a leader in the plasma TV industry, the Digital Display Company has set the standard by continuously developing the 60", 71" and 102" full HD plasma TV. The world was astonished when we launched the HD DVR Built-in Plasma TV, which enables users to pause, repeat, and record live HD broadcasting. The world was astonished again when we

succeeded in developing the wireless 50" plasma TV, capable of displaying even high definition input without any cable connection. This state-of-the-art product was awarded the 2006 Best of Innovations Award of the Consumer Electronics Association (CEA).

• As for plasma modules, the Digital Display Company developed the world's first 50" plasma single scan panel. Securing world's largest plasma TV production capacity with the full operation of A3 Plant starting in 2005, We expect to achieve the No. 1 rank in production and sales of plasma panels in 2006. • Currently, the Digital Display Company introduced the 55" full HD LCD TV and the world's first 42" HD DVR Built-in LCD TV. The 37" and 47" version of the HD DVR Built-in LCD TV is expected soon, diversifying the lineup. The announcement of the 71" and 62" full HD LCoS

● Slim LCD TV



● 32" Super Slim TV



● 32" LCD TV



● 42" Plasma TV



● Emotional LCD Monitor



projection TV also drew much attention from the world. • LG's LCD monitors represent the finest quality available in the market by incorporating the FLATRON f-Engine, an exclusive picture quality enhancing chip, and Digital Fine Contrast (DFC) technology. The fast response time, wide viewing angle, multifunctional features, sophisticated design and colors all maximize a pleasant viewing or working user environment. Like the products of Eagle Eyes harmoniously blending linear and curvilinear lines, the Company has introduced distinctive products ideally coordinating unique designs with multiple functions. The LG Emotional series, a next-generation monitor with an innovative 1600:1 contrast ratio, have received rave reviews in the global market. • The Digital Display Company introduced the world's first wall-mount projector, again

leading the market and has invested continuously on OLED, the most recognized next-generation display, increasing the production of passive matrix (PM) organic light-emitting diode. We have also stepped up research and development in other next-generation displays such as active-matrix (AM) OLED and 3D display. • With the goal of becoming the global top display company by 2010, the Digital Display Company seeks to open a new frontier in display through multimedia integrated digital TVs that provide fun and convenience, along with monitors with cutting-edge technology that provide an optimal computing environment.



● Slim LCD Monitor



● Wall-mount Projector



● 47" LCD TV



● 60" Plasma TV

DIGITAL MEDIA COMPANY



idea. Ideas Show Your Heart

Whenever you are away from your loved ones, chat face to face with them or send motion pictures to show your heart via LG multimedia notebook PCs. Stay in touch with family and friends by sending real-life like moving images or chatting face to face anytime anywhere.

With convergence of various digital devices and technical resources, the Company's mainstream digital multimedia devices complement the lives of users. Multimedia enthusiasts have been intrigued by the latest LG multimedia devices, including home theater systems featuring picturesque images with dynamic surround sound, multifunctional DVD Players and DVD Recorders and their Combos, and large-capacity optical storage products. Bundled with a PC, set-top box, surround sound system, DVD Recorder, and hard disk drive at the core, the LG AV center features them all. The speed and performance of LG Desktop and Notebook PCs have been dramatically upgraded through the adaptation of cutting-edge computing platforms. LG Notebook PCs employ the latest evolution-data only (EV-DO) wireless Internet and digital multimedia broadcasting (DMB) systems. LG telematics, added with more entertainment features, turned to function as mobile AV combos. The Company is making headway in introducing the ubiquitous world with convergence multimedia products.

Piano Black
T1 Express Dual
Notebook PC



Reflecting emerging trends in the world, LG Electronics' Digital Media Company integrates various digital devices into one with the application of its time-proven digital expertise accumulated in the audio-video and infotech areas. • The Company carried on rigorous quality controls and made a significant commercial roll-out of optical storage products ahead of others, resulting in ranking unbeatable first place in the global market for eight years consecutively. Its 16x Internal/External Super Multi DVD Rewriters, lightscribe DVD Rewriters, and Super Multi DVD Rewriters with audio-video capture released in the global market seized favorable positions. Meanwhile, the Company is gearing up for developing Blu-ray formats and other upcoming optical storage devices. • LG Home Theater Systems, rendering rich resonance surround sound,

continued taking the number one market share in the world for two years consecutively. Through converging various devices and technical resources, the Company keeps improving home theater combo systems with diversified designs, for instance, the DVD Recorder Home Theater Combo and the Home Theater System with Wall-mount Flat Panel Speakers built-in flat speakers. The LG AV center, with vibe technology applied, allows viewing PC video-audio data on TV and sound system just with a remote control. • The Company has forged global competitiveness for DVD Combos after DVD Players. Made with resource convergence, it released upgrades of the world's first Super Multi DVD Recorder, DVD Recorder with a built-in 160GB hard drive, and other varieties, while making the world's first commercial roll-out of a DVR with the built-in Microsoft's Electric Gripper (EGP). • Sales of PCs

• Home Theater System



• All-in-one Car AV Navigation



• Super Multi DVD Recorder





● Internal Super Multi DVD-RW



● External Super Multi DVD-RW



● MP3 Player



● Security System



● Dual Core Notebook PC



● DMB Notebook PC

bearing the LG brand name went into full swing and the Company launched the world's first Sonoma-platform Notebook PCs. Adding multimedia functions to various models, it has developed a series of world's first Notebook PCs. These include an EV-DO wireless Internet Notebook PC, Napa-platform Notebook PC, and DMB Notebook PC capable of receiving terrestrial digital broadcasting signals while moving. LG's new lineups released in 2006 have won many awards at the world-renowned reddot design award, testifying unrivaled design competitiveness. • As for the mobile audio-video area, the Company released new sci-fi-like MP3 Players which came with increased storage capacity and lighter weight. In partnering with global automakers, it has expanded the car infotainment business area by adding more information and entertainment functions to telematics systems while developing

audio-video telematics combo systems. LG terrestrial DMB-enabled PDAs, the world's first of its kind, made a successful debut. Recently, the Company has concentrated on security systems business on the wireless and network backbone. • Today, the Company is working to seize the global top 3 position by 2010. To this end, it is building strength to sufficiently compete in the optical storage, digital AV, and PC areas. It also refocuses on home convergence, next generation ODD, telematics and navigation devices. Grounding firmly on innovative strategies for future-oriented customer management, it will continue to turn out new-concept digital multimedia products and tap into the uncontested market.



DIGITAL APPLIANCE COMPANY



idea Ideas Make Your Day

If you are planning to cook something with your children, start with easy-to-make items like milkshakes, salads, and spaghetti. Probably your children will just dabble at the beginning, but recipes on the LG TV refrigerator will help them from preparation to garnish. LG products are created to help make your day.

An air conditioner with changeable pictures on the front, a refrigerator adorned with Swarovski crystals, a steam-powered drum washing machine offering changeable surface color panels... These selectively crafted, new-to-the-eye LG products allow customers a wide choice to suit their home interiors. With the aim of making convenient home and easy-to-use appliances which can better share housework chores, the Company introduced robot vacuum cleaners, remote-monitored washing machines showing the washing process, home network systems controlling all digital home appliances, heater-cooler air conditioners, and kebab microwave ovens. Concerns about people's wellbeing resulted in the release of cyclone vacuum cleaners filtering bacteria, refrigerators providing green tea-ion cooling and antibacterial nano features, and air purifiers with a platinum-nano filter that even prevents new-house syndrome. The Company works to deliver 'Life's Good' products to many homes.

LG Electronics' Digital Appliance Company has made its name in the global market with top-shelf home appliances and digital-information home appliances. The Company has made an entry into 160 countries to date, backed by its extensive global production systems and excellence in technology and product quality. LG home appliances, with multifunctional, beautiful design, and eco-friendly features, have been endorsed by a wide range of customers worldwide. • In 2005, LG air conditioners were all-time bestsellers for the sixth consecutive year, and microwave ovens were first-time bestsellers in the global market. Particularly noteworthy is that high-end LG products have shown runaway sales. LG side-by-side refrigerators, drum washing machines, and premium air conditioners have become popular top-shelf items in North America, Latin America,

and Europe. • In the global air conditioner market, upgrades of customized LG air conditioning systems are continuing the Company's established name. With the adaptation of the latest coolants, the Company repositioned the health-concept MPS inverter air conditioners, multi-V super air conditioners, and multi-V super air purifiers. Steadily turning its eco-friendly technology, production capacity, and marketing capability into high-quality products, the Company is striding toward seizing the No. 1 position in the world. • The washing machine business is well underway worldwide, especially premium washing machines. Last year the Company launched the world's first steam-powered drum washing machine. The 2006 upgrade LG 15kg steam-powered drum washing machine was released to offer the world's largest capacity of its kind. In particular, this upgrade came with changeable surface

• Swarovski-crystal Refrigerator



• Steam VC



• Roboking VC



color panels to give users a color option. • As for refrigerators, the Company has introduced diverse premium products. These include a built-in TV refrigerator, linear-compressor refrigerator, 3 Door Bottom Friger refrigerator, Swarovski-crystal refrigerator, thrifty-concept refrigerator, and wine cellar refrigerator. • Among cooking devices, the LG light wave microwave oven shows growing popularity. Reflecting the needs of people in different countries, the Company has deployed localized microwave ovens. Following up on the toaster microwave oven and coffee maker microwave oven, it is spurring development of convergence cooking products. • The Company repositioned the cyclone-type vacuum cleaner, anti-bacterial vacuum cleaner with improved suction power and sanitary feature, and 2nd-generation robot vacuum cleaner with extended battery hour. • As kitchen interior design goes to tailored

trends, the Company provides LG kitchen systems with tailored dishwashers, light wave microwave ovens, refrigerators, wine cellars, and so on. The world's first rollout of LG Home Net, a home networking system, is now available in the market at home and abroad. Meanwhile, it is expanding the global lighting market with a non-electrode plasma lighting system (PLS). • Aiming at becoming the global top player, the Company is creating innovation-concept home appliances to specifically meet the new needs of customers through exploring untapped areas. With remarkably easy-to-use and simply intuitive products, the Company wants to deliver the convenience and luxury people dream of in their lives.



• New Art cool Air Conditioner



• Light Wave Oven SolarDOM



• Steam-powered Drum W/M



• TV Refrigerator

Shared Benefits, Shared Future

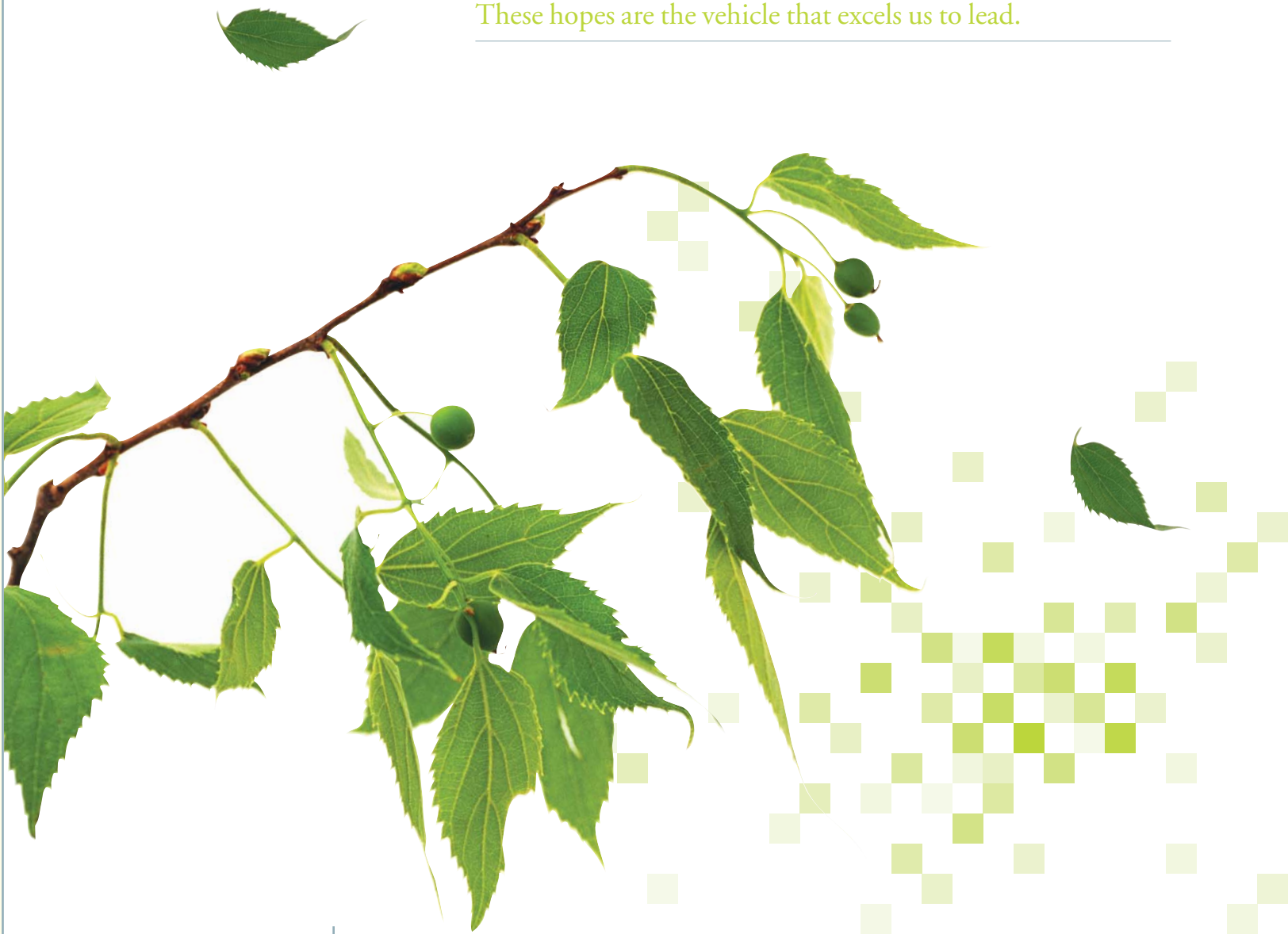
We hope for mother nature become greener and cleaner.

We hope brightness shines throughout society.

We hope smiles spread from face to face.

These hopes are the fuel that moves us forward.

These hopes are the vehicle that excels us to lead.



Healthful Life in a Beautiful Environment



Since 1994 when we announced the LG Declaration for a Cleaner Environment as a first in Korea, our commitment to the environmental preservation, social responsibility, efficient use of natural resources, has been evident in various ways.

- Looking with a whole new view of economic, environmental, and social aspects, in 2003 we revised our environmental management standards to a higher degree by integrating environmental, energy, safety, and health management. We have strictly followed the enhanced standards, hoping to facilitate sustainability in every area.
- We have focused on developing eco-friendly technology and products. Aiming at producing eco-friendly products, we banned the use of mercury, cadmium, and other hazardous substances in all products as a world's first (2005), and have adapted Pb-free soldering to all products to comply with the EU Restriction of Hazardous Substances (RoHS) Directive.
- The implementation of revised recovery and treatment systems has increased the recovery rate of recyclable parts from waste products. As part of extended responsibility, we encourage partnering companies to acquire environmental certificates. Currently, our environmental protection standards have been reinforced to effectively comply with the EU RoHS Directive. The US-based Underwriters Laboratories Incorporated (UL), in appreciation of our eco-conscious practices, designated us a model company for hazardous substance testing.
- We continue to diversify eco-products. Current examples include a customized air conditioning system adopting the eco-friendly coolant and high-efficient inverter system, a side-by-side refrigerator adopting the next-generation coolant and highly power-saving linear compressor, and the notebook PC which is compliant RoHS.

* UL : Underwriters Laboratories

Eco-products



Notebook PC
RoHS compliant product



Plasma TV
Pb-free soldering is adapted to all LG products.



Washing Machine
High energy-efficient and low-noise features with the application of anti-bacterial, nano-silver technology



Refrigerator
Application of eco-friendly refrigerant and pollution-free foam

Aiming to achieve zero Ozone-Depleting Potential(ODP) and Global Warming Potential (GWP) values



Mobile Phone
The Environmental Declaration of Product(EDP) certificate acquired in 2004



Air Conditioner
Products using eco-friendly refrigerant

Warmth Shared through Volunteer Activities

At LG Electronics, our corporate commitment to shaping a bright and warm society has been put into practice through various activities. We have steadily raised Social Contribution Funds and launched the LG Social Volunteer Corps. The Code of Social Contribution implemented in 2005 laid us a firmer ground to direct our social volunteer activities.

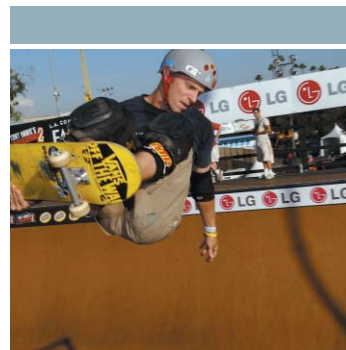
- All employees have participated in raising Labor-management Social Care Funds providing new houses to the needy, the free meal program for the homeless, and briquette supply and vegetable Kimchi making for those on the fringes of society. We have provided a wide range of volunteer activities for the disabled, including 'LG Wings of Information', a computer education program for the seriously disabled. We also carry on Beautiful Saturday Bazar, Goodwill Blood Donation, and support for children suffering from life-threatening diseases.
- As for youth volunteer activities, we provide the open-to-all LG Electronics Junior Science Class. We operate the LG Visiting Electronic Class, mobilizing a king-size truck loaded with lab equipment. The class visits remote locations and orphanages to present intriguing electronic shows and hands-on laboratory programs. We provide funds for junior and high school students of financially-stricken families to buy their uniforms, and through our industrial Manpower Scholarship, we help vocational high school students.
- Overseas, we have also carried out various volunteer activities. These include the 'I Love China' campaign, the anti-narcotics campaign in East Asian countries, and free eyesight recovery operations. In the Middle East and Africa, we have continued free surgical operations for children with congenital harelips and cleft palates. We established a vocational school for children of the needy in Latin America, have provided youth scholarships in Europe, and donated up-to-date digital products to the Russia National Library.
- We hold or sponsor broadcasting and other cultural events, each designed to suit the cultural traits of individual countries. The quiz programs LG supporting themed on stimulating student learning, has been aired through major broadcasters in Russia, Morocco, China, and Taiwan, and has gained favorable response in



each country. In China and Russia, we offer LG Festival, a culture-themed road tour designed to present cultural events to residents of small cities. Our Korea Film Festival held in Kazakhstan was well received among regional moviegoers. • In addition, we sponsored a charity music concert in Czech, millennium concert in Spain, and cultural exchange programs in France and the UK, while playing an official sponsor for the 2005 MTV Europe Music Awards. •

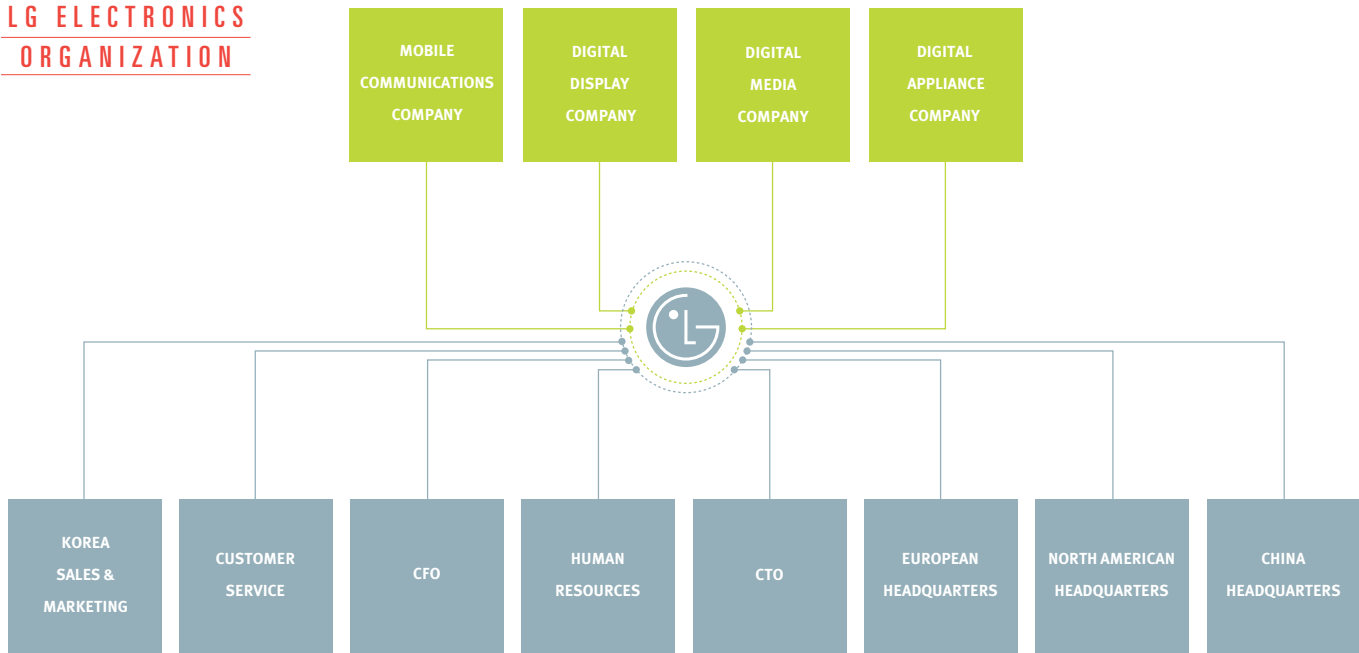
Power of Joys and Vigor

Sports events have special power in unifying people through shared experiences. It is this motivation that has led LG Electronics to enthusiastically support various sporting events throughout the world. • The LG Cup Soccer Tournament we have hosted since 1997 became one of our most powerful brand marketing approaches. It has become broadly popular, attracting a growing number of fans and strong soccer teams from all over the world. • In 2005, we were an official partner for European and Latin American preliminary games for the FIFA World Cup Germany 2006. In the Middle East, we held the 2005 LG Soccer Game for Peace. We supported, as official partner, for the Amsterdam Tournament and the Africa Nations Cup. • We also continue supporting national soccer teams of Germany, Greece, Hungary, Russia, and Republic of South Africa and famous professional soccer teams including Sao Paulo FC (Brazil), Liverpool (UK), Olympic Lyon (France), and Cienciano (Peru). • Our passion also goes to other sports arenas. We have sponsored the Cricket World Cup and LG International Action Sports Championship. As of 2006, we support the European Ice Hockey Tournament as an official partner.



FACTS & FIGURES

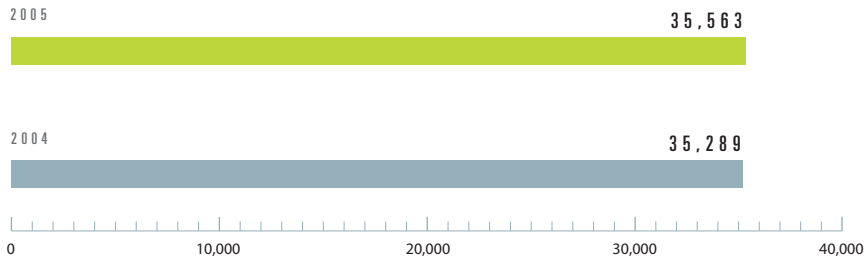
LG ELECTRONICS ORGANIZATION



MID-TERM STRATEGIES

	BUSINESS GOAL	STRATEGIES
MC	Growth / Business fostered with profit leveraging products	Bestselling products created through intensifying research capabilities and high-end design
DD	A dominant leader in DTV and plasma TV markets	Strength enhanced by combining proprietary resources for modules, chips, and total software solutions
DM	Continually maintaining the industry's highest profitability	Advanced market / Value-focused growth with premium products
DA	Coping with the digital convergence trends	Opportunities expanding from home appliances to mobile and car units

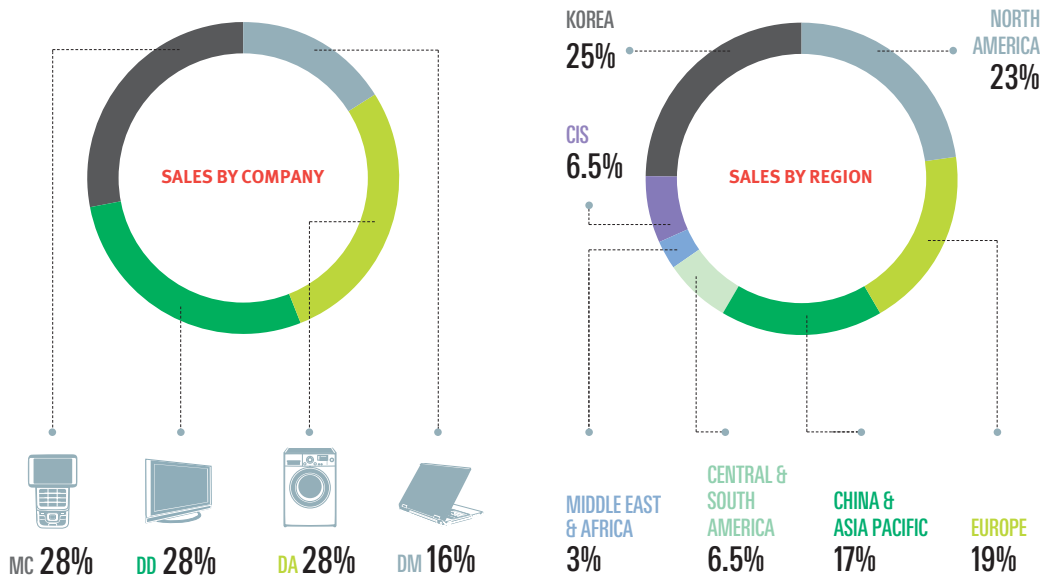
SALES



* Global revenue refers to the total revenue of the global subsidiaries' account excluding internal transactions

in billions of Korean won

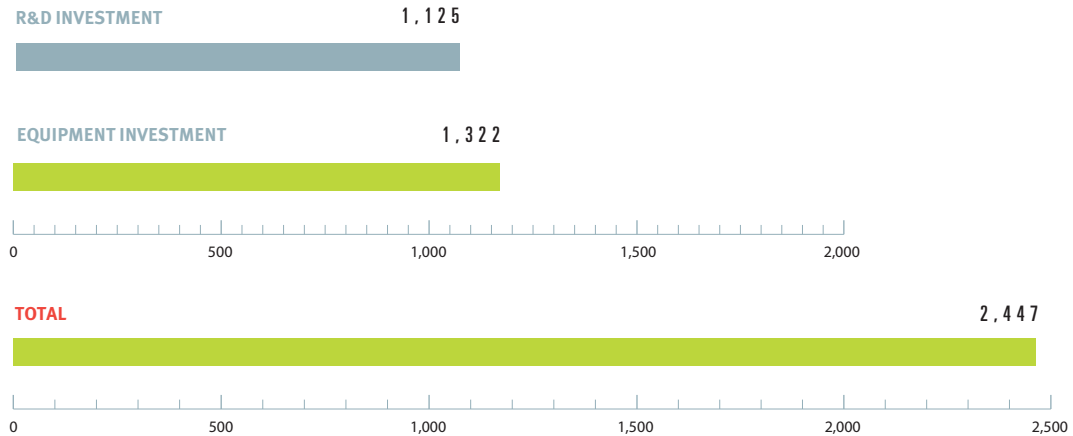
SALES BY COMPANY
•
SALES BY REGION



* Global revenue refers to the total revenue of the global subsidiaries' account excluding internal transactions

as of 2005

INVESTMENT

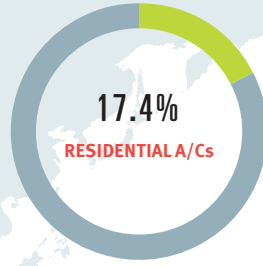
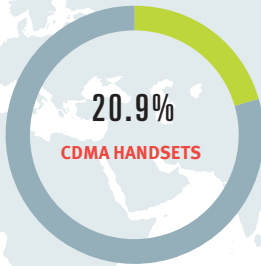
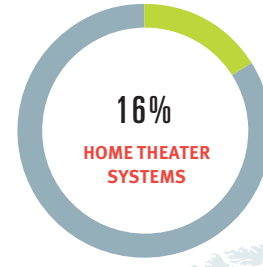
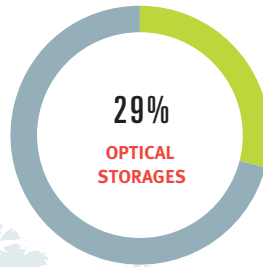


* as of 2005
in billions of Korean won

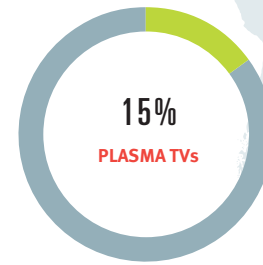
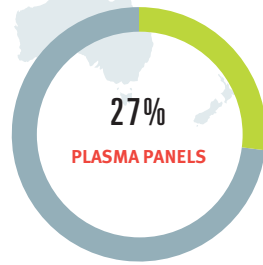
GLOBAL
TOP
SELLERS

*
as of 2005

NO. 1



NO. 2



EMPLOYEES

*
as of March 2006

OVERSEAS



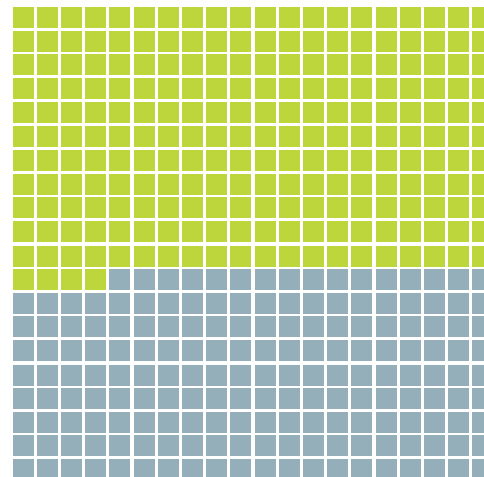
40,689

KOREA



31,415

56.4%

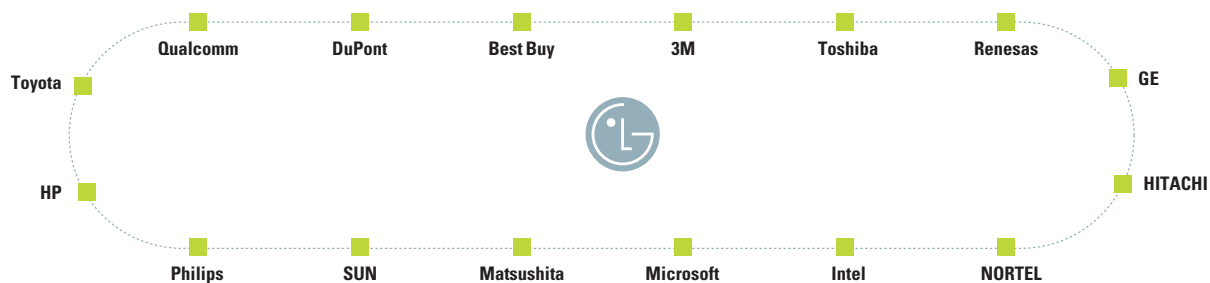


43.6%

GLOBAL PRODUCTION NETWORK

REGION	COUNTRY	CITY	WORLDWIDE OPERATIONS	PRODUCTS
AMERICAS	MEXICO	MEXICALLI	LGEMX	MNT, LCD TV, CDMA PHONE, GSM PHONE
	MEXICO	REYNOSA	LGERS	TV
	MEXICO	MONTERREY	LGEMM	REF
	BRAZIL	MANAUS	LGEAZ	CTV, VCR, DVD, A/C
	BRAZIL	TAUBATE	LGESP	MNT, CELLULAR, CDR
EUROPE	UNITED KINGDOM	WALES	LGewa	MNT
	POLAND	MLAWA	LGEMA	TV
MIDDLE EAST	EGYPT	CAIRO	LGEEG	DY, FBT, TUNOR
	TURKEY	ISTANBUL	LGEAT	A/C
ASIA	INDIA	NEWDELHI	LGEIL	TV, REF, WM, A/C, MWO, MNT
	INDONESIA	JAKARTA	LGEIN	TV, REF, A/C, VCR, MNT
	THAILAND	BANGKOK	LGETH	RAC, WM
	THAILAND	BANGKOK	LGEMT	TV
	VIETNAM	HANOI	LGEVN	TV, MNT, DAV, DS, GSM
CHINA	CHINA	TAIZHOU	LGETR	REF, REF-COMP
	CHINA	HANGZHOU	LGEHN	DRM
	CHINA	HUIZHOU	LGEHZ	DS, DAV
	CHINA	NANJING	LGENT	MNT
	CHINA	NANJING	LGEPN	WM
	CHINA	NANJING	LGENP	DTV, PDP
	CHINA	QINHUANGDAO	LGEQH	CAST
	CHINA	SHANGHAI	LGESH	DAV
	CHINA	SHENYANG	LGESY	TV
	CHINA	TIANJIN	LGETA	MWO, RAC, MOTOR, MGT, VC, RO COMP
	CHINA	YANTAI	LGEYT	CDMA PHONE
	CHINA	KUNSHAN	LGEKS	PC
	CHINA	QINGDAO	LGEQD	GSM PHONE
	CIS	KAZAKSTAN	ALMATY	LGEAK
RUSIA		MOSCOW	LGERA	REF, WM, TV, Audio

STRATEGIC ALLIANCES





EUROPE

LGEMF	LG Electronics Mobilecomm France
LGewa	LG Electronics Wales Ltd.
LGEMA	LG Electronics Mława Sp.Z.O.O.
LGUK	LG Electronics United Kingdom Ltd.
LGFE	LG Electronics France S.A.R.L.
LGEDG	LG Electronics Deutschland GmbH
LGES	LG Electronics Italia S.P.A.
LGEMK	LG Electronics Magyar KFT
LGEP	LG Electronics Polska Sp.Z.O.O.
LGES	LG Electronics Espana S.A.
LGESW	LG Electronics Nordica AB
LGEP	LG Electronics Portugal S.A.
LGES	LG Electronics Hellas S.A.
LGAL	LG Electronics Antwerp Logistic N.V.
LGECZ	LG Electronics CZECH S.R.O
LGRO	LG Electronics Romania S.R.L.
LGAG	LG Electronics Austria GMBH
LGEE	LG Electronics European Holdings B.V.
LGEB	LG Electronics Benelux
LGEL	LG Electronics European Logistics & Services B.V.
LGES	LG Electronics European Shared Service Center B.V.

CIS

LGAK	LG Electronics Almaty Kazakstan
LGRI	LG Alina Electronics
LGUR	LG Electronics Ukraine Inc.
LGRA	LG Electronics Russia. LLC
LGEM	LG Electronics RUS-Marketing, LLC

MIDDLE EAST AND AFRICA

LGEE	LG Electronics Egypt S.A.E.
LGEE	LG Electronics Egypt Cairo S.A.E.
LGEG	LG Electronics Gulf FZE
LGAT	Arcelik-LG Klima Sanayi ve Ticaret A.S.
LGSA	LG Electronics S.A. (Pty) Ltd.
LGMC	LG Electronics Morocco S.A.R.L.
LGEM	LG Electronics Middle East Co., Ltd.
LGNI	LG Electronics Nigeria Ltd.
LGOT	LG Electronics Overseas Trading FZE

CHINA

LGCH	China Holding Company
LGES	LG Electronics Shenyang Inc.
LGNT	LG Tontru Color Display System Co., Ltd.
LGEP	Nanjing LG-Panda Appliances Co., Ltd.
LGTA	LG Electronics Tianjin Appliances Co., Ltd.
LGQH	LG Electronics Qinhuangdao Inc.
LGSH	Shanghai LG Electronics Co., Ltd.
LGHZ	LG Electronics Huizhou Ltd.
LGHK	LG Electronics HK Ltd.
LGTY	Langchao LG Digital Mobile Communication Co., Ltd.
LGES	LG Electronics (Kunshan) Computer Co., Ltd.
LGPN	LG Electronics (Nanjing) Plasma Co., Ltd.
LGOD	Qingdao LG Langchao Digital Communication Co., Ltd.
LGTR	LG Electronics (Taizhou) Refrigeration Co., Ltd.
LGHN	LG Electronics Nature (Hangzhou) Recording Media Co., Ltd.

ASIA

LGIN	P.T.LG Electronics Indonesia
LGPH	LG Electronics Philippine Inc.
LGVN	LG Electronics Vietnam Co., Ltd.
LGTH	LG Electronics Thailand Co., Ltd.
LGEM	LG Mitr Electronics Co., Ltd.
LGAP	LG Electronics Australia Pty, Ltd.
LGTT	LG Electronics Taiwan Taipei Co., Ltd.
LGML	LG Electronics Malaysia SDN. BHD
LGSL	LG Electronics Singapore Pte, Ltd.
LGJP	LG Electronics Japan, Inc.
LGIL	LG Electronics India Pvt. Ltd.
LGSI	LG Soft India Pvt. Ltd.

NORTH AMERICA

LGEM	LG Electronics Mobilecomm U.S.A., Inc.
LGAI	LG Electronics Alabama Inc.
LGUS	LG Electronics U.S.A.
LGCI	LG Electronics Canada, Inc.
ZENITH	Zenith Electronics Corporation
LGEM	LG Electronics Mexicali S.A.DE C.V.
LGMS	LG Electronics Mexico S.A.DE C.V.
LGERS	LG Electronics Reynosa Inc.
LGEM	LG Electronics Mexico Monterrey S.A.DE C.V.

CENTRAL & SOUTH AMERICA

LGES	LG Electronics de Sao Paulo Ltda.
LGAA	LG Electronics da Amazonia Ltda.
LGPS	LG Electronics Panama S.A.
LGPR	LG Electronics Peru S.A.
LGCB	LG Electronics Colombia Ltda.
LGCL	LG Electronics Inc. Chile Ltda.



GLOBAL NETWORK

MANAGEMENT



S.S. Kim
Vice Chairman
CEO



Mun-Hwa Park
President
Head of Mobile Communications Company



Young-Ha Lee
President
Head of Digital Appliance Company



Sang-Han Yoon
Executive Vice President
Head of Digital Display Company



B.B. Hwang
Executive Vice President
Head of Digital Media Company



Hee-Gook Lee
President
CTO



Young-Soo Kwon
President
CFO



Jong-Eun Kim
President
Head of European Headquarters



Nam K. Woo
President
Head of China Headquarters



Kwang-Ro Kim
President
Head of South West Asian Headquarters



Myeong-Kyu Ahn
President
Head of North American Headquarters

BOARD OF DIRECTORS

Directors	<p>S.S. Kim Vice Chairman CEO</p>	<p>Young-Soo Kwon President CFO</p>	<p>Yu-Sig Kang Vice Chairman LG Corp.</p>	
Outside Directors	<p>Suk-Jean Kang Chairman CEO Consulting Group</p>	<p>Il-Sup Kim Managing Partner Dasan Accounting Corp.</p>	<p>Nyum Jin Professor Sogang University</p>	<p>Sung-Won Hong President Jeollanamdo Innovation Agency for Strategic Industry</p>

FINANCIAL STATEMENTS

LG ELECTRONICS INC.
NON-CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004

(in millions of Korean won)	2005	2004
Assets		
Current assets		
Cash and cash equivalents	₩ 581,264	₩ 648,416
Short-term investments	-	89,501
Trade accounts and notes receivable, net	1,397,815	999,023
Inventories, net	1,408,333	1,675,031
Other accounts receivable, net	260,186	544,885
Prepaid expenses	69,640	40,116
Accrued income, net	51,065	12,751
Advances, net	46,148	46,650
Deferred income tax assets	161,824	-
Derivatives transaction debit	4,748	51,475
Other current assets, net	4,140	2,795
Total current assets	3,985,163	4,110,643
Property, plant and equipment, net	4,150,304	3,629,549
Long-term financial instruments	18,945	17,961
Long-term investment securities	54,363	65,234
Equity method investment securities	4,681,306	4,096,263
Refundable deposits	390,629	380,128
Long-term prepaid expenses	232,794	141,459
Deferred income tax assets	-	104,765
Long-term loans receivable, net	98,878	52,305
Intangible assets, net	419,672	635,532
Derivatives transaction debit	4,386	-
Other long-term assets	-	402
Total assets	₩ 14,036,440	₩ 13,234,241

LG ELECTRONICS INC.
NON-CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004

(in millions of Korean won)	2005	2004
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings	₩ 12,853	₩ 209,890
Current maturities of long-term debts	1,129,434	646,783
Trade accounts and notes payable	1,794,114	1,758,233
Other accounts payable	1,101,399	1,118,603
Income taxes payable	21,971	9,119
Accrued expenses	885,284	993,225
Withholdings	7,727	19,110
Unearned income	40,492	1,644
Advances from customers	213,837	200,150
Derivatives transaction credit	1,159	2,066
Other current liabilities, net	76	-
Total current liabilities	5,208,346	4,958,823
Debtures and convertible bonds, net of current maturities and discounts on debtures	1,513,601	2,593,616
Long-term debts, net of current maturities	642,076	286,655
Accrued severance benefits, net	240,853	233,246
Product warranty reserve	112,499	145,657
Deferred income tax liabilities	102,894	-
Derivatives transaction credit	2,842	-
Other long-term liabilities	50,686	77
Total liabilities	7,873,797	8,218,074
Shareholders' equity		
Capital stock	800,226	783,961
Capital surplus	2,107,259	1,907,543
Retained earnings	2,511,378	2,063,631
Capital adjustments	743,780	261,032
Total shareholders' equity	6,162,643	5,016,167
Total liabilities and shareholders' equity	₩ 14,036,440	₩ 13,234,241

LG ELECTRONICS INC.
NON-CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2005 AND 2004

(in millions of Korean won)	2005	2004
Sales	₩ 23,774,151	₩ 24,659,317
Cost of sales	17,663,551	18,735,848
Gross profit	6,110,600	5,923,469
Selling and administrative expenses	5,195,960	4,673,735
Operating income	914,640	1,249,734
Non-operating income		
Interest income	56,595	77,140
Gain on valuation of securities using the equity method	516,588	764,917
Foreign exchange gains	313,365	408,093
Refund of income taxes	38,828	64,475
Gain on valuation of derivatives	9,134	54,716
Gain on disposal of investment securities	48,713	46,955
Gain on settlement of derivatives	39,369	38,367
Reversal of allowance for doubtful accounts	7,487	33,860
Rent income	21,020	14,059
Dividend income	1,073	7,645
Gain on disposal of property, plant and equipment	3,895	7,587
Gain on business transfer	28,607	-
Others	49,271	91,813
	1,133,945	1,609,627
Non-operating expenses		
Interest expense	200,275	198,761
Foreign exchange losses	252,227	284,301
Loss from transfer of trade accounts and notes receivable	135,035	120,252
Loss from disposal of property, plant and equipment	33,894	113,855
Loss from disposal of investment securities	7,486	72,286
Loss on impairment of investment securities	1,893	62,228
Loss on impairment of intangible assets	89,031	38,105
Additional payment of income taxes	7,995	20,490
Loss on settlement of derivatives	36,036	12,716
Donations	13,742	10,352
Loss on valuation of derivatives	4,001	3,623
Other bad debt expense	4	124
Loss on redemption of debentures	8,238	-

Loss on payment guarantees	50,650	-
Loss on valuation of securities using the equity method	360,411	-
Others	106,276	62,142
	1,307,194	999,235
Income before income taxes	741,391	1,860,126
Income tax expense	38,590	314,172
Net income	₩ 702,801	₩ 1,545,954
Earnings per share and ordinary income per share (in won)	₩ 4,407	₩ 9,890
Diluted earnings per share and		
diluted ordinary income per share (in won)	₩ 4,357	₩ 9,517

LG ELECTRONICS INC. NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS YEARS ENDED DECEMBER 31, 2005 AND 2004

(Dates of Appropriations: March 10, 2006 and March 11, 2005 for the years ended December 31, 2005 and 2004, respectively)

(in millions of Korean won)	2005	2004
Retained earnings before appropriations		
Unappropriated retained earnings carried over from prior year	₩ 121	₩ 60
Cumulative effect of change in accounting principle	3,308	-
Changes in retained earnings arising from		
equity method accounting	(23,511)	(51,757)
Net income	702,801	1,545,954
	682,719	1,494,257
Transfer from voluntary reserve		
Reserve for research and manpower development	1,742,000	506,200
	2,424,719	2,000,457
Appropriations of retained earnings		
Legal reserve	19,996	23,485
Reserve for research and manpower development	2,204,668	1,742,000
Cash dividends	199,956	234,851
	2,424,620	2,000,336
Unappropriated retained earnings to be carried forward to subsequent year	₩ 99	₩ 121

LG ELECTRONICS INC.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004

(in millions of Korean won)	2005	2004
Cash flows from operating activities		
Net income	₩ 702,801	₩ 1,545,954
Adjustments to reconcile net income to net cash provided		
by operating activities		
Depreciation	645,683	458,959
Amortization	165,650	208,407
Amortization of discounts on debentures	39,270	31,399
Provision for severance benefits	190,375	173,582
Loss from transfer of trade accounts and notes receivable	135,035	120,252
Bad debt expense	4	124
Gain on foreign currency translation, net	(60,020)	(81,117)
Loss (gain) from disposal of investment securities, net	(41,227)	25,331
Loss on impairment of investment securities	1,893	62,228
Loss from disposal of property, plant and equipment, net	29,999	106,268
Loss on impairment of intangible assets	89,031	38,105
Gain on valuation of securities using the equity method	(156,177)	(764,917)
Gain on valuation of derivatives, net	(5,133)	(51,093)
Gain on settlement of derivatives, net	(3,333)	(25,651)
Provision for product warranty	43,377	61,675
Loss on payment guarantees	50,650	-
Loss on redemption of debentures	8,238	-
Reversal of accounts receivables	(7,487)	(33,860)
Others	1,945	(781)
	1,127,773	328,911
Changes in operating assets and liabilities		
Increase in trade accounts and notes receivable	(678,458)	(116,794)
Decrease (increase) in other accounts receivable	257,261	(110,657)
Decrease (increase) in accrued income	(39,288)	163,774
Decrease (increase) in advances	622	(18,677)
Decrease in other current assets	142	20
Decrease (increase) in inventories	267,168	(170,868)
Decrease (increase) in prepaid expenses	(29,967)	843
Increase in long-term prepaid expenses	(95,095)	(56,033)
Decrease (increase) in deferred income tax assets	(55,856)	185,962
Increase (decrease) in trade accounts and notes payable	13,662	(19,581)

Increase (decrease) in other accounts payable	(5,464)	20,225
Increase (decrease) in accrued expenses	(123,959)	385,027
Decrease in withholdings	(13,110)	(11,865)
Increase in advances from customers	14,273	83,661
Decrease in income taxes payable	(64,326)	(39,642)
Payment of severance benefits	(156,161)	(109,117)
Increase in severance insurance deposits	(22,151)	(27,024)
Decrease in contribution to the National Pension Fund	3,104	3,066
Increase in deferred income tax liabilities	95,985	-
Reversal of product warranty	(68,468)	-
Dividend received	17,421	-
Others	(550)	1,608
	(683,215)	163,928
Net cash provided by operating activities	1,147,359	2,038,793
Cash flows from investing activities		
Disposal of short-term financial instruments	-	40,732
Disposal of short-term investments assets	111,876	-
Increase in short-term and long-term loans, net	(49,828)	(26,397)
Acquisition of long-term financial instruments	(1,166)	(8,338)
Proceeds from disposal of investment securities	488,411	304,471
Acquisition of investment securities	(235,724)	(864,922)
Payment of refundable deposits	(8,846)	(53,888)
Proceeds from disposal of property, plant and equipment	104,013	41,374
Proceeds from disposal of intangible assets	58,179	1,395
Proceeds from disposal of derivatives	90,844	25,923
Acquisition of property, plant and equipment	(1,314,944)	(1,113,433)
Acquisition of intangible assets	(148,893)	(47,215)
Purchase of derivatives	(38,102)	(7,794)
Increase from merger	34,575	-
Increase from business transfer	151,163	-
Others	412	(402)
Net cash used in investing activities	(758,030)	(1,708,494)

Cash flows from financing activities

Proceeds from short-term borrowings	40,000	-
Repayment of short-term borrowings	(236,877)	(179,243)
Repayment of current maturities of long-term debt	(649,140)	(989,580)
Proceeds from issuance of debentures	602,258	906,581
Proceeds from long-term debt	482,938	275,120
Repayment of debentures	(462,937)	-
Payment of dividends	(234,851)	(196,634)
Proceeds from disposal of treasury stock	2,128	11,318
Acquisition of treasury stock	-	(46,298)
Net cash used in financing activities	(456,481)	(218,736)
Net increase (decrease) in cash and cash equivalents	(67,152)	111,563
Cash and cash equivalents		
Beginning of the year	648,416	536,853
End of the year	₩ 581,264	₩ 648,416

MILESTONES

1958	• GoldStar (today's LG Electronics) established	2001	• Asynchronous IMT-2000 equipment commercialized
1959	• Korea's first radio produced		• The world's first Internet-enabled washing machine, air conditioner, and microwave oven launched
1962	• Radio exported to the US and Hong Kong as Korea's first		• LG.Philips Displays, a joint venture with Philips established
1965	• Korea's first refrigerator produced	2002	• Under the LG Holding Company system, the Company spun off to LG Electronics (LGE) & LG Electronics Investment (LGEI)
1966	• Korea's first black & white TV produced		• The first home network system commercialized in the global market
1968	• Korea's first air conditioner produced	2003	• World's first synchronous-asynchronous IMT-2000 mobile phone developed
1969	• Korea's first washing machine produced		• The world's first 76 inch Plasma TV developed
1974	• GoldStar Communications went public		• CDMA mobile handsets took the largest share in the US & world CDMA market
1977	• Color TV produced	2004	• EVSB, the next-generation DTV transmission technology chosen to be the US/Canada DTV transmission standard by the US ATSC
1978	• Exports surpassed US\$100 million as Korea's first in the electronics industry		• All-in-one LG 55 inch LCD TV, the world's first and largest among LCD TVs, commercialized
1980	• First EU sales subsidiary in Germany (LGEWG) established		• The world's largest and first LG 71 inch Plasma TV commercialized
1982	• Color TV plant in Huntsville in the US established		• The world's first terrestrial DMB phone developed
1984	• Sales surpassed US\$1 trillion Won	2005	• The world's first DMB notebook commercialized
1986	• European-standard VCR plant in Germany established		• The world's slimmest TV commercialized
1989	• Sales subsidiary and a joint production subsidiary in Thailand established		• The world's largest 102 inch Plasma TV developed
1990	• Ireland-based design technology center established		• LG and Nortel Networks agreed to establish a joint venture for telecommunication network equipment
1993	• With the establishment of Huizhou subsidiary in China(LGEHZ), marketing in China took full swing		• Satellite-based DMB phone commercialized
1995	• Company name changed to LG Electronics and the US-based Zenith acquired		• The largest share seized in the global CDMA market
1997	• 40 inch plasma TV and the world's first IC set for DTVs developed		
	• India production subsidiary (LGEIL) established		
1998	• World's first 60 inch plasma TV developed		
1999	• LG.Philips LCD established		
2000	• LG Information & Communications merged		
	• The world's first Internet-enabled refrigerator launched		
	• Global sales of refrigerators reached the number one position		

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